

1. Company details

Name of entity:	Damstra Holdings Limited
ABN:	74 610 571 607
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	1.4% to	14,991
Pro Forma Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	>100% to	4,250
Loss from ordinary activities after tax attributable to the owners of Damstra Holdings Limited	down	39.8% to	(4,983)
Loss for the half-year attributable to the owners of Damstra Holdings Limited	down	39.8% to	(4,983)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$4,983,000 (31 December 2022: \$8,276,000).

H1 FY24 results continue the transformation of the business with a >100% improvement in EBITDA and 39.8% bottom line improvement.

Whilst revenue growth was modest at 1.4%, software services revenue grew \$1,324,000 or 12.49% which was offset by lower implementation and hardware sales revenue of \$1,113,000 increasing the quality of revenue going forward.

Net cash flow from operating activity improved by \$1,481,000, H1FY24 recording operating cash flow of \$3,688,000 compared to \$2,207,000 in H1FY23 on our journey to generating sustainable positive free cash flow.

Pro forma EBITDA below is a financial measure that is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory loss under AAS adjusted for certain items. The directors consider loss before tax excluding other items (being the impact of any impairment, acquisition costs, restructuring and share-based payments expenses) to reflect the core earnings of the Group. Pro forma EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') adjusted for non-cash share-based payments, acquisition costs, other costs and impairment expenses.

A reconciliation between adjusted pro forma EBITDA and statutory loss is provided below:

	Consolidated 31 Dec 2023 \$'000	31 Dec 2022 \$'000
Loss before tax based on statutory accounts	(4,966)	(8,276)
Share-based payments	1,483	1,121
Acquisition and other one-off costs	307	81
Depreciation and amortisation expenses	6,439	8,089
Net finance costs	987	1,016
Pro forma EBITDA	<u>4,250</u>	<u>2,031</u>

Refer to the Directors' report for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(6.33)	(5.00)

Net tangible assets calculations exclude right-of-use assets but include lease liabilities.

The net tangible assets per ordinary security for the reporting period is calculated based on 257,882,093 (31 December 2022: 257,387,914) ordinary shares on issue excluding zero (31 December 2022: 308,474) treasury shares. All treasury shares have been fully allocated during this reporting period.

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
SkillPASS Trust	50.00%	50.00%	(41)	(45)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(41)	(45)
Income tax on operating activities			-	-

5. Audit qualification or review

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

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

6. Attachments

Details of attachments (if any):

The Interim Report of Damstra Holdings Limited for the half-year ended 31 December 2023 is attached.

7. Signed

As authorised by the Board of Directors

Signed 

Date: 23 February 2024

Johannes Risseuw
Executive Chairman
Melbourne

Damstra Holdings Limited

ABN 74 610 571 607

Interim Report - 31 December 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Damstra Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

Johannes Risseeuw
Christian Damstra
Drew Fairchild
Morgan Hurwitz
Simon Yencken
Sara La Mela

Principal activities

Damstra is a global leader in enterprise protection software. Its Enterprise Protection Platform (EPP) integrates an extensive range of modules and products that allows organisations to mