Video Virtualization Engine™

LINIUS TECHNOLOGIES LIMITED

ACN 149 796 332

ANNUAL REPORT

2023

LINIUS TECHNOLOGIES LIMITED

ANNUAL REPORT 2023

CONTENTS PAGE

CORPORATE DIRECTORY	2
CHAIRMAN'S LETTER TO SHAREHOLDERS	3-4
CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS	5-15
DIRECTORS' REPORT	16-31
CORPORATE GOVERNANCE STATEMENT	31
AUDITOR'S INDEPENDENCE DECLARATION	32
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	33
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	34
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	35
CONSOLIDATED STATEMENT OF CASH FLOWS	36
NOTES TO THE FINANCIAL REPORT	37-70
DIRECTORS' DECLARATION	71
INDEPENDENT AUDITOR'S REPORT	72-77
ADDITIONAL INFORMATION FOR LISTED COMPANIES	78-79

CORPORATE DIRECTORY

This annual report covers Linius Technologies Limited and its controlled entities (the “Group” or “Group”) during the year ended 30 June 2023. The presentation currency of the Group is Australian dollars.

OFFICERS	Gerard Bongiorno	(Non-Executive Chairman)
	James Brennan	Executive Director and CEO
	Stephen McGovern	(Non-Executive Director) resigned 15 July 2023
	John Wallace	(Non-Executive Director)
	Barry McNeill	(Non-Executive Director) appointed 19 June 2023
	Giuseppe Rinarelli	(Company Secretary and CFO)
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ASX CODE	LNU	

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,
On behalf of your board of directors, I am pleased to enclose the Annual Report of Linius Technologies Limited for the financial year ended 30 June 2023.

2023 saw our strategy of targeting the sports sector gain significant momentum. The company achieved record financial results with YoY billings rising to $487,000 and customer cash receipts rising 82% to $496,000.

The company's rate of new customer acquisition has increased and we were very pleased to welcome flagship clients such as IMG, Cricket Australia and Inverleigh Media during the year. These clients clearly demonstrate that the Linius Media Solutions product suite has a valuable proposition in the market place, satisfying a clear and growing need from sports organisations and broadcaster service providers to monetise their 'post live' video content.

All clients are reporting cost efficiency gains and new profitable revenues from our products. With tier 1 global brands now on our roster providing quality case studies we expect the new business momentum to continue to grow. During the year the company also significantly reduced its cost base as we rationalise our target markets as the products matured. As a result, the company achieved a 54% reduction in net cash outflow from operating activities when compared to 2022.

It should be noted that there is significant contracted annual recurring revenue (ARR) from new client wins in 2023 yet to flow, meaning the company's run rate position is significantly better than the numbers reported here. Additionally, we have now formally entered the lucrative US sports market for the first time with Hockey Tech Partners signing up with the group in July 2023.

During 2023 we have carefully raised funds where required, successfully backing operations to deliver the growth at each turn. We thank Linius investors for their continued support and patience as our company accelerates its growth on the path to profitability. Taking the above into account 2023 proved to be a pivotal year on our path to profitability.

We have a unique product suite that answers a clear need in our target markets. Linius Media Solutions has proven that it delivers on the key objective of every sports federation and broadcaster – it makes fans/viewers watch more of their sport and it does this whilst reducing our clients operating expenditure by making new video content easier to produce AND increases their revenues through such avenues as advertising, subscription, ticket and merchandise sales. It is proving to be a very powerful proposition and with more blue chip clients now benefiting from and advocating our solutions, we expect to see continued growth in 2024 and beyond.

In November 2022, we announced the appointment of new Director Barry McNeill to the board, which took effect in June 2023. Barry brings tremendous experience and expertise in the sports market to the company, having led multiple sport-tech companies through rapid growth phases as CEO at Catapult Sports (ASX:CAT) and Prozone. His contributions are already evident and will play a critical part in our growth, particularly as we expand into the US market. To accommodate Mr McNeill's appointment, Steve McGovern announced his retirement from the Board effective 15 July 2023. I thank Steve for his dedication and commitment over the past 5 years.

I present to you the report on Linius and its controlled entities for the 30 June 2023 financial year.

Gerard Bongiorno
Non-Executive Chairman
15 September 2023

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Dear Shareholders,

On behalf of your board of directors, I am pleased to enclose the Annual Report of Linius Technologies Limited for the financial year ended 30 June 2023.

<u>Summary</u>

The 2023 financial year has been transformational for Linius, and I am excited by the progress made. We validated our technology, solutions, and go-to-market strategy, with a focus on sports archives. We won key commercial contracts with some of the world's leading sports and have proven the value of our solutions whilst providing immediate credibility and validation to the market. Linius now support customers and content across 15 sports from over 40 sports federations in all 3 of our target geographies - US, Europe, and Asia. We have launched foundational new products and refined our solution strategy to meet market demand. We have significant momentum in the market with more, larger opportunities than ever. Most importantly, we delivered record financial performance and are on track to deliver continued strong growth in the year ahead.

We executed our strategy to expand commercial deals in the Sports archive market segment, making significant progress in new customer acquisition. We closed deals with Cricket Australia, the A-Leagues, Inverleigh Media, and IMG Replay – one of the largest sports archives in the world. In July 2023, just after the financial year close, we announced our first customer in the US with Hockey Technology Partners for leading US ice hockey federations.

These new customers added important validation for Linius solutions, particularly Linius Whizzard, in the market. Cricket Australia is not only the leading sport in Australia, but also a globally recognized brand with 1.2 billion fans worldwide. Their confidence in using Whizzard to unlock the value of their 50+ year archive was a major catalyst for growth this year. Inverleigh Media, a global media company, chose to integrate Whizzard as a key component of their media management and production products and services that they offer to multiple leading sports federations around the world. Finally, IMG Replay, one of the world's largest and most valuable sports archives, selected Whizzard to help them drive greater value from their archive of 50,000 hours of premium sports content.

The awareness and credibility from these landmark deals cannot be understated. Each of these deals provide not only significant revenue, but also tremendous opportunity for future growth; we are only seeing the tip of the iceberg in terms of revenue potential from each of them. I am confident that we will continue to see growth, more new opportunities, and new revenues generated from these deployments in FY24.

This year solidified that our go-to-market and product strategies focused on sports archives are absolutely on point. This led us to enhance the Linius Whizzard product to support sports archives and to make it the foundation of our product strategy in this market. Whizzard for sports archives was designed, launched, deployed, and sold repeatably all during this financial year – a milestone achievement. The introduction of Whizzard as a highly repeatable solution enabled an increased rate of new customer acquisition, rate of customer deployment, and speed to revenue. We furthered this strategy with the introduction of Linius Media Solutions, a complete portfolio of products with Whizzard at the centre, that will solve multiple needs and use case for customers, provide higher value and differentiation, and drive higher revenue and margin from each deployment.

These advances led not only to increased validation and momentum, but record financial results for FY23 - billings of $487,000 and customer cash receipts of $496,000, an increase of 82% over the preceding year. When combined with the significant cost reductions implemented during Q1 FY23, the company achieved a 53% reduction in net cash outflow from operating activities compared to FY22.

This year has been game changing for Linius' credibility in the global sports market, and we now enter FY24 with tremendous momentum. We have already seen a fast start, announcing our first deal in the US market in July 2023; I can't overstate how critical the achievement of this milestone is for Linius. Everything we do now is about leveraging the momentum from FY23 for an increased rate of customer acquisition and most importantly recuring revenue growth. I expect to see significant financial growth in the next two quarters from our existing client base, and exciting new customer wins in new target markets including the US, broadcasters, and college sports. Our rate of growth is increasing and will continue to do so in FY24 as we execute our plan to profitability.

Highlights of FY23:

- Company achieved record financial results including:
  - Total yearly billings were $487,000 and yearly cash receipts were $496,000, an 82% increase over FY22.
  - Significant cost reductions announced in June 2022 took effect in Q1 of this year. The company operated under the reduced cost structure through the remainder of FY23, and when combined with the increase in cash receipts, resulted in a 53% YoY reduction in net cash outflow from operating activities.
  - Company has new revenues, including monthly recurring and variable fees, yet to flow through from existing contracts,
- Company has materially penetrated the sports market and gained market credibility with long term contracts with blue chip clients and content from 15 different sporting codes, 40 different sporting federations, in all three of its target geographies – US, Asia Pacific, and Europe. This has included new deal flow with the following new customers:
  - IMG Replay, one of the world's leading sports archives. Linius Whizzard will be embedded within the IMG Replay service, virtualizing the entire archive of nearly 50,000 hours of exclusive premium sports content. This is Linius' largest commercial contract to date. The deployment has progressed through important initial design and scope approval phases during FY23 and is now in active development.
  - Cricket Australia (CA), Australia's largest sports federation with 1.2 billion fans worldwide. CA procured Whizzard to unlock the value of their 50+ year archive with over 25,000 hours of content. Whizzard will be used by internal CA staff, broadcasters and other B2B users to search, curate, publish, and license content from the entire CA archive. The deployment was completed during FY23, with CA actively creating and publishing content on the website, applications, and social media. Initial usage indicates an average savings of 8+ hours per video created, as well as the ability to create higher quality content from deep in the CA archive.
  - Inverleigh Media, a leading global media company based in Australia. Whizzard will be integrated as a core component of their ENGINE platform for global sports federations and broadcasters, unlocking the value of these high value sports archives, and enabling efficient, high quality search, curation, publication and use of this content.
    - The first archive to be made available through Whizzard is for South Africa, New Zealand, Australia and Argentina Rugby (SANZAAR), which includes the All Blacks and Wallabies as well as the Super Rugby competition.
    - The second archive added to Whizzard for Inverleigh Media is for an additional national professional and amateur rugby federation.
    - Total volume of the 2 deals is 15,000 hours of archive content.
    - Inverleigh deployment progressed through FY23, going live in Q1 FY24
  - Australian Professional Leagues, Australia's professional soccer (football) league known as the A-Leagues. The deal saw MatchVision fan engagement solution deployed league-wide for the A-Leagues, launched and promoted as a key feature on the KeepUp.com.au website and mobile app with strong initial interest from A-Leagues fans. A-Leagues deployed and went live with MatchVision in just 4 weeks
  - Hockey Technology Partners LLC (HTP), announced just after the end of FY23. This is the company's first deal in the lucrative US sports market. Under the agreement, Linius will virtualize over 2,000 games per year and support HTP in building innovative new fan experiences across web, mobile, and TV platforms for the most recognizable bodies in ice hockey
- With the success and momentum in the sports market, Linius has narrowed its go-to-market strategy on this key market in the near term. Based on highly positive customer and market reception of Whizzard, the company has adapted its product strategy to introduce Linius Media Solutions, a complete portfolio of products and services with Whizzard at the core.
- Linius continues to accelerate and grow a significant commercial pipeline, led by the success of Whizzard, which provides a clear path towards profitability.

Purpose & Strategy

Linius' purpose is to unlock the value of the world's video, creating immersive, deeply personalized viewing experiences. For the first time, we make it possible to find, curate, and utilize the valuable moments across vast libraries of video, enabling viewers to create an infinite amount of personalised video compilations on-the-fly, providing the most relevant content to each viewer.

Our patented Video Virtualisation Engine™ (VVE) turns big, bulky video files into lightweight, searchable data that is enriched with AI and ML, making it easy and efficient for users to find and share what matters to them. Creators and owners of video can drive greater viewing, and monetisation of their video assets.

The strategy for FY23 was as follows:

1. Repeat sales and drive revenue in chosen markets
    - Close more new customers
    - Generate near term and repeatable recurring revenues
    - Optimize commercial models to drive near-term and repeat recurring revenues
    - Onboard additional customers using repeatable methodology for greater speed and lower cost
2. Create and commercially validate products and go-to-market strategies through successful customer deployments
    - Launch additional products in selected markets, specifically Sports
    - Onboard new clients for these products, with consistent, simple pricing and packaging models
    - Engage closely with customers and partners to drive adoption, user acceptance, and customer satisfaction
    - Deliver products that are easily replicable, deployable, supportable
    - Gain product insights for continuous refinement of product and go-to-market strategy
    - Gain key insights, feedback, and analytics to use as proof points for new business development

Detailed summary of FY23 Operations:

Linius executed against this strategy in FY23 as follows:

1. Linius achieves record financial results

Increased commercial activity in FY23 resulted in record financial results including billings of $487,000 and customer cash receipts of $496,000, an increase of 82% over FY22.

During the year, the company also reported record quarterly financial results of:

- Quarterly cash receipts of $201,000 in Q3 FY23, 3.4x higher than Q2 FY23
- Quarterly billings of $198,582 in Q3 FY 23, 2.1x higher than Q2 FY23

The increased billings and cash receipts in FY23 came from a combination of existing customers with ongoing contracts, as well as new customer contracts.

Linius' commercial model now includes a combination of setup fees, ongoing monthly license subscription fees, and variable fees. Setup fees are typically billed upon contract signing and/or delivery of the solution. Monthly subscription fees begin upon delivery of the solution to the customer. Variable fees begin after delivery of the solution to the customer and are dependent upon the take-up of the service. Variable fees may include usage based fees (e.g. per play, per minute), additional archive discovery/enrichment fees (per minute), and/or revenue share (percentage of advertising, sponsorship, and/or subscription fees).

During FY23, billings included a combination of setup fees, recurring monthly fees, and/or variable fees from existing customers Racing.com, NBL, University of Newcastle, Swanbay and new customers A-Leagues, Cricket Australia ("CA"), IMG, and Inverleigh.

The following contracted items were not billed in FY23 and will be billed in FY24

- Variable revenue share from new customer CA
- Final setup fees and monthly recurring fees from new customer IMG
- Final setup fees, monthly recurring fees, and variable fees from new customer Inverleigh

These contracted billings will provide a strong uplift to the Company's billings in the first half of FY24.

Additionally, significant cost reductions announced in June 2022 took effect in Q1 of this year. The company operated under the reduced cost structure through the remainder of FY23, and when combined with the increase in cash receipts, resulted in a 54% reduction in net cash outflow compared to FY22.

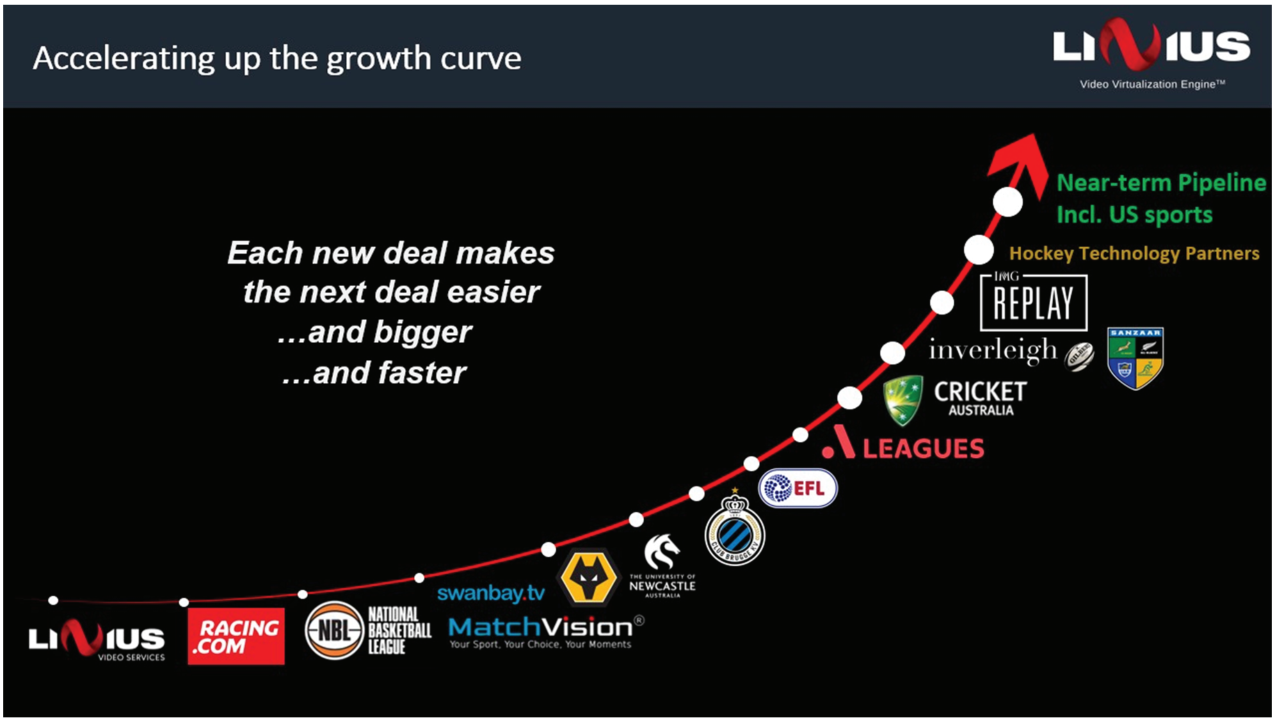
2. Rate of new customer acquisition increases through the inflection point of growth

During the year, the Company continued to execute its strategy to expand commercial deals in the Sports market segment. The Company made significant progress in new customer acquisition, closing deals with:

- IMG Replay – one of the largest sports archives in the world.
- Cricket Australia,
- Inverleigh Media (working with content from SANZAAR – South Africa, Australia, Argentina, New Zealand Rugby and other national rugby federations), and
- the A-Leagues (Australian professional soccer),

The company continued to work with and support current customers including Racing.com, the Australian National Basketball League (NBL), Swanbay.tv (working with teams in the English Premier League and Belgian Pro League), and The University of Newcastle. Across deals under contract, Linius is now working with over 10 end customers with content in 15 sports and across 40+ federations.

The pace of new customer acquisition is faster than ever.



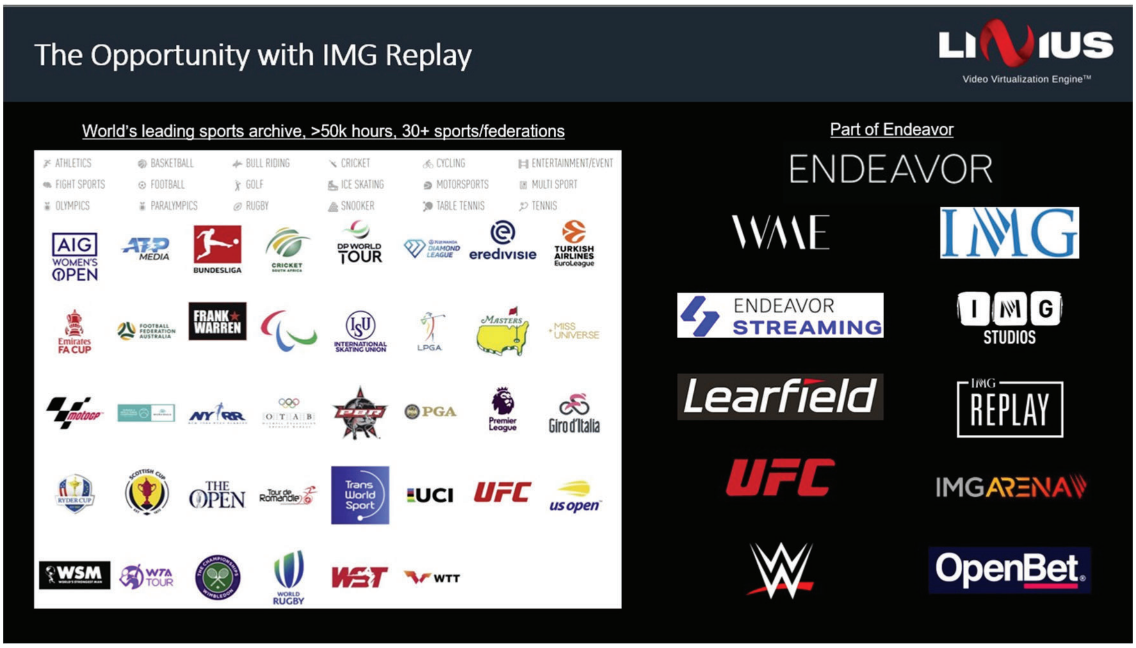
IMG Replay

In April 2023, Linius announced a new commercial agreement with IMG Replay.

- Linius Whizzard will be embedded within the IMG Replay service, virtualizing the entire archive of nearly 50,000 hours.
- Production companies, advertising agencies, broadcasters, film makers, and other content licensees from around the world will use Whizzard to search, create automated clip reels, and license content from within the IMG Replay archives.
- IMG Replay exclusively manages and commercialises the video archives for some of the world's leading sporting organisations including the Premier League, World Rugby, The Championships (Wimbledon), The R&A, The International Skating Union (ISU) and Professional Golf Association of America (PGAA).
- The agreement is for an initial 2-year term and includes a fixed setup fee and monthly license subscription. It is Linius' largest contract to date.
- IMG Replay deployment progressed through important initial design and scope approval phases during FY23 and is now in active development.

This initial deal with IMG Replay is just the tip of the iceberg with this customer. The IMG Replay archive includes the video archives of over 30 of the top sports federations in the world. Once this content is virtualized within Linius Video Services and Whizzard, these virtual assets can be used by any number of applications. The use case of Whizzard for B2B users licensing content is just the beginning. Once deployed, we will be able to approach each of these federations to show the value of virtualized video for their own internal and fan facing use cases. Turning on a fan engagement solution for any of these customers will be quick and easy. The discussion no longer needs to be around the technology nor the deployment, but simply on the end user experience and the value created. This significantly reduces the time required in the sales cycle along with the cost of deployment.

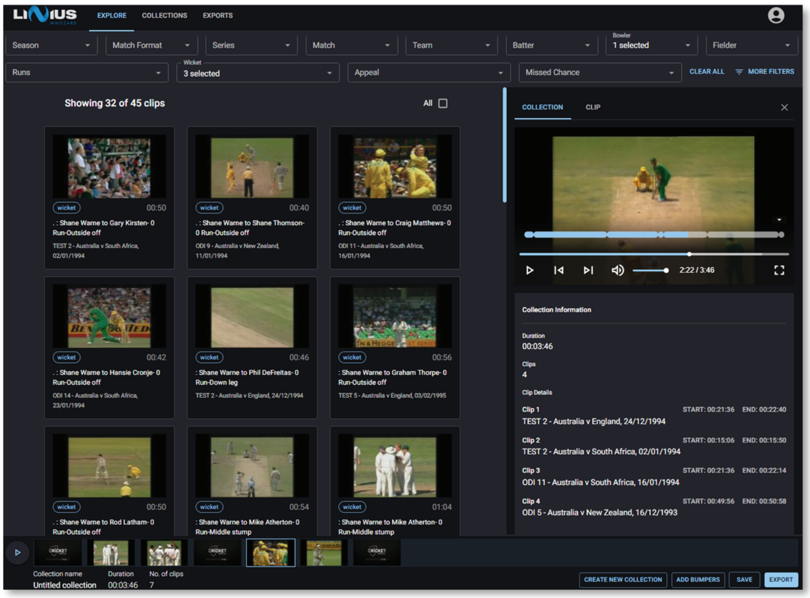
Further, IMG Replay is part of Endeavor, one of the largest media and entertainment companies in the world. There are multiple divisions of Endeavour that can benefit from Linius' solutions. These divisions cover live and on-demand video streaming for the biggest sports in the world, production studios, data and fan engagement solutions, wagering and gaming, college sports, and talent/creators. Successful deployment for IMG Replay will allow us to open multiple opportunities across the Endeavor group. Opportunities are already in development with several of these groups.



Cricket Australia

In November 2022, Linius announced a new contract with Cricket Australia (CA) to deploy the latest version of Linius Whizzard to monetise its extensive match archive and create new content experiences for fans.

- At the time, it was Linius' largest revenue contract to date and includes an opportunity to monetise the service through advertising, sponsorship, and other revenue streams, with Linius receiving a significant advertising revenue share percentage.
- CA has an extensive, high value video archive including all new and 50+ years of historical Australian cricket. It includes Australian Test, ODI, T20, Sheffield Shield and Big Bash competitions for men's and women's teams dating from the 1970s to the present day. In total there are over 25,000 hours of content.
- Cricket is the second most popular sport in the world, and CA is in the top 3 cricket leagues globally. CA has over 1.2 billion fans worldwide, with billions of content views per year, and hundreds of millions of content views each month on YouTube.
- CA became Linius' first sports customer to use the Whizzard archive search, curation, and publication product for a sports archive. It allows CA to easily search its archive for relevant content, quickly edit and publish content. That content can then be made available publicly through their websites, mobile app, social media channels, partner broadcasters, news agencies and other external organizations.
- The solution was deployed during FY23, with CA actively creating and publishing content on the website, applications, and social media
- Initial usage indicates an average savings of 8+ hours per video created, as well as the ability to create higher quality content from deep in the CA archive

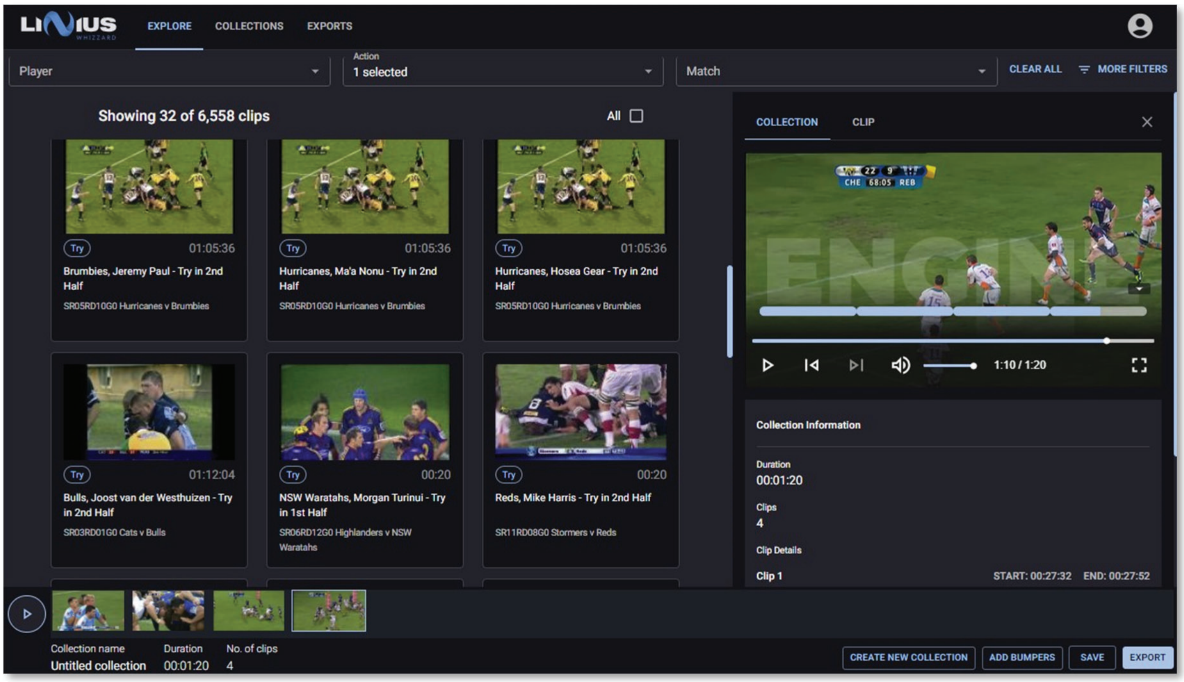


Inverleigh Media

In March 2023, Linius announced two deals with Inverleigh Media.

- Three-year master agreement signed to integrate Whizzard as a core feature within Inverleigh Media's archive management software ENGINE used by global sports federations/leagues, teams, and broadcasters around the world.
- Inverleigh, headquartered in Australia, is a global end-to-end integrated media company providing a range of services including content creation, production, rights management, content management and distribution via more than 600 broadcasters and their own over the top (OTT) subscription service. Further, they prove ingest, tagging, storage, archive management, and development of digital solutions to suit all applications including the management of over 30,000 hours of historical sport and federation vision.
- The first archive virtualized and made available under this deal is for SANZAAR, South Africa, New Zealand, Australia, and Argentina Rugby, which includes 5,000 hours of All Blacks, Wallabies, and Super Rugby content.

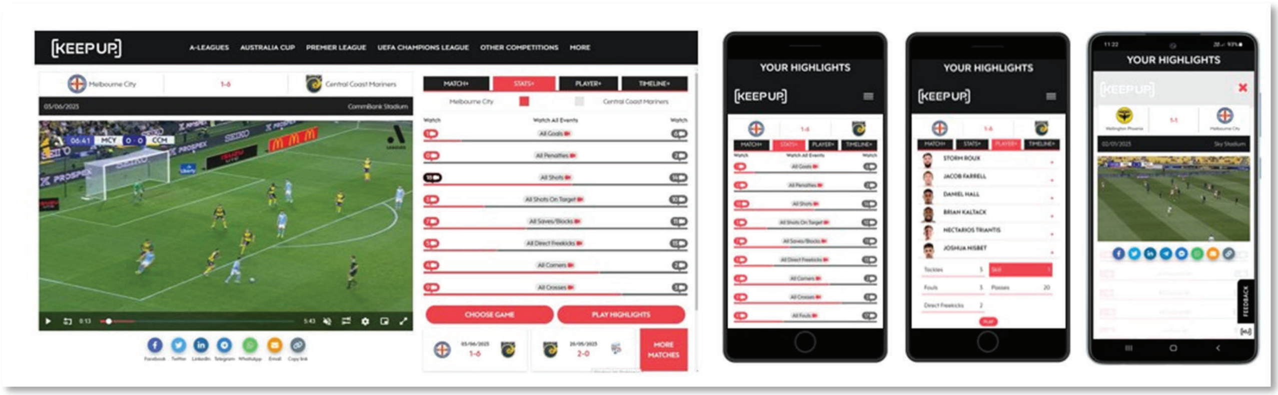
- It became the shortest sales cycle of any deal to date, taking just three months from initial introduction to executed contract. The introduction was a direct result of the deployment of Whizzard at CA.
- A second deal with Inverleigh, closed under the terms of the original master agreement, was signed just 2 weeks later. This deal was for an additional 10,000 hour archive of professional and amateur rugby for a national rugby federation.
- This deal has potential to expand further as Linius supports Inverleigh in bringing Whizzard to more of their customers' and prospects' sports and entertainment archives, as well as extending the solutions to include immersive fan engagement experiences for broadcast and OTT services.
- Each new archive/federation signed under this agreement brings additional setup, monthly license, and variable fees and most importantly unlocking the value of these high value sports archives, and enabling efficient, high-quality search, curation, publication and use of this content.
- Inverleigh deployment progressed through FY23, going live in Q1 FY24.



A-Leagues

In October 2022, Linius announced a new contract with APL to deploy MatchVision, the award-winning digital fan engagement service with the Linius Video Services (LVS) platform at its core, for the A-Leagues.

- A-Leagues sees MatchVision as a strategic tool for fan engagement and a key part of their digital strategy.
- The solution was deployed and went live within just 4 weeks. Its available on both the A-Leagues website and mobile app and is live at https://matchvision.keepup.com.au/
- Official launch and large-scale promotion of the service to fans began in February 2023. The league committed significant promotion, advertising, and visibility to the launch.
- MatchVision is featured in the main navigation of the website and app, as well as in the Google search results when users search for the A-Leagues or any of the A-Leagues teams.
- Special promotion of the feature included website placement ads, full screen "takeover" ads in the mobile app, inclusion in newsletters, and email promotions to registered fans.
- Usage and feedback from fans and A-Leagues staff has been strong and positive. To date, the service has attracted visitors from 97 countries, generating nearly 5,000 hours of personalized video
- It was the first deal under a new enhanced partnership with Swanbay, which allows Linius to sell the joint MatchVision/Linius Video Services (LVS) solution directly to customers.
- It was the first deployment of MatchVision outside of Europe and the first league-wide deployment of MatchVision, supporting all 13 teams of the Isuzu UTE A-League men's competition.
- Additional opportunities for expansion of the service exist within the contract and include expansion to the women's competition, individual teams, previous season archive content, and addition of Linius Whizzard.



In July 2023, shortly after the close of FY23, Linius announced the addition of its first customer in the US market, Hockey Technology Partners LLC (HTP).

- HTP is a leading provider of digital solutions for global ice hockey leagues, teams, and fans. Solutions include websites, mobile applications, OTT streaming subscription services, and data management solutions.
- Linius will virtualize over 2,000 games per year and support HTP in building innovative new fan experiences across web, mobile, and TV platforms.
- HTP will use Linius Media Solutions to develop end user applications and experiences for fans of the most recognizable bodies in ice hockey.
- This is a 3-year contract, and includes setup fees, monthly subscription, and revenue share.
- HTP will begin using the solution in the current quarter with end-user applications to roll out through the 2023/2024 ice hockey season.

3. Linius adapts its product and go-to-market strategy based on market demand

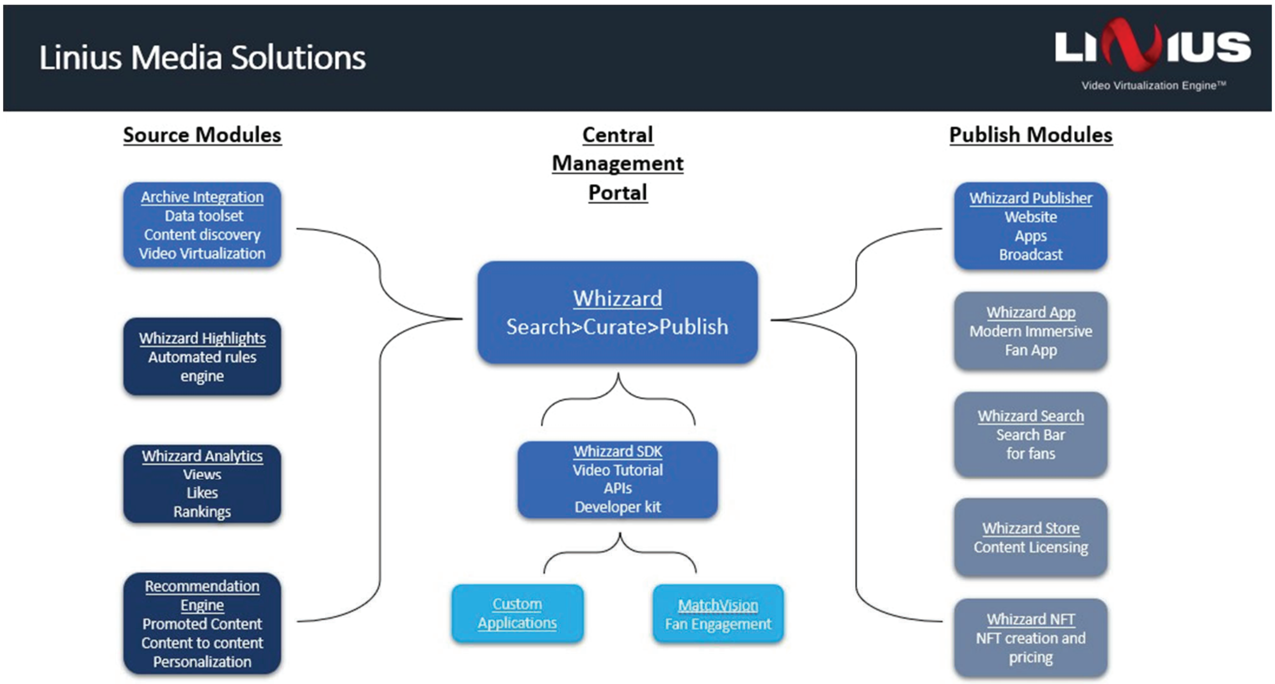
With the world's best video search capabilities and growing success and momentum in the sports segment, the Company has narrowed its focus on this segment, with all product, development, and commercial efforts and resources dedicated to sports.

In the early part of FY23, it became apparent that our customers had significant immediate need to unlock the value of their archives– whether minutes or decades old, and to make it easier and more efficient to curate and publish more content. This led the company to focus its efforts on the enhancement of the Whizzard product to support sports archives. The first customer to take this refined product was Cricket Australia, announced in November 2022 and released to production in March 2023. Since the announcement of CA, all deals closed have been for Whizzard.

Based on customer feedback, it is clear that Whizzard is providing immediate value and satisfying current needs. Additionally, as we approach new markets and larger customers, we found that the needs of these customers were slightly different to the teams and smaller leagues we were previously supporting. We have clearly seen that Whizzard is the core of our value proposition and Whizzard has become the lead product in the Company's go-to-market strategy.

The key consideration then became driving higher value into Whizzard to maximize the opportunity that it creates for the Company. We are focused on driving higher growth in recurring monthly and variable revenue from the same core product. We are focused on solving multiple needs and use cases for the customer which will drive larger deals. This will drive higher margin on each deal because we can complete the deployment and integrations once, and monetize them multiple times with multiple products. It creates greater revenue opportunities from existing and new customers which is important because cross-selling and upselling existing customers is easier and faster than onboarding new customers.

With the success of Whizzard and with these goals in mind, company has adapted its product and go-to-market strategy with the introduction of Linius Media Solutions, a complete portfolio of products and services with Whizzard at the core.



Whizzard now forms the base of all solutions and deployments going forward. Once deployed, additional products/modules can easily be added, including automated highlights and fan engagement solutions.

Linius Media Solutions is still underpinned by the LVS platform, and has Whizzard as the core of the portfolio. The simplest deployments include Whizzard, the archive integrations, the basic Whizzard publishing engine and the Whizzard APIs. We extend the value with additional source modules such as Whizzard Highlights and a Recommendation Engine. We are adding additional Publishing modules, which includes fan engagement solutions such as a video web portal based on natural language search and recommendations, a fan focused Whizzard app and even our NFT solutions.

This portfolio strategy allows us to leverage the core investment of Whizzard and create extensions that provide significant additional value to customers. This additional value will help us grow existing customers and capture new customers with deeper value, higher revenue and higher margin deals.

It is clear that Linius' differentiation and opportunity lies in unlocking the value of video archives. Our solutions make it easier to find, curate, and publish more and higher value content than any existing solutions. Linius has the world's best video search capabilities - no other solution can match what we do. When combined with our unique, immersive, personalized viewing experiences, we help our customers maximize the value of their investments in the $55b USD global sports rights market. We bring sports video archives to life – whether minutes or decades old.

4. Commercial pipeline stronger than ever, supporting rapid growth and a path to profitability

With the success experienced in FY23, the Company now has significant market validation, having materially penetrated the sports market with long term contracts working with content from 15 different sporting codes, 40 different sporting federations, in all three of its target geographies – US, Asia Pacific, and Europe. This validation has strengthened the Company's commercial deal pipeline which is now larger than ever and moving through the sales cycle at an increasing rate. This growth has the Company now on a path to profitability as it enters FY24

The next wave of growth come from multiple sources, underpinned by the credibility we created in FY23.

The growth opportunity starts with our existing customers. Multiple existing contracts have yet to reach their full potential in terms of billings and cash receipts. This includes the following which will be seen in the first half of FY24:

- Variable revenue share from new customer CA. With the Company receiving a significant revenue share percentage on advertising, sponsorship, and licensing revenue enabled by Whizzard, this is expected to become a material portion of the revenue received from CA
- Final setup fees and monthly recurring fees from new customer IMG
- Final setup fees, monthly recurring fees, and variable fees from new customer Inverleigh
- Setup, monthly recurring, and variable fees from new customer HTP signed in July 2023

Secondly, we have significant upsell and cross sell opportunities with existing customers.

- The Company is currently in discussion with Racing.com for an increase in their monthly recurring fees as they move to the new Whizzard product and incorporate new features like automated highlights
- The Company is currently in discussion with A-Leagues for an increase in their monthly recurring fees as they enter the second year of the contract and look at expansion of the solution to the Women's competition and more
- The Company is currently in discussion with CA to expand their deployment to include multiple new features and products including automated highlights, fan engagement solutions, and more. This is expected to result in a significant increase in the monthly recurring and variable fees from CA
- The master agreement with Inverleigh makes it quick and easy to replicate the first two deployments with additional sports federations and archives. There is already a significant pipeline of additional opportunities from existing Inverleigh customers as well as new customers that are being targeted with Whizzard. This will generate additional setup fees, recurring monthly fees, and variable fees. These are expected to be added in the first half of FY24

Overall, the Company could double the billings from existing customers.

The next wave of growth will come from new customers in the same sport. With our strong success in cricket, football, rugby, and now ice hockey, we have strong examples and validation to engage new customers in those sports with compelling value. A great example of this is in cricket. Our success at CA has generated and progressed significant opportunity for us with the other major cricket federations around the world. We anticipate seeing new deals from this growth area in the coming year.

Next, our cross-sport credibility makes it easier for us to enter new sports. We are now covering 15 different sports across our current contracts including football (soccer), cricket, rugby, basketball, ice hockey, horse racing, tennis, golf, and more. We are clearly able to show that our solutions readily support new sports. A great example of this is the recent deal with HTP – we have never done ice hockey before, but the fact that we have done so many new sports gave HTP the confidence that our solutions would provide a great experience for fans of their sport. The Company is currently developing opportunities in American Football, Volleyball, baseball, and even eSports.

The next area of growth is new geographies. Having secured our first customer in the US, we now have an even greater opportunity to rapidly expand in this key market. The North American market represents 37% of the global sports market and is the single most important market for our future.

In the US, there are huge opportunities across every level of sport. The number of tier 1 & tier 2 professional sports leagues is larger than in any other country. The broadcast market in NA is the largest in the world. The collegiate sports market represents a tremendous opportunity with over 1100 NCAA schools and 150 NCAA divisions. And we estimate that high school sport in the US is currently generating more video content than all other levels of sport combined.

Breaking into the US market is a key driver of our future growth. With the recent win with HTP, we now have the required reference case in the US to support the team developing that market including commission-based partners McCormack Advisors and IS Partners, and board member John Wallace. Most recently, we have appointed another Director in the US, Barry McNeil, specifically to help us open the US sports market.

Additionally, we will increase our already strong penetration in the Australian market with the development of additional sporting codes. We now support customers and content across 4 of the top tier sporting codes – cricket, soccer, rugby and basketball – and are actively developing opportunities with most sporting codes in Australia.

We will increase our penetration in Europe, both direct and through our partnership with Swanbay and finally, we are expanding to other regions with recent appointment of commission-based sales partners in Latin America, India, Asia, and the Middle East.

The last area of growth opportunity is in new segments – specifically the Broadcast and US college sports segments. The broadcast market is larger than all the other growth opportunities. Broadcasters represent multiple sports with large, high value archive and reach millions to hundreds-of-millions of fans. They have strong need for the efficiencies created with our B2B tools like Whizzard, but the real opportunity is unlocking the fan engagement use case through broadcasters. We are currently developing opportunities with broadcasters in Australia, Europe and the US.

The collegiate sports market represents a tremendous opportunity with over 1100 NCAA schools and 150 NCAA divisions. There are dozens of sports, many of which we already support. The Company is currently developing opportunities with multiple universities and collegiate conferences in the US.

With multiple growth opportunities and market segments, we are well placed to help our customers maximize the value of their investments in the $55b USD global sports rights market with our unique, immersive, personalized viewing experiences. Our pipeline is stronger than ever and includes larger opportunities and deals that are moving more rapidly through the sales cycle.

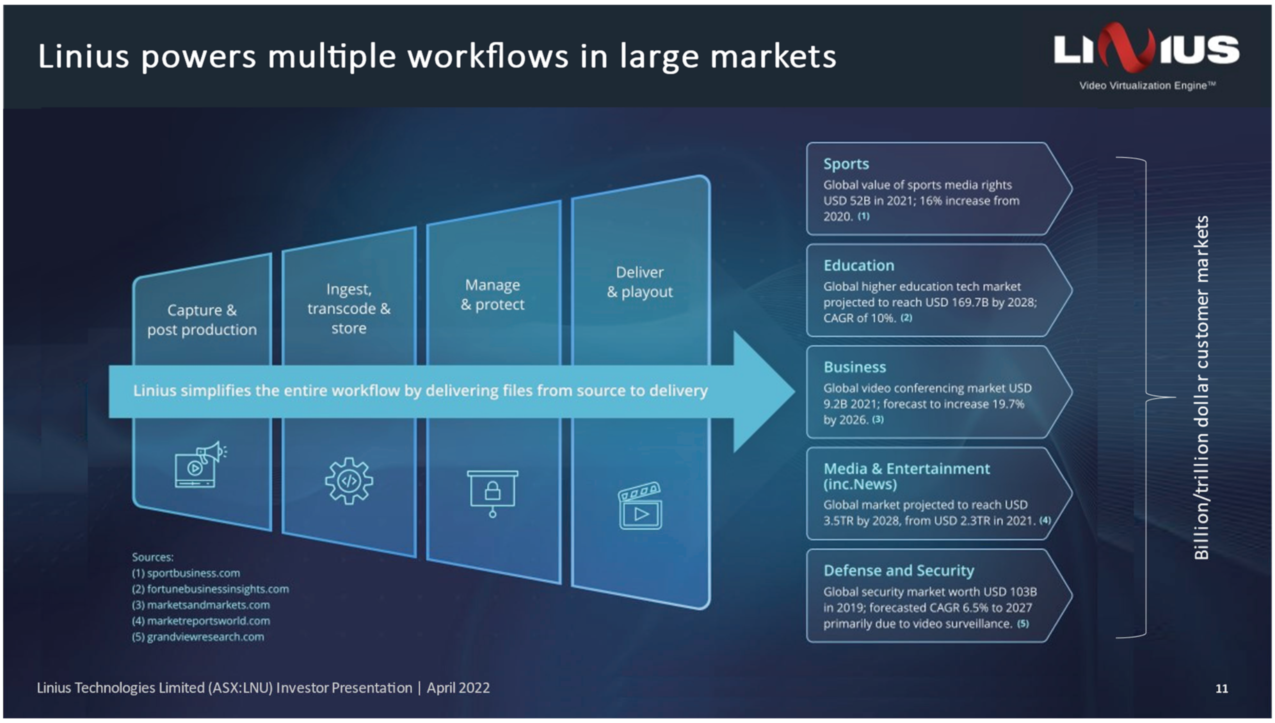
All of this creates a tremendous opportunity for the Company as we enter FY24.

5. Linius Video Services (LVS) provides the platform for future growth strategy

While the near-term focus for Linius is on commercialization of repeatable products, the long term strategy and larger market potential remains in the LVS Platform strategy. The current product and commercial strategies are the means to validate the power of the LVS platform and the potential for it to be used to power unique solutions in multiple other market segments.

All current Linius products, including Linius Media Solutions, Whizzard, and MatchVision are built on LVS. Our products use the same Application Programming Interfaces (APIs) that are publicly available and published to any partners or developers. New customer HTP is developing their own application within their OTT streaming service using Linius Media Solutions and these APIs. As we have developed our products, we continue to enhance LVS with additional capabilities that make it a more robust, feature rich platform for future expansion.

LVS has the power to disrupt various parts of the video ecosystem from Capture through to Playout. The applications span numerous additional market segments including News, Media, Entertainment, Security, and Defence. In the future, Linius will evaluate additional markets for potential direct investment. As we look to enter new markets, we will evaluate whether we do so directly, in conjunction with partners, or through various licensing arrangements. LVS will be actively marketed to application developers, systems integrators, and OEM technology partners to develop and commercialize solutions in chosen markets. The goal is to enable scale by having most development and commercialization costs borne by third parties as they generate new revenues for Linius.



<u>Closing</u>

The past year has been incredibly exciting and rewarding. It is great to see the market acceptance of Linius solutions and for them to be providing so much value for our customers. I am more confident than ever in our chosen strategy and the strength of our solutions and our team.

I am proud of and grateful to the entire Linius team. We went through significant changes through the year, I asked a lot of you, and you delivered great results – thank you. Thank you to the Board for your support and guidance as we made important decisions for the future of the Company. Finally, thank you to our shareholders, old and new, for your ongoing support of the business and me personally. I have loved sharing the good news of our progress this year and look forward to even more exciting developments and to realizing the full potential of Linius for you.

I know that we will look back on FY23 as a critical year in the history of Linius, a year that lay the foundation for the incredible growth and success that lies ahead in FY24 and beyond.

James Brennan
CHIEF EXECUTIVE OFFICER
15 September 2023

DIRECTORS' REPORT

Your directors present this report on the Linius Technologies Limited (the "Company") and its controlled entities (the "Group" or "Group") for the year ended 30 June 2023.

Directors

The Directors in office during the year were:

Gerard Bongiorno (Non-Executive Chairman) transitioned from Executive to Non-Executive on 24 November 2021).

Stephen McGovern (Non-Executive Director) resigned 15 July 2023

John Wallace (Non-Executive Director)

James Brennan (Executive Director & CEO) appointed director 25 October 2021, commenced CEO duties 24 November 2021.

Barry McNeill (Non-Executive Director) appointed director 19 June 2023

All Directors (other than noted above) have been in office since the start of the financial year to the date of this report.

Company Secretary

Giuseppe Rinarelli B.Acc, CA

Mr Rinarelli is the Group's CFO and company secretary. He is an experienced finance professional having worked within a chartered environment in excess of 10 years. Mr Rinarelli was appointed as company secretary on 3 June 2019.

Principal Activities

The principal activities of the entity are those of a technology business, including development of technology products, software development and the commercialisation and licencing of its computer software, the Linius Video Virtualization Engine™, the world's first video virtualisation engine. The technology transforms large inflexible video files into small highly flexible data structures.

Operating Results and Review of Operations

The loss for the year ended 30 June 2023 after income tax expense amounted to $5,237,231 (2022 loss: $8,999,225). This loss includes non-cash share based payments expense of $297,947 (2022: $44,038) and non-cash amortisation charges of $540,000 (2022: $540,000). During the year the Company proceeded with its commercialisation activities, expanded its management and operational teams to tackle global market opportunities and continued to develop and refine its core technology and product offerings. For more information on the years activities please refer to the above Chief Executive's Review of Operations on pages 5 to 15.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Dividends Paid or Recommended

No dividends were paid or declared for payment.

Financial Position

The net assets of the Group at 30 June 2023 were $783,854 (2022: $736,632).

DIRECTORS' REPORT CONTINUED

Going Concern

For the year ended 30 June 2023, the Group had an operating net loss of $5,237,231 (30 June 2022: $8,999,225) and net cash outflows from operating activities of $3,600,520 (30 June 2021: $7,857,592).

The ability of the Group to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business. Further details on the going concern basis of preparation used to prepare the annual financial statements are set out in note 1 to the annual financial statements.

After Balance Date Events

Capital Raising

On 5 July 2023, the Company issued 23,333,340 shares only to related parties as part of a $1,075,000 placement of fully paid ordinary shares at $0.003 per share to professional and sophisticated investors (including directors and management) that was announced to ASX on 20 April 2023. The issue to related parties was approved by shareholders at a general meeting held on 8 June 2023 and $70,000 was received by the Company in connection with that issue subsequent to year-end.

On 2 August 2023 the Company announced to ASX that it had received firm commitments from professional and sophisticated investors (including directors and management) to raise $1,225,500 in additional capital, excluding transaction costs, via a placement of 490,200,000 shares at $0.0025 per share, with the first 423,000,000 shares issued on 15 August 2023 to non-related parties and the balance expected to be issued to related parties by mid-November 2023 following shareholder approval. In addition, placees will receive one unlisted free attaching option for every three shares allocated, with an exercise price of 0.04c per option expiring on 31 July 2026, subject to shareholder approval.

Other than the matters noted above, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.

Environmental Issues

There are no environmental regulations or requirements that the Company is subject to. Based on Director's assessment there is no significant climate related risk identified. As the Company's operations expand in financial year 2024 and beyond, the Company will need to reassess its environmental and sustainability reporting obligations.

DIRECTORS' REPORT CONTINUED

Information on Directors

<u>Gerard Bongiorno</u>	—	Non-Executive Chairman
Experience	—	Mr Bongiorno is Principal and Co-CEO of Sapient Capital Partners, a merchant banking operation and has over 30 years of professional experience in capital raisings and corporate advisory. Prior to forming Sapient (formerly Otway Capital), Gerard was Head of Property Funds Management at Challenger Financial Services Group (CFG) and was Group Special Projects Manager at Village Roadshow. Earlier in his career he worked at KPMG in insolvency and corporate finance. Gerard received his Bachelor's Degree in Economics and Accounting from Monash University and completed the Program for Management Development at Harvard Business School PMD75. Director since 21 February 2017.
Interest in Shares and Options at 30 June 2023	—	122,639,623 Ordinary shares
Directorships held in other listed entities in the last 3 years	—	In the 3 years immediately before the end of the financial year, Gerard Bongiorno served as a director of the following listed companies: Dubber Corporation Limited (ASX:DUB) since July 2017

<u>Stephen McGovern</u>	—	Non-Executive Director
Experience	—	Mr McGovern is the CEO and Co-Founder of Dubber Corporation (ASX:DUB) and has over 25 years' experience in the fields of telecommunications, media sales, pay TV and regulatory sectors. Steve has been a senior executive of several established companies, both domestically and internationally, which have been primarily associated with new and emerging markets and have required a strong sales and solutions focus. These include pay TV, telecommunications de-regulation, internet service providers and media licensing, all of which maintain a strong sales and solutions focus, both domestically and internationally. Steve holds a Bachelor's Degree in Law (LL.B) from the University of Sheffield in the UK where he was also formerly a Sales Director of Sky Subscriber Services managing subscriber acquisition for Sky TV (now Sky UK). Between 1995 and 1998 Steve was an executive involved in the launch of the pay TV industry in Australia within the Galaxy/Austar/Foxtel network. Director since 18 April 2016. Resigned 15 July 2023
Interest in Shares and Options at 30 June 2023	—	45,714,284 Ordinary shares
Directorships held in other listed entities in the last 3 years	—	In the 3 years immediately before the end of the financial year, Stephen McGovern served as a director of the following listed companies: Dubber Corporation Limited (ASX:DUB) since March 2015

DIRECTORS' REPORT CONTINUED

John Wallace	—	Non-Executive Director
Experience	—	Mr. Wallace is a media & entertainment executive with over 30 years of experience in the video industry. His career spans across broadcasting to video streaming, having a keen interest in technology. In 2007, Mr. Wallace became the President of NBCUniversal broadcast television stations, which is the company's largest broadcast division. He then served as the President of the company's operations and technology division in 2011. Mr. Wallace was named the President and Chief Operating Officer of Deluxe Entertainment in Los Angeles, California in 2015. The company is a global provider of digital services and technology solutions for content creation and delivery. At the end of 2019, Mr. Wallace retired from corporate management and has been remaining active in the M&E space via consulting engagements, primarily technology. He serves on the board of Avid Technology, Inc., a company that provides world class production technology to the video and audio sectors of the entertainment industry, as an independent director. NASDAQ: AVID. Mr. Wallace holds a Bachelor's Degree from Providence College and Master's Degree from Montclair State University. Director since 14 December 2020.
Interest in Shares and Options at 30 June 2023	—	Nil 24,000,000 shares 2,000,000 shares subject to vesting conditions
Directorships held in other listed entities in the last 3 years	—	In the 3 years immediately before the end of the financial year, John Wallace served as a director of the following listed companies: Avid Technology Inc. (NASDAQ:AVID) since May 2017
James Brennan	—	Executive Director and CEO
Experience	—	Mr Brennan is a highly analytical, data driven, process oriented senior executive with over 20 years' experience. He has an impressive track record of leading successful development & commercialisation of software/SaaS products for established and start-up businesses. He has deep expertise in video, unified communications and educational technology with a reputation for growing recurring revenues and unlocking the latent potential of products and businesses. He has a unique blend of sales, marketing, product management, and finance experience and is known for his commitment to building great teams and culture. Prior to joining Linius, James led teams and regions at Integrated Research (ASX:IRI), Kaltura, BlueJeans Network and Polycom, through transformative growth phases. While at IR, he launched their first SaaS solutions, supporting Microsoft Teams, Zoom, and Webex, which significantly grew its user base and ARR. During his time at Kaltura, he led its first major investment/team in Australasia and helped launch Kaltura's enterprise market entry. In his role as MD, Asia Pacific at cloud-based video conferencing provider BlueJeans Network, James transformed what was a stagnating post-start up business into an award winning, sustainable high-growth market leader. Mr. Brennan holds a Bachelor's of Science Degree in Finance from the Pennsylvania State University and Master's in Business Administration Degree from the University of Southern California.

DIRECTORS' REPORT CONTINUED

James Brennan (continued)		
		Director since 25 October 2021.
Interest in Shares and Options at 30 June 2023	—	Nil 10,000,000 shares
Directorships held in other listed entities in the last 3 years	—	Nil
Barry McNeill	—	Non-Executive Director
Experience	—	Mr McNeill has over 20 years' experience in Sports Management and Sports Technology. He has led multiple sport-tech companies through rapid growth phases as CEO at Catapult Sports (ASX:CAT) and Prozone, which was acquired by StatsPerform in 2015. Currently, Mr McNeill is Founder & CEO at Bloom Sports Partners, a transformational sports advisory firm, helping sports leagues and growth focused ownership groups find competitive advantage and sustained success. Previously, Mr McNeill was CEO at Sportsology, a leading advisory firm to major sports teams and leagues across MLS, NBA, NFL and European Football.
		Director since 19 June 2023
Interest in Shares and Options at 30 June 2023		8,666,660
Directorships held in other listed entities in the last 3 years		Nil

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT - AUDITED

The information provided in the audited remuneration report includes remuneration disclosures that are required under the Corporations Act 2001 and other relevant requirements. These disclosures have been audited.

Key management personnel

Names and positions held of Group key management personnel (KMP) in office at any time during the year are:

Key Management Person	Position
Gerard Bongiorno	Non-Executive Chairman
Stephen McGovern	Non-Executive Director (resigned 15 July 2023)
John Wallace	Non-Executive Director
James Brennan	Executive Director and CEO
Barry McNeill	Non-Executive Director (appointed 19 June 2023)
Giuseppe Rinarelli	CFO and Company Secretary

Principles used to determine the nature and amount of remuneration

The Board determines the appropriate nature and amount of remuneration. The board may receive advice from independent remuneration consultants to ensure remuneration levels are appropriate and in line with the market. No such advice was sought for the year ended 30 June 2023. The Board ensures that the executive reward satisfies the following criteria for good reward governance practice:

- competitiveness and reasonableness;
- acceptability to shareholders;
- alignment of executive remuneration to performance;
- transparency; and
- capital management.

The framework provides for a mix of fixed and variable remuneration. There was no target mix of fixed or variable remuneration set in the current year. The variable remuneration comprises share-based payment compensation and any discretionary performance bonus payment benefits.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the directors have regard to the following indices in respect of the current financial year and prior financial period.

	2023	2022
(Loss) attributable to owners of the company	($5,237,231)	($8,999,225)
Change in share price	($0.001)	($0.017)
Closing share price	$0.004	$0.005

Profit/(loss) amounts have been calculated in accordance with the Australian Accounting Standards (AASBs).

The operating loss includes significant expenditures incurred on the continued development of the Group's proprietary software technology.

DIRECTORS' REPORT CONTINUED

Non-executive Directors and executive Director

Fees and payments to non-executive Directors and the executive Directors reflect the demands, which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board.

Directors' fees

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool limit currently stands at $300,000 per annum.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the Group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group. There is currently no remuneration related to Group performance. The contracts for service between the Group and key management personnel are on a continuing basis, the terms of which are detailed below and are not expected to change in the immediate future.

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in letters of appointment and/or service agreements. Details as at 30 June 2023 are as follows:

Name:	Gerard Bongiorno
Title:	Non-Executive Chairman
Agreement commenced:	21 February 2017
Term of agreement:	No fixed term
Details:	An annual director fee of $90,000 plus superannuation. The fee paid to Mr Bongiorno is subject to annual review by the Board. Under the terms of his agreement and as approved by shareholders at general meeting, the Company issued Mr Bongiorno with 20,000,000 loan share options in November 2017. The loan is interest-free and limited recourse in accordance with the loan terms and the LFSP rules. The LFSP rules require the loan to be repaid before a participant can sell their shares. During the year the LFSP expired with the Company selling the shares at market prices. The Company will reimburse Mr Bongiorno for all reasonable expenses incurred in performing his duties and will pay Mr Bongiorno additional fees where he is required to perform additional consulting tasks related to the commercialisation of the Linius technology. The agreement includes a non-competition clause.

Name:	Stephen McGovern
Title:	Non-Executive Director
Agreement commenced:	18 April 2016
Term of agreement:	No fixed term
Details:	An annual director fee of $90,000 plus superannuation. The fee paid to Mr McGovern is subject to annual review by the Board. The Company will reimburse Mr McGovern for all reasonable expenses incurred in performing his duties. The agreement includes a non-competition clause.

DIRECTORS' REPORT CONTINUED

Name:	John Wallace
Title:	Non-Executive Director
Agreement commenced:	14 December 2020
Term of agreement:	No fixed term
Details:	As per the employment contract, the company proposes to issue 6,000,000 fully paid ordinary shares in the company, vesting over a three year period in instalments of 2,000,000 shares, of which 2,000,000 have been issued during the period. The Company will reimburse Mr Wallace for all reasonable expenses incurred in performing his duties. The agreement includes a non-competition clause.

Name:	James Brennan
Title:	Director and CEO
Agreement commenced:	25 October 2021
Term of agreement:	No fixed term
Details:	An annual salary of $330,000 plus superannuation. Under the terms of the contract, the Company will grant 3,000,000 shares subject to the continued employment of Mr Brennan to 30 June 2022 and up to 37,000,000 shares in performance shares subject to the achievement of revenue metrics. The agreement can be terminated by either party on six month's written notice. The Company will reimburse Mr Brennan for all reasonable expenses incurred in performing his duties. The agreement includes a non-competition clause.

Name:	Barry McNeill
Title:	Non-Executive Director
Agreement commenced:	15 June 2023
Term of agreement:	No fixed term
Details:	An annual director fee of $75,000. The fee paid to Mr Neill is subject to annual review by the Board. The Company will reimburse Mr Neill for all reasonable expenses incurred in performing his duties. The agreement includes a non-competition clause.

Name:	Giuseppe Rinarelli
Title:	Chief Financial Officer and Company Secretary
Agreement commenced:	29 May 2019
Term of agreement:	No fixed term
Details:	An annual salary of $160,000 plus superannuation effective 1 July 2022, $200,000 plus superannuation effective 1 November 2022, and $180,000 plus superannuation between 1 December 2022 and 28 February 2023. Under the terms of the contract, the Company granted Mr Rinarelli 1,500,000 Options in May 2019. The Company has also granted Mr Rinarelli 949,000 options in the 2020 financial year. The agreement can be terminated by either party on one month's written notice. The Company will reimburse Mr Rinarelli for all reasonable expenses incurred in performing his duties. The agreement includes a non-competition clause.

DIRECTORS' REPORT CONTINUED

Key Management Personnel Remuneration

Details of the nature and amounts of each major element of remuneration of each director of the Company and other key management personnel of the Group are:

2023

	Directors' fees & consultancy fees[4]	Superannuation payments	Share-based payments[5]	Total[6]	Share-based
	$	$	$	$	%
Non-executive directors:					
Stephen McGovern	85,665[2]	8,566	-	94,231	-
John Wallace	-	-	23,833	23,833	100
Gerard Bongiorno	156,132	8,213	-	164,345	-
Barry McNeill	-	-	-	-	-
Executive directors:					
James Brennan	336,347	25,292	-	361,639	-
Executives:					
Giuseppe Rinarelli	187,966	19,075	-	207,041	-
	766,110	61,146	23,833	851,089	2.8

2022

	Directors' fees & consultancy fees[4]	Superannuation payments	Share-based payments[5]	Total[6]	Share-based
	$	$	$	$	%
Non-executive directors:					
Stephen McGovern	89,386[2]	8,939	-	98,325	-
John Wallace	-	-	(39,111)	(39,111)	-
Gerard Bongiorno	156,586[1]	8,959	-	165,545	-
Executive directors:					
Christopher Richardson	55,000[3]	-	-	55,000	-
James Brennan	207,796	15,169	66,000	288,965	23
Executives:					
Giuseppe Rinarelli	182,135	17,000	3,667	202,802	2
	690,903	50,067	30,556	771,526	4

1. Director and consultancy fees were paid to Otway Capital Consulting, a related party of Gerard Bongiorno.

2. Director fees were paid to SMG Nominees Pty Ltd, a related party of Stephen McGovern.

3. Director fees were paid to Mirovoy Sales, s.r.o. , a related party of Christopher Richardson.

DIRECTORS' REPORT CONTINUED

4. Includes leave accruals calculated in accordance with AASB 119 Employee benefits.

5. The fair value of the share based payments is calculated at the date of grant of the option or loan share options using the binomial pricing model (for employees) and Black-Scholes option valuation model (for consultants) and allocated to each reporting period based on forecast estimated vesting dates. The fair value of ordinary shares granted is the share price at grant date. The amount included disclosed is the portion of the fair value recognised as an expense in each reporting period.

6. No performance related benefits have been provided during the period.

Performance income as a proportion of total remuneration

Executive directors and executives were not paid performance based bonuses.

Equity instruments granted as compensation

Details on equity instruments that were granted as compensation to each key management person during the year and details on equity instruments vested during the year are as follows:

The loan share options granted are the amounts approved by way of shareholder resolution at the Company's Annual General Meeting on 28 November 2017, no further loan share options were approved or issued.

2023	Number of shares granted	Grant date	Fair value per share at grant date $	Exercise price $	Value of loans granted under the share terms	Expiry date	Total number of shares vested at 30 June 2023
Gerard Bongiorno	20,000,000	28 Nov 2017	0.026	0.05	$1,000,000	30 Nov 2022	-

The following shares were approved by shareholders in prior financial years.

2023	Number of shares granted	Grant date	Fair value per share at grant date $	Exercise price $	Expiry date	Total number of shares vested at 30 June 2023
John Wallace	6,000,000	30 Nov 2021	0.022	0.00	n/a	4,000,000

The grant date for the shares provided to align to the date shareholders approved the issue of remuneration shares to Mr Wallace.

DIRECTORS' REPORT CONTINUED

Details of equity incentives affecting current and future remuneration

Details of the vesting profiles of the equity incentives held by each key management person of the Group are detailed below.

	Instrument	Number of shares or options	Grant date	% vested during the year	% forfeited in year	Financial years in which grant vests
Gerard Bongiorno	Loan share options	20,000,000	28 Nov 2017	-	100%	2018-20
Giuseppe Rinarelli	Options	1,500,000	29 May 2019	-	100%	2020-2022
Giuseppe Rinarelli	Options	949,000	31 March 2020	-	-	2021
John Wallace	Shares	6,000,000	30 Nov 2021	33%	-	2021-2024
James Brennan	Shares	7,000,000	30 Nov 2021	-	100%	2022
James Brennan	Shares	10,000,000	30 Nov 2021	-	-	2022-2023
James Brennan	Shares	20,000,000	30 Nov 2021	-	-	2023-2024

The loan share options are accounted for as options. There are three tranches and amounts are allocated to remuneration over the vesting period for each tranche (i.e. November 2017 to November 2019).

Analysis of movements in equity instruments

The value of options and loan share options in the Company granted to and exercised by each key management person during the year is nil.

DIRECTORS' REPORT CONTINUED

Options over equity instruments

The movement during the reporting period, by number of options over ordinary shares in Linius Technologies Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance 1.7.2022	Granted/purchased during the year	Lapsed or exercised during the year	Held at 30.6.2023	Vested during the year	Total Vested and Exercisable 30.6.2023
Giuseppe Rinarelli	2,449,000	-	(1,500,000)	949,000	-	949,000
Total	2,449,000	-	(1,500,000)	949,000	-	949,000

All options expire on the earlier of their expiry date or termination of the individual's employment.

Exercise of options granted as compensation

During the period, no options were exercised.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Linius Technology Limited, held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance 30.6.2022	Received as Compensation	Acquired during the year	Balance 30.6.2023
Gerard Bongiorno	65,972,943	-	56,666,680	122,639,623
Stephen McGovern	45,714,284	-	-	45,714,284
John Wallace	12,000,000	2,000,000	10,000,000	24,000,000
James Brennan	-	3,000,000[2]	7,000,000	10,000,000
Barry McNeill[1]	8,666,660	-	-	8,666,660
Giuseppe Rinarelli	2,678,571	-	3,456,816	6,135,387
Total	135,032,458	5,000,000	77,123,496	217,155,954

1. Holding as at date of director appointment.

2. Balance received as compensation in the previous financial year.

Number of Loan Share options and ordinary shares held by Key Management Personnel

	Balance 1.7.2022	Received as Compensation /Expired	Balance at 30.6.2023	Vested at 30.6.2023	Not vested at 30.6.2023
Gerard Bongiorno – loan share options	20,000,000	(20,000,000)	-	-	-
John Wallace - shares	6,000,000	-	6,000,000	4,000,000	2,000,000
Total	26,000,000	(20,000,000)	6,000,000	4,000,000	2,000,000

DIRECTORS' REPORT CONTINUED

Key management personnel transactions	Group	
	2023	2022
	$	$
Transactions with related parties:		
Advisory fees paid to Otway Capital Consulting a consulting firm in which Gerard Bongiorno has an interest; disclosed as remuneration	74,000	67,000
Amounts owing to related parties (included in trade and other payables)		
Entity related to Gerard Bongiorno	24,433	3,300
Entity related to Stephen McGovern	49,548	-
James Brennan	260	2,480

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

END OF REMUNERATION REPORT

DIRECTORS' REPORT CONTINUED

Meetings of Directors

During the financial year, ten meetings of Directors were held. Attendance by each director was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Gerard Bongiorno	8	8
Stephen McGovern	8	7
John Wallace	8	8
James Brennan	8	8
Barry McNeill	-	-

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.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Group. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has not indemnified their auditor.

Options

At the date of this report, the unissued ordinary shares of Linius Technologies Limited under option are as follows:

Date of Expiry		Exercise Price	Number Under Option
1/10/2023	unlisted	4.2 cents	5,000,000
22/10/2023	unlisted	4.07 cents	75,000
30/03/2024	unlisted	1.19 cents	780,000
31/03/2024	unlisted	1 cent	14,494,653
23/11/2024	unlisted	2.89 cents	500,000
09/05/2025	unlisted	1.5 cents	3,000,000
30/06/2025	unlisted	2.5 cents	500,000
4/10/2025	unlisted	2.93 cents	2,200,000
30/06/2026	unlisted	0.7 cents	17,000,000
30/06/2026	unlisted	0.4 cents	6,000,000
			49,549,653

DIRECTORS' REPORT CONTINUED

During the year ended 30 June 2023, no ordinary shares of Linius Technologies Limited were issued on the exercise of options granted.

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

Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 32 and forms part of the directors' report for the financial year ended 30 June 2023.

Non-Audit Services

During the year, KPMG, the Group's auditor, has not performed any other services in addition to the audit and review of the financial statements.
Details of the amounts paid to the auditors of the Group, KPMG, and its network firms for audit service provided during the year is set out below

In dollars	2023 $
Audit and review of financial statements	97,000
Services other than audit and review of financial statements	Nil
Total paid to KPMG	97,000

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

DIRECTORS' REPORT CONTINUED

Future Developments

Other than as referred to in this report, further information as to likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

Corporate Governance statement

The Company's Corporate Governance Statement has been lodged with ASX and is available from Company's website at www.linius.com/corporate-governance/.

Signed in accordance with a resolution of the Board of Directors.

Gerard Bongiorno
Non-Executive Chairman

15 September 2023
Melbourne

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Linius Technologies Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Linius Technologies Limited for the financial year ended 30 June 2023 there here have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dana Bentley

Partner

Melbourne

15 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2023

	Note	Group	
		2023	2022
		$	$
Revenue	2	228,906	250,749
Other income	2	328,644	481,405
Amortisation expense	10	(540,000)	(540,000)
Depreciation expense		(8,589)	(28,725)
Consultant expenses		(408,438)	(605,319)
Director remuneration expenses (excluding share-based payment and consultant expenses)		(184,576)	(251,869)
Employee benefit expenses		(2,051,113)	(3,482,375)
Redundancy expense		-	(42,308)
Share-based payments expense	22	(297,947)	(44,038)
Finance expense	3	(483,058)	(114,349)
Compliance expenses		(303,116)	(270,148)
Software development expenses		(1,172,227)	(3,060,825)
Marketing and promotional expenses		(88,506)	(447,781)
Patent costs		(70,453)	(118,382)
Legal expenses		-	(108,300)
Travel and accommodation expenses		(19,486)	(60,232)
Other expenses	3	(167,272)	(556,728)
Loss before income tax		(5,237,231)	(8,999,225)
Income tax expense	4	-	-
Loss for the year		(5,237,231)	(8,999,225)
Other comprehensive loss		-	-
Total comprehensive loss for the year		(5,237,231)	(8,999,225)
Basic loss per share (cents per share)	7	(0.19)	(0.52)
Diluted loss per share (cents per share)	7	(0.19)	(0.52)

The accompanying notes form part of the financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Group 2023 $	Group 2022 $
CURRENT ASSETS			
Cash and cash equivalents	8	481,037	963,482
Trade and other receivables	9	256,584	389,585
TOTAL CURRENT ASSETS		737,621	1,353,067
NON-CURRENT ASSETS			
Right of use asset		-	59,028
Intellectual property	10	1,305,000	1,845,000
Property, plant and equipment		-	8,589
TOTAL NON-CURRENT ASSETS		1,305,000	1,912,617
TOTAL ASSETS		2,042,621	3,265,684
CURRENT LIABILITIES			
Trade and other payables	11	885,740	1,039,338
Contract liability	12	282,058	23,472
Employee provisions	13	90,969	160,322
Lease liability		-	50,000
TOTAL CURRENT LIABILITIES		1,258,767	1,273,132
NON-CURRENT LIABILITIES			
Lease liability		-	12,500
Financial liabilities	14	-	1,243,420
TOTAL NON-CURRENT LIABILITIES		-	1,255,920
TOTAL LIABILITIES		1,258,767	2,529,052
NET ASSETS		783,854	736,632
EQUITY			
Issued capital	15	54,855,868	49,869,362
Share based payments reserve		5,978,778	5,680,831
Accumulated losses		(60,050,792)	(54,813,561)
TOTAL EQUITY		783,854	736,632

The accompanying notes form part of the financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

Group	Note	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total
		$	$	$	$
Balance 1 July 2021		43,834,296	5,430,793	(45,814,336)	3,450,753
Total comprehensive loss:					
Loss for the year		-	-	(8,999,225)	(8,999,225)
Other comprehensive loss		-	-	-	-
Total comprehensive loss		-	-	(8,999,225)	(8,999,225)
Transactions with owners of the Company:					
Shares and options issued during the year (net of capital raising costs)		6,035,066	-	-	6,035,066
Share-based payments	22	-	250,038	-	250,038
Total transactions with owners of the Company		6,035,066	250,038	-	6,285,104
Balance at 30 June 2022		49,869,362	5,680,831	(54,813,561)	736,632
Balance 1 July 2022		49,869,362	5,680,831	(54,813,561)	736,632
Total comprehensive loss:					
Loss for the year		-	-	(5,237,231)	(5,237,231)
Other comprehensive loss		-	-	-	-
Total comprehensive loss		-	-	(5,237,231)	(5,237,231)
Transactions with owners of the Company:					
Shares and options issued during the year (net of capital raising costs)		4,986,506	-	-	4,986,506
Share-based payments	22	-	297,947	-	297,947
Total transactions with owners of the Company		4,986,506	297,947	-	5,284,453
Balance at 30 June 2023		54,855,868	5,978,778	(60,050,792)	783,854

The accompanying notes form part of the financial report

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	Group 2023 $	Group 2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		496,143	273,276
Receipts from GST refundable		145,110	193,990
Payments to suppliers and employees		(4,670,346)	(8,591,383)
Other income received		428,573	266,525
Net cash used in operating activities	16	(3,600,520)	(7,857,592)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash provided by /(used in) investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Insurance premium funding payments	11	(142,341)	(124,635)
Principal elements of lease liability		(12,499)	(8,333)
Proceeds from issue of shares and options	15	3,505,460	5,664,910
Capital raising costs paid	15	(85,660)	(295,976)
Proceeds from convertible notes	14	-	1,991,000
Proceeds from convertible note equity instruments	14	352,865	-
Repayment of convertible notes	14	(499,750)	-
Net cash inflows from financing activities		3,118,075	7,226,966
Net increase/(decrease) in cash held		482,445	(630,626)
Cash at beginning of financial year		963,482	1,594,108
Cash at end of financial year	8	481,037	963,482

The accompanying notes form part of the financial report

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements comprise the financial report and notes of Linius Technologies Limited (the "Company") and its controlled entities (the "Group"), a listed Australian company incorporated in Australia.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity, involved in the development of technology products, software development and the commercialisation and licencing of computer software.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The financial report and notes also comply with International Financial Reporting Standards adopted by the International Accounting Standards Board. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report was authorised for issue by the Board of Directors on 15 September 2023.

Reverse Acquisition Accounting

The acquisition of Linius (Aust) Pty Ltd by the Company, in the period ended 30 June 2016, is considered to be a reverse acquisition under Australian Accounting Standards, notwithstanding Linius Technologies Limited ("the Company") being the legal parent of the Group. Consequently, the financial information presented in this Report is the financial information of Linius (Aust) Pty Ltd.

The legal structure of the Group subsequent to the acquisition of Linius (Aust) Pty Ltd is that the Company will remain as the legal parent entity. However, the principles of reverse acquisition accounting are applicable where the owners of the acquired entity (in this case, Linius (Aust) Pty Ltd) obtain control of the acquiring entity (in this case, the Company) as a result of the businesses' combination.

Under reverse acquisition accounting, the consolidated financial statements are issued under the name of the legal parent (the Company) but are a continuation of the financial statements of the legal subsidiary (Linius (Aust) Pty Ltd), with the assets and liabilities of the legal subsidiary being recognised and measured at their pre-combination carrying amounts rather than their fair values.

Historical cost convention

The financial statements have been prepared under the historical cost convention, unless otherwise stated.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern

For the year ended 30 June 2023, the Group incurred an operating net loss of $5,237,231 (2022: $8,999,225) and net cash outflows from operating activities of $3,600,520 (2022: $7,857,592).

The ability of the Group to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business for a period of at least twelve months from the date of approval of these annual financial statements.

In determining that the going concern assumption is appropriate, the directors have had regard to:

- projected cash outflows, which are expected to continue for a period of at least twelve months from the date of approval of these financial statements;
- confidence in achieving expected sales through the Group's commercialisation activities;
- prudent management of costs as required including the ability to control expenditures in line with cash resources available;
- being able to raise additional capital funds through conducting a capital raising to enable the continuation of the development and commercialisation activities as planned; and
- the Directors have prepared cash flow projections for the period from 1 July 2023 until 30 September 2024 that support the Group's ability to continue as a going concern. These cashflow projections assume the Group's ability to control expenditures to the level of funding available in addition to raising additional capital in order to maintain positive cash flows.

The Directors note that subsequent to balance date, the Group completed a capital raise of $1,225,500, excluding transaction costs. Of this amount, $168,000 is subject to shareholder approval. In addition to the above the Group has the capacity to raise additional capital and such capital would provide the Group with sufficient funding to meet its planned development and commercialisation activities for the period of the cashflow projections.

The Group's ability to continue to operate as a going concern is dependent upon the items listed above, the achievement of which is uncertain at the date of approval of these financial statements. These conditions give rise to a material uncertainty as to whether the Group will be able to continue as a going concern and, should the Group be unable to continue as a going concern it may be required to realise assets at an amount different to that recorded in the statement of financial position, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial report. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Group receives refundable R&D tax incentives administered through the UK taxation system. These incentives, as refundable, have been accounted for as a government grant within the scope of AASB 120 - refer to the accounting policy disclosed in note 1(f)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments

(i) Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. There were no financial assets at FVTPL during or at year end.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses are recognized in profit or loss any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. There were no debt investments at FVOCI during or at year end.

Equity investments at FVOCI

These asset are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. There were no equity investments at FVOCI during or at year end.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(c) Impairment testing of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets of CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds it recoverable amount.

Impairment loss is recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rate basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only when to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(f) Revenue and Other Income

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The below provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue and Other Income (continued)

Services rendered

Nature and timing of satisfaction of performance obligations, including significant payment terms

The Group derives its revenue primarily from 'software-as-a-service' subscriptions, where customers subscribe to access the platform and associated support services. Invoices for providing software-as-a-service and related support revenue are issued on a monthly basis and are usually payable within 30 days.

Revenue recognition under AASB 15

Services are both distinct and capable of being distinct in the context of the contract, representing a series of recurring services that the Group stands ready to perform over the contract term. Revenue is typically recognised on services over time as a series of services performed over the contract term.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period, which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Comparative Figures

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

(j) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Critical Accounting Estimates and Judgments (continued)

Impairment

The Directors assess impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amount of the Group's intangible assets incorporate a number of key estimates.

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is typically determined using a binomial option pricing model.

Convertible notes

The Company determines the fair value of the liability component of the compound financial instruments with reference to the fair value of a similar stand-alone debt instrument (including any embedded non-equity derivatives). In determining the appropriate range of discount rate to use, the Company uses three techniques commonly observed in the industry such as residual debt method using Black-Scholes model, benchmarking to comparable bond issuances and estimating the cost of borrowing.

(k) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Linius Technologies Limited.

(l) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Expected credit loss is calculated in accounting policy as outlined in note 1(v) below.

Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade and other receivables (continued)

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(m) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(n) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Earnings per share

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

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

- costs of servicing equity (other than dividends) and preference share 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.

(q) Foreign currency translation

Both the functional and presentation currency of Linius Technologies Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

As at the balance date the assets and liabilities of any foreign subsidiary is translated into the presentation currency of Linius Technologies Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payments

The Company has issued options and shares to directors and employees as part of their remuneration arrangements and has issued options and shares to third parties in consideration for acquisitions, settlement of loans, acquisition fees and for consultancy services received. The cost of these equity-settled transactions has been measured by reference to the fair value of the equity instruments granted, namely the market value of the Company's shares on the dates when agreements were reached to issue those shares. The grant-date fair value of equity settled share-based payments arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(s) Parent entity financial information

The financial information for the parent entity, Linius Technologies Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. The investment amounts are assessed for recoverability and an impairment is recorded where the recoverable amount is lower than cost. The recoverable amount is determined by taking into account the market capitalisation of the Group at balance date.

Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(iii) Receivables from subsidiaries

These receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

(t) Plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of property, plant and equipment have different useful lives, then they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Plant and equipment (continued)

(ii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lovers unless it is reasonably certain that the group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful loves of the property, plant and equipment for current and comparative periods are as follows:

- IT equipment 3 years

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

(u) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Impairment

<u>Non-derivative financial assets</u>

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI. The Group did not have any debt investment of FVOCI during and as at 30 June 2023; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Impairment (continued)

Non-derivative financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(w) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in Australian dollars that can be converted to ordinary shares at the option of the holder.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

(x) Adoption of new and revised standards

Standards issued but not yet effective

In the year ended 30 June 2023, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. The Group has not early adopted any standards during the current period in preparing these consolidated financial statements.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group's financial statements.

NOTE 2: REVENUE

	Group	
	2023	2022
	$	$
Revenue for services rendered*	228,906	250,749
Other revenue:		
Government grant**	328,644	481,405
Total revenue	557,550	732,154

* contract liabilities amounting to $282,059 (2022: $23,472) is included in note 12.

**Government grants related to research and development claim $98,933 remain outstanding as at 30 June 2023 (2022: $198,861) and form part of trade and other receivables.

NOTE 3: LOSS FOR THE YEAR

	Group	
	2023	2022
	$	$
Other expenses:		
Occupancy costs	15,386	73,212
Recruitment	1,843	250,572
Insurance	134,430	120,034
Others	15,613	112,910
Other expenses	167,272	556,728
Finance expense:		
Interest expense	6,728	7,833
Interest expense – convertible note facility – Note 14	476,330	106,516
Finance expense	483,058	114,349

NOTE 4: INCOME TAX EXPENSE

	Group	
	2023 $	2022 $
(a) Income tax expense		
Current tax benefit	(1,256,167)	(2,441,461)
Deferred tax – origination and reversal of temporary differences	21,346	(21,216)
Deferred tax assets not recognised	1,234,821	2,462,677
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
The prima facie tax payable on profit/loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on operating loss at 25% (2022: 27.5%)	(1,309,308)	(2,474,787)
Add / (Less)		
Tax effect of:		
Share based payments	74,487	12,110
Unused tax losses and other balances not recognised as deferred assets	1,234,821	2,462,677
Income tax attributable to operating loss	-	-
(c) Unrecognised deferred tax assets		
Unused Australian tax losses for which no deferred tax asset has been recognised	12,541,413	12,418,178
Temporary differences not recognised	22,742	44,089
Total	12,564,155	12,462,267

Potential deferred tax assets attributable to tax losses carried forward have not been brought to account at 30 June 2023 because the Directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this current point in time. These benefits will only be obtained if:

i. The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. The Group continues to comply with conditions for deductibility imposed by law; and

iii. No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

NOTE 5: KEY MANAGEMENT PERSONNEL

The total of remuneration paid to KMP of the Group during the period are as follows:

		Group	
	Note	2023	2022
		$	$
Short-term employee benefits		827,256	740,970
Share-based payments	22	23,833	30,556
		851,089	771,526

NOTE 6: AUDITOR'S REMUNERATION

	Group	
	2023	2022
	$	$
Remuneration of the auditor for services provide to the Group and the Parent during the year:		
Audit and review services	97,000	87,900
KPMG: auditing and reviewing of financial statements		
	97,000	87,900

NOTE 7: EARNINGS/LOSS PER SHARE

		Group	
		2023	2022
		$	$
a.	Reconciliation of earnings to profit or loss		
	Loss used to calculate basic and diluted EPS	(5,237,231)	(8,999,225)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	2,807,608,120	1,731,553,977

Potential ordinary shares comprising 69,139,653 options (2021: 63,577,153) were excluded in the calculation of diluted EPS given they are antidilutive.

NOTE 8: CASH AND CASH EQUIVALENTS

	Group	
	2023	2022
	$	$
Cash at bank	481,037	963,482

The effective interest rate on short-term bank deposits was varying between 0.01% to 3%.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	481,037	963,482

NOTE 9: TRADE AND OTHER RECEIVABLES

	Group	
	2023	2022
	$	$
CURRENT		
Accounts receivable	162,913	233,071
Prepaid expenses and other receivables	93,671	156,514
	256,584	389,585

Accounts receivable are shown net of impairment losses of $nil (2022: $nil)

NOTE 10: INTELLECTUAL PROPERTY

The Group acquired the intellectual property associated with the Linius technology from an unrelated party in the financial period ended 30 June 2016. The intellectual property includes patents, copyright, confidential information and trademarks. In accordance with accounting standards and the Group accounting policies this asset is treated as having a finite life and is being amortised over 10 years.

	Group	
	2022	2021
	$	$
Intellectual property at cost	5,400,000	5,400,000
Accumulated amortisation	(4,095,000)	(3,555,000)
	1,305,000	1,845,000
Amortisation expense	540,000	540,000
	540,000	540,000

NOTE 10: INTELLECTUAL PROPERTY (CONTINUED)

The directors have assessed the value and useful life of the intellectual property at balance date.

The cost of the intellectual property was established upon the purchase of the intellectual property through a third party transaction during the financial period ended 30 June 2016. The value of the intellectual property was further validated through the reverse takeover process and capital raising undertaken by Linius Technologies Limited (Linius) in April/May 2016. During this process an independent report was commissioned, which gave the directors evidence that the intellectual property purchased was covered by valid patents, trademarks and copyright.

The directors note that the intellectual property is at an early stage in its commercial life, with the associated technology recently commencing commercialisation. The value and lifespan of the owned intellectual property continues to be enhanced by further patent registrations in new jurisdictions across the world and through continued development of the technology associated with the intellectual property.

The directors have currently assessed the useful life of the intellectual property as being 10 years. The directors consider that a 10 year useful life is reasonable and appropriate and have amortised the value of intellectual property at balance date on that basis.

Recoverability of the intellectual property

Notwithstanding the losses incurred by the Group, based on alternate positive factors such as the Group's market capitalisation, progress of its commercialisation activities and the technical capability of the underlying technology, there is sufficient of recoverability.

Whilst the intellectual property is accounted for as a definite life asset, the directors have assessed that the recoverable value of the intellectual property exceeds its carrying value at 30 June 2023 due to the following:

Discounted cashflow approach

Management has also performed an analysis to determine the recoverable amount of the CGU (being the Group as a whole at this stage of the Group's lifecycle), which was estimated based on the value in use of the Group, determined by discounting the future cash flows to be generated from the continuing use of the Group's intellectual property.

- Cash flows were forecast for a five year period. The terminal value of the Group was based on the fifth year cash flow and a long-term growth rate of 2.5%, which is consistent with market assumptions of the long term growth target for Australia.
- Revenue was based on a staged pipeline of income being earned, which is anticipated to grow in FY24 based on the number of customer take-on of the Linius technology. From 2025 to 2028 it is based on a compounded growth rate of 90%. Expenses are set based on the 2023 budget, increasing by anticipated growth required to the support the increase in revenue forecast.
- An pre tax discount rate of 18.25% was applied in determining the recoverable amount of the Group. The discount rate was estimated based on an industry average weighted-average cost of capital and applying a premium to the industry average due to the Group being in its growth phase and the risks inherent in the cash flow forecast.

Market capitalisation approach

Since listing on ASX, the shares of Linius have traded in a ready market, supporting the value of the intellectual property asset. The assets of the Group at 30 June 2023 consist principally of cash of $481,037 and intellectual property, after amortisation, of $1,305,000. Net assets are $783,854.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

NOTE 10: INTELLECTUAL PROPERTY (CONTINUED)

Linius shares closed at a price of 0.4 cents per share on 30 June 2023. Total fully paid ordinary shares on issue at 30 June 2023 are 3,765,457,374. This gives a market capitalisation of Linius of $15,061,829. Given the development nature of the Group's operations, the directors believe that the recoverable amount of the intellectual property on the balance sheet at 30 June 2023 is supported by the market value of Linius.

Subsequent to year end the Group has raised additional share capital at $0.0025 per share. Applying this price to the total number of shares after the capital raise of 4,278,990,714 implies a market capitalisation of $10,697,477 which is above the net assets of $736,632 at 30 June 2023.

NOTE 11: TRADE AND OTHER PAYABLES

	Group	
	2023	2022
	$	$
Trade payables	621,021	668,039
Insurance premium funding*	-	136,895
Sundry payables and accrued expenses	264,719	234,404
	885,740	1,039,338

Reconciliation of movements of liabilities to cash flows arising from financing activities.

* Initial loan balance of $150,482 was non cash as the insurance premium was paid directly by financier. During the year, $142,341 was repaid. Nominal interest rate is 7.87% and this loan was repaid by March 2023.

NOTE 12: CONTRACT LIABILITIES

	Group	
	2023	2022
	$	$
Contract liabilities	282,058	23,472
	282,058	23,472

NOTE 13: EMPLOYEE PROVISIONS

	Group	
	2023	20221
	$	$
CURRENT		
Provision for leave	90,969	118,014
Provision for redundancy	-	42,308
	90,969	160,322

NOTE 14: FINANCIAL LIABILITIES

	Group	
	2023	2022
	$	$
Convertible note facility	-	1,243,420
	-	1,243,420

In January 2022, the Company secured up to $3 million of funding by way of a convertible note issued to New Technology Capital Group, LLC (NTCG), a New York based investment fund.

Under the terms of the agreement, Linius issued an initial 18,800,000 Shares to NTCG, which will be allocated towards the ultimate number of Subscription Shares to be issued. Alternatively, in lieu of applying these Shares towards the aggregate number of the Subscription Shares to be issued, NTCG may make a further payment to Linius equal to the value of these Shares determined using the issue price at the time of the payment. In the event that the subscription shares are not required to be issued because the convertible notes are not converted to equity, these shares are cancelled and returned to Linius per agreement in place. In addition, Linius has issued 8,000,000 Shares in satisfaction of a fee payable to NTCG.

In February 2022, following receipt of the first tranche of $2,000,000 excluding transaction costs of $9,000, a note with a face value of $2,120,000 maturing January 2024 was issued.

The note is convertible at NTCG's election into ordinary shares on the following terms: the issue price of the Subscription Shares will initially be equal to A$0.034 each, being a premium of 100% to the closing price of Linius shares on ASX on the last trading date prior to the announcement of this arrangement. Subject to a floor price of A$0.011 (Floor Price), the issue price will reset after 60 days to the average of the five daily volume-weighted average prices (VWAPs) selected by NTCG during the 20 consecutive trading days immediately prior to the date of NTCG's notice to issue Shares, less a 5% discount (if the shares are issued in the first 12 months after the date of execution of the agreement) or a 7% discount (if the shares are issued after 12 months), rounded down to the nearest one tenth of a cent.

If the issue price formula results in a price that is less than the Floor Price, Linius may forego issuing Shares and instead opt to repay the applicable subscription amount in cash (with a 5% premium), subject to the NTCG's right to receive Subscription Shares at the Floor Price in lieu of such cash repayment.

Linius will also have the right (but not the obligation) to forego issuing Shares following NTCG's request for issue and instead opt to repay the subscription amount by making a payment to NTCG equal to the market value of the Shares that would have otherwise been issued.

In April 2022, the Company announced that by mutual agreement the Company and NTCG will not proceed with the $1,000,000 second tranche of the agreement.

By 30 June 2022, $400,000 of the tranche 1 notes had been converted into ordinary shares. (see note 15).

On 12 March 2023, the Company settled the remaining balance outstanding for $499,750.

As at 30 June 2023 there is no balance outstanding.

As the convertible note contains conversion feature AASB 9 Financial Instruments requires the disaggregation of the equity and financial liability components. The full amount of A$2,120,000 is discounted back to present value using prevailing market interest rates for an equivalent loan, which is estimated at 12%. The fair value of the loan at 27 January 2022 is estimated at A$1,536,093. The difference is the amount that is recognised as equity. A total of $476,330 (2022: $106,516) represents the unwinding of the present value discount up to 30 June 2023 and is recognised in the statement of profit or loss and other comprehensive income under finance expense.

NOTE 14: FINANCIAL LIABILITIES (CONTINUED)

2023 convertible Note

In March 2023, the Company secured $352,865 by way of a convertible note issued to professional and sophisticated investors.

Under the terms of the agreement, Linius issue an initial 352,865 convertible notes which shall convert into fully paid ordinary shares in the Company at a price of $0.002 per share, subject to the Company obtaining shareholder approval for the purposes of Listing Rule 7.1 for the issue of those shares. The conversion shall occur within seven days of such approval being obtained. On 8 June 2023 shareholder approval was received, resulting in the notes being converted into 176,432,500 shares on 15 June 2023. This convertible note was treated as an equity instrument.

NOTE 15: ISSUED CAPITAL AND RESERVES

	$ Group	Number (Legal parent)
Issued Capital		
2023		
Opening balance 1 July 2022	49,869,362	1,959,516,312
Issue of shares through private placement (net of costs)*	3,345,670	877,569,997
Issue of shares as share based payments**	-	72,771,898
Issue of shares on conversion of convertible note^*	1,640,836	855,599,167
At reporting date	54,855,868	3,765,457,374

The Company has issued share capital amounting to 3,765,457,374 ordinary shares of no par value.

2022		
Opening balance 1 July 2021	43,834,296	1,511,628,068
Issue of shares through private placement (net of costs)*	5,148,024	365,000,000
Issue of shares on conversion of options	32,946	3,294,592
Issue of shares as share based payments**	-	2,000,000
Issue of equity as part of subscription agreement^	454,096	26,800,000
Issue of shares on conversion of convertible note^	400,000	50,793,652
At reporting date	49,869,362	1,959,516,312

*Net of $- (2022: $206,000) of share based payment transaction costs and $91,819 (2022: $295,976) of other transaction costs.

**Net of $238,699 (2022: $26,889) of share based payments expense recorded in the profit and loss and share based payments reserve.

^ Refer to note 14 for details regarding the subscription agreement.

NOTE 15: ISSUED CAPITAL AND RESERVES (CONTINUED)

	Legal parent entity	
Ordinary shares	2023 No.	2022 No.
Opening balance	1,959,516,312	1,511,628,068
Fully paid shares issued during the year		
— July 2021 (issue of shares on conversion of options)	-	1,241,000
— August 2021 (issue of shares by private placement)	-	180,000,000
— August 2021 (issue of shares on conversion of options)	-	1,095,000
— November 2021 (issue of shares on conversion of options)	-	958,592
— December 2021 (issue of shares by private placement to directors)	-	20,000,000
— December 2021 (issue of shares as part of share based payment)	-	2,000,000
— February 2022 (issue of shares as part of subscription agreement)	-	26,800,000
— April 2022 (issue of shares as part of subscription agreement)	-	22,222,223
— May 2022 (issue of shares as part of subscription agreement)	-	28,571,429
— May 2022 (issue of shares by private placement)	-	165,000,000
— July 2022 (issue of shares by private placement to directors)	35,000,000	-
— July 2022 (issue of shares as part of share based payment)	3,000,000	-
— July 2022 (issue of shares as part of share based payment)	3,850,000	-
— August 2022 (issue of shares as part of subscription agreement)	50,000,000	-
— August 2022 (issue of shares by private placement)	200,000,000	-
— August 2022 (issue of shares as part of subscription agreement)	62,500,000	-
— September 2022 (issue of shares as part of subscription agreement)	66,666,667	-
— October 2022 (issue of shares by private placement to directors)	31,000,000	-
— December 2022 (issue of shares as part of share based payment)	28,590,006	-
— December 2022 (issue of shares by private placement)	228,236,630	-
— December 2022 (issue of shares as part of subscription agreement)	140,000,000	-
— December 2022 (issue of shares by private placement)	15,000,000	-
— December 2022 (issue of shares as part of share based payment)	8,053,280	-
— January 2023 (issue of shares as part of subscription agreement)	148,000,000	-
— February 2023 (issue of shares as part of subscription agreement)	155,000,000	-
— February 2023 (issue of shares as part of share based payment)	5,000,000	-
— February 2023 (issue of shares by private placement to directors)	33,333,340	-
— March 2023 (issue of shares as part of subscription agreement)	57,000,000	-

NOTE 15: ISSUED CAPITAL AND RESERVES (CONTINUED)

	Legal parent entity	
Ordinary shares	2023	2022
	No.	No.
— May 2023 (issue of shares by private placement)	335,000,027	-
— May 2023 (issue of shares as part of share based payment)	24,278,612	-
— June 2023 (issue of shares on conversion of convertible note)	176,432,500	-
At reporting date	3,765,457,374	1,959,516,312

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All ordinary shares rank equally with regard to the Company's residual assets.

NATURE AND PURPOSE OF RESERVES

Share-Based Payments Reserve

This reserve is used to record the equity value of share based payment expenses incurred as consideration for employee and consultant services.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being an early stage technology company, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development of software, early stage business commercialisation initiatives and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2023 is as follows:

	Group	
	2023	2022
	$	$
Cash and cash equivalents	481,037	963,482
Trade and other receivables	256,584	389,585
Trade and other payables and other liabilities	(1,258,767)	(1,273,132)
Working capital position	(521,146)	79,935

NOTE 16: CASH FLOW INFORMATION

	Group	
	2023 $	2022 $
Cash flows excluded from loss attributable to operating activities:		
Loss after income tax	(5,237,231)	(8,999,225)
Non cash items		
- Depreciation	8,589	28,725
- Amortisation	540,000	540,000
- Write down of right of use assets on disposal	9,028	-
- Payment of exercise price of options	-	18,036
- Share-based payments expense	297,947	44,038
- Interest expense	476,330	106,516
Changes in assets and liabilities		
- Increase/(decrease) in provisions	(69,353)	77,149
- Increase/(decrease) in trade payables and accruals	241,169	595,821
- (Increase)/decrease in trade receivables and prepayments	133,001	(268,652)
Cash flows used in operating activities	(3,600,520)	(7,857,592)

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

NOTE 17: RELATED PARTY TRANSACTIONS

	Group	
	2023 $	2022 $
(i) Transactions with key management personnel:		
Advisory fees paid to Otway Capital Consulting, a consulting firm in which Gerard Bongiorno has an interest; disclosed as remuneration	74,000	67,000
(ii) Amounts owing to key management personnel (included in trade and other payables):		
Entity related to Gerard Bongiorno	24,433	3,300
Entity related to Stephen McGovern	49,548	-
James Brennan	260	2,480

Refer to Note 22 for share based payment transactions.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 18: INTERESTS IN CONTROLLED ENTITIES

The parent company had the following controlled entities:

Name of the subsidiary	Place of incorporation	Class of shares	% Held 2023	% Held 2022
Linius (Aust) Pty Ltd	Australia	Ordinary	100%	100%
Linius Solutions Pty Ltd	Australia	Ordinary	100%	100%
Linius UK Ltd	UK	Ordinary	100%	100%
Linius Inc.	USA	Ordinary	100%	100%
Linius Blockchain Pty Ltd	Australia	Ordinary	100%	100%
Linius Blockchain Inc.	USA	Ordinary	100%	100%

NOTE 19: OPERATING SEGMENTS

Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

There is only one reportable segment, being the development of computer software.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the Group and are set out in the consolidated statement of financial position.

NOTE 20: COMMITMENTS

There are no material lease or other commitments as at balance date.

NOTE 21: CONTINGENCIES

There are no contingent assets or liabilities as at balance date.

NOTE 22: SHARE-BASED PAYMENTS

Share option and loan share schemes

Employee share option plan

An employee share option plan (ESOP) has been established by the Group, whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to personnel of the Group. The options are issued for nil consideration and are granted in accordance with time based and/or performance targets established by the Board.

Loan funded share plan

A loan funded share plan (LFSP) has been established by the Group, pursuant to which, at the discretion of the Board, fully paid ordinary shares in the Company may be acquired by certain key personnel and Directors using financial assistance given by the Company. Participants will acquire or be issued loan funded shares at market value as at the grant date using a loan provided by the Company. The loan is interest-free and limited recourse in accordance with the loan terms and the LFSP rules. The LFSP rules require the loan to be repaid before a participant can sell their shares. The shares are granted in accordance with time based and/or performance targets established by the Board. The loan funded shares are accounted for as options and the fair value is recorded as an expense over the vesting period.

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

Share options and loan share options (equity settled)

The key terms and conditions of share options and loan share options on issue are as follows; all options are to be settled by the physical delivery of shares.

Grant date	Number of instruments	Exercise price	Vesting conditions	Contractual life of options
Options granted to Employees:				
On 1 July 2019	200,000	4.42 cents	33% vesting on each of 1^{st}, 2^{nd} and 3^{rd} anniversary of employment date	4 years
On 8 August 2019	195,000	4.47 cents	25% vesting on each of 1^{st}, 2^{nd}, 3^{rd} and 4^{th} anniversary of employment date	4 years
On 2 September 2019	195,000	3.37 cents	25% vesting on each of 1^{st}, 2^{nd}, 3^{rd} and 4^{th} anniversary of employment date	4 years
On 22 October 2019	75,000	4.07 cents	25% vesting on each of 1^{st}, 2^{nd}, 3^{rd} and 4^{th} anniversary of employment date	4 years
On 30 March 2020	780,000	1.19 cents	25% vesting on each of 1^{st}, 2^{nd}, 3^{rd} and 4^{th} anniversary of employment date	4 years
On 31 March 2020	13,545,653	1 cent	100% vesting on 1^{st} April 2021	4 years
On 9 October 2020	500,000	2.89 cents	33% vesting on each of 1^{st}, 2^{nd} and 3^{rd} anniversary of employment date	4 years
On 2 July 2021	2,200,000	2.93 cents	33% vesting on each of 1^{st}, 2^{nd} and 3^{rd} anniversary of employment date	4 years
On 18 February 2022	500,000	2.5 cents	100% vesting on 1 July 2022	3.4 years
On 10 August 2022	7,000,000	0.7 cents	Vested on issue	3.9 years
On 17 February 2023	10,000,000	0.7 cents	Vested on issue	3.4 years
	35,190,653			
Options granted to Key Management Personnel				
On 31 March 2020	949,000	1 cent	100% vesting on 1^{st} April 2021	4 years
	949,000			

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

Grant date	Number of instruments	Exercise price	Vesting conditions	Contractual life of options
Options granted to consultants:				
On 18 September 2020	5,000,000	4.2 cents	Vested on issue	3 years
On 29 July 2021	25,000,000	3 cents	Vested on issue	3 years
On 17 June 2022	3,000,000	1.5 cents	Vested on issue	3 years
	33,000,000			
Options and shares granted to key management personnel				
Shares granted – subject to vesting condition.	2,000,000	0 cents	The shares will vest in equal instalments of 33% over 3 years.	n/a

Share based payments (equity settled) expense recognised in profit or loss

	2023 $	2022 $
Options		
Options issued to KMPs:		
- Giuseppe Rinarelli	-	3,667
Options issued under the ESOP	59,248	13,063
Options issued to consultants	-	206,419
Cost of options issued to consultants for capital raising services, applied against equity	-	(206,000)
	59,248	17,149
Shares		
Shares issued under the ESOP	214,866	
Shares issued to KMPs:		
- John Wallace – right to acquire shares	23,833	(39,111)
- James Brennan– right to acquire shares	-	66,000
	297,947	44,038

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of outstanding share options and loan share options – equity settled
The number and weighted-average exercise prices of share options under the share option programmes were as follows:

Options on issue	*Number of options 2023*	*Weighted average exercise price 2023*	*Number of options 2022*	*Weighted average exercise price 2022*
Outstanding at 1 July	63,577,153	2.8 cents	43,571,745	3.0 cents
Options expired during the year	(11,437,500)	4.21 cents	(7,400,000)	5.31 cents
Options exercised during the year	-	-	(3,294,592)	1 cent
ESOP Options granted during the year	7,000,000	0.7 cents	2,200,000	2.93 cents
ESOP Options granted during the year	10,000,000	0.7 cents	500,000	2.5 cents
Options issued during the year	-	-	25,000,000	3 cents
Options issued during the year	-	-	3,000,000	1.5 cents
Outstanding at 30 June	69,139,653	2.0 cents	63,577,153	2.8 cents
Exercisable at 30 June	67,477,986	1.8 cents	60,487,153	2.8 cents

*Loan share options on issue**	*Number of loan share options 2023*	*Weighted average price 2023*	*Number of loan share options 2022*	*Weighted average price 2022*
Outstanding at 1 July	20,000,000	5.0 cents	20,000,000	5.0 cents
Loan share options expired during the year	(20,000,000)	5.0 cents	-	-
Outstanding at 30 June	-	-	20,000,000	5.0 cents
Vested at 30 June	-	-	20,000,000	5.0 cents

* Loan share options are accounted for as options in the financial accounts.

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

The fair value of the equity-settled share options granted in the current year is estimated as at the date of grant using an independent valuation, which is based on the binomial model (for employees) and Black-Scholes option valuation model (for consultants), which considers the terms and conditions upon which the options were granted:

30 June 2023	7,000,000 Unlisted ESOP options	10,000,000 Unlisted ESOP options
Dividend yield (%)	Nil	Nil
Expected volatility (%)	131%	185%
Risk-free interest rate (%)	1.85%	3.35%
Expected life of option (years)	3.9	3.4
Exercise price (cents)	$0.007	$0.007
Grant date share price	$0.006	$0.002
Grant date fair value	$0.0048	$0.0017
Grant date	10 August 2022	17 February 2023

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

NOTE 23: FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks. The main purpose of non-derivative financial instruments is to raise finance for Group operations. The Group does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

ii. Financial Risk Exposures and Management

<u>Interest rate risk</u>

At the reporting date, the Group's fixed rate instruments comprise financial liabilities. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss. The Group's exposure to financial risk is limited to interest rate risk arising from assets and liabilities bearing variable interest rates. The weighted average interest rate on cash holdings is 0.1% at 30 June 2023 (2022: 0.1%). All other assets and liabilities are non-interest bearing.

Interest rate sensitivity

Had the interest rate moved by 10 basis points with all other variables held constant, the post tax loss and equity would have decreased / increased by $481 (2022: $963).

NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitors the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. The financial liabilities of the Group are confined to trade and other payables, financial liabilities, and the lease liability which have a contractual due date of less than two months. The Board manages liquidity risk by monitoring forecast cash flows against actual liquidity level on a regular basis.

There are no unused borrowing facilities from any financial institution.

Credit risk

There are no material amounts of collateral held as security at balance date. Credit risk is reviewed regularly by the Board. It arises through deposits with financial institutions. The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties. Only banks and financial institutions with an 'A' rating are utilised.

The Group only invests in listed available-for-sale financial assets that have a minimum 'A' credit rating. Unlisted available-for-sale financial assets are not rated by external credit agencies. These are reviewed regularly by the Group to ensure that credit exposure is minimised.

The credit risk for counterparties included in trade and other receivables at balance date is low.

The Group holds cash deposits with Australian banking financial institutions, namely the National Australia Bank (NAB). The NAB has an AA rating with Standard & Poors.

Price risk

The Group is not exposed to commodity price risk.

Foreign currency risk

The Group makes payments in GBP in respect of employees and consultants based in the UK. Funds transferred from Australia are at spot rates and there are no hedges in place.

b. Financial Instruments

i. Derivative Financial Instruments

Derivative financial instruments are not used by the Group.

ii. Financial instrument composition and liquidity risk:

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and excluded contractual interest payments.

NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2023	Carrying amount $	1-12 months $	13-24 months $
Non-derivative financial liabilities			
Trade and other payables	1,167,798	1,167,798	-
Total Financial Liabilities	1,167,798	1,167,798	-
30 June 2022			
Non-derivative financial liabilities			
Trade and other payables	925,915	925,915	-
Insurance premium funding	136,895	136,895	-
Lease liability	62,500	50,000	12,500
Financial liabilities	1,243,420	-	1,243,420
Total Financial Liabilities	2,368,730	1,112,810	1,255,920

iii. Net Fair Values

Financial assets (cash and other receivables) and financial liabilities (trade and other payables, lease liability and financial liabilities are carried at amortised cost which approximates their fair values.

NOTE 24: EVENTS AFTER THE REPORTING PERIOD

Capital raising

On 5 July 2023, the Company issued 23,333,340 shares only to related parties as part of a $1,075,000 placement of fully paid ordinary shares at $0.003 per share to professional and sophisticated investors (including directors and management) that was announced to ASX on 20 April 2023. The issue to related parties was approved by shareholders at a general meeting held on 8 June 2023 and $70,000 was received by the Company in connection with that issue subsequent to year-end.

On 2 August 2023 the Company announced to ASX that it had received firm commitments from professional and sophisticated investors (including directors and management) to raise $1,225,500 in additional capital, excluding transaction costs, via a placement of 490,200,000 shares at $0.0025 per share, with the first 423,000,000 shares issued on 15 August 2023 to non-related parties and the balance expected to be issued to related parties by mid-November 2023 following shareholder approval. In addition, placees will receive one unlisted free attaching option for every three shares allocated, with an exercise price of 0.04c per option expiring on 31 July 2026, subject to shareholder approval.

Other than the matters noted above, there has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.

NOTE 25: PARENT ENTITY DISCLOSURES

The following information is related to the legal parent entity Linius Technologies Limited as at 30 June 2023:

	2023	2022
Financial position	$	$
Assets		
Current assets	369,744	994,841
Non-current assets	13,600,318	10,325,692
Total assets	13,970,062	11,320,533
Liabilities		
Current liabilities	300,856	262,030
Non current liabilities	-	1,260,920
Total liabilities	300,856	1,522,950
Equity		
Issued capital	70,496,823	65,510,317
Option premium reserve	36,462	36,462
Share based payments reserve	5,978,778	5,680,831
Accumulated losses	(62,842,857)	(61,425,027)
Total equity	13,669,206	9,797,583
Financial performance		
Loss for the year	1,412,830	16,308,805
Total comprehensive loss	1,412,830	16,308,805

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. The investment amounts are assessed for recoverability and an impairment is recorded where the recoverable amount is lower than cost. The recoverable amount is determined by taking into account the market capitalisation of the Group at balance date.
Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Receivables from subsidiaries
These receivables are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

For details on commitments, see Note 20.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Linius Technologies Limited ("the Company"):

   (a) the consolidated financial statements and notes that are set out on pages 33 to 70 and the Remuneration report on pages 21 to 28 in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2023.

The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.

Gerard Bongiorno
Non-Executive Chairman and Director
15 September 2023

Independent Auditor's Report

To the shareholders of Linius Technologies Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Linius Technologies Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2023
- 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 including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 1, "Going Concern" in the financial report. The conditions disclosed in Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
    - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices;
    - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows for feasibility, quantum and timing. We used our knowledge of the Group, its industry and financial position to assess the level of associated uncertainty.
- Reading Directors' minutes and other underlying documentation for recent capital raisings completed to understand the Group's ability to raise additional shareholder funds, including assessing the level of associated uncertainty.
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principal matters giving rise to the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Impairment indicators for intellectual property ($1,305,000)

Refer to Note 10 to the Financial Report

The key audit matter

Impairment indicators for Intellectual property is a key audit matter due to:

- the significance of the balance (being 64% of total assets); and
- the greater level of audit effort to evaluate the Group's assessment of impairment indicators in accordance with AASB 136 *Impairment of Assets*. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of the intellectual property. Given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed.

In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of the Group's activities. In addition to the assessment above, given the financial performance and position of the Group, we paid particular attention to:

- The progress of the intellectual property in terms of software development and its target industry sectors.
- The ability of the Group to fund the continuation of commercialization activities.
- Progress of its customer contract negotiation activities with current clients and potential target clients.
- Current market capitalization and implied market capitalisation value from recent capital raisings compared to the net assets at balance date.

We further considered the Group's discounted cashflow approach and business plan.

How the matter was addressed in our audit

Our procedures included:

- We assessed the appropriateness of the Group's accounting policies for the recoverability of intellectual property against the requirements of the accounting standard and our understanding of the business and industry practice.
- We assessed the Group's estimate of the remaining useful life of the intellectual property considering the Group's impairment indicators and progress of commercialization of intellectual property.
- We assessed the Group's intellectual property impairment indicators which includes the Group's market capitalization approach and progress of its commercialisation activities. Our procedures included:
    - We evaluated Group documents, such as minutes of Board meetings, the business plan and proposals to customers, for consistency with the Group's stated intentions to commercialise the intellectual property in terms of software development and plans for new commercialisation activities for target industry sectors. We checked this through enquiries with key operational and finance personnel.
    - We recalculated the Group's market capitalization based on the recent quoted share price on the ASX and the share price for capital raised during the year and subsequent to balance date, multiplied by the shares on issue and compared this to the Group's net assets at balance date.
    - We obtained the Group's new customer contracts entered into during and subsequent to balance

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	date and compared to the Group's plans for new commercialization activities. • We further analysed the Group's determination of recoverable amount of the intellectual property through successful continued development and commercialisation by evaluating the Group's assessment of forecast revenues and expenses in their discounted cashflow approach. This included: ○ comparing the Group's forecast cashflows to fund its commercialisation activities to the cashflow projections used in the Group's assessment of going concern, and tested by us, as outlined in the Material Uncertainty Related to Going Concern; and ○ we considered the sensitivity of the Group's discounted cashflow model by varying key assumptions, such as forecast EBIT and discount rate. We did this to identify inconsistencies with the Group's market capitalisation approach. • Assessed the adequacy of financial report disclosures in respect of the carrying value of intellectual property using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Linius Technologies Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf
This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Linius Technologies Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 21 to 28 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Dana Bentley
Partner

Melbourne

15 September 2023

ADDITIONAL INFORMATION FOR LISTED COMPANIES

1. Shareholdings as at 13 September 2023

1a. Distribution of Shareholders

Category (size of holding)	Number of Holders	Number of Ordinary Shares
1 – 1,000	57	8,985
1,001 – 5,000	86	320,220
5,001 – 10,000	187	1,587,068
10,001 – 100,000	1,517	64,953,736
Above 100,001	1,556	4,162,920,705
	3,403	4,229,790,714

Unquoted Securities

As at 13 September 2023, there are 49,549,653 options over unissued shares of Linius Technologies. These options are held by 15 holders, all with holdings 100,000 or more.

1b. The number of shareholdings held in less than marketable parcels is 2,330.

1c. There are no substantial shareholders listed in the holding Group's register as at 13 September 2023.

1d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

—Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

- There are no voting rights attached to options.

ADDITIONAL INFORMATION FOR LISTED COMPANIES (CONTINUED)

1e. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Oxbo Holdings 2 Pty Ltd <JB Family 2 A/C>	164,941,276	3.90%
2	Anbaume Pty Ltd	137,306,293	3.25%
3	Mrs Rachel Markus & Mr David Markus <Markus Family S/F A/C>	133,878,794	3.17%
4	Unrandom Pty Ltd <Unrandom A/C>	105,000,000	2.48%
5	Earthrise Holdings Pty Ltd <Campion Investment A/C>	94,000,000	2.22%
6	Scintilla Strategic Investments Ltd	81,666,670	1.93%
7	Markus Investments Pty Ltd <Siegmund Markus Family A/C>	66,666,670	1.58%
8	Majas Blue Pty Ltd <Raymond Family A/C>	64,109,954	1.52%
9	One Managed Investment Funds Ltd <TI Growth A/C>	60,000,000	1.42%
10	HARRKJIBSS Pty Ltd <Harris Family A/C>	59,900,000	1.42%
11	One Managed Investment Funds Ltd <TI Growth A/C>	57,106,773	1.35%
12	MR DEJAN MARKOVIC	57,000,000	1.35%
13	Citicorp Nominees Pty Ltd	53,960,705	1.28%
14	UBS Nominees Pty Ltd	53,785,714	1.27%
15	Andasal Pty Ltd <Graham Family A/C>	50,012,639	1.18%
16	Parlin Investments Pty Ltd <Parlin Discretionary A/C>	42,000,000	0.99%
17	Gordo's Pty Ltd <Trading A/C>	40,000,000	0.95%
18	Steven McGovern Nominees Pty Ltd	40,000,000	0.95%
19	Dinwoodie Investments Pty Ltd	36,666,666	0.87%
20	One Managed Investment Funds Ltd <TI High Conviction A/C>	35,233,334	0.83%
		1,433,235,488	33.88%
	Total number of ordinary fully paid shares held	4,229,790,714	

2. The name of the Company Secretary is Mr Giuseppe Rinarelli.
3. The address of the principal registered office in Australia is:

   Level 2,

   431 St Kilda Road,

   MELBOURNE VIC 3004
4. Registers of securities are held at the following addresses:

   Advance Share Registry

   110 Stirling Hwy

   NEDLANDS WA 6009
5. Securities Exchange Listing

   Linius Technologies Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

   Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.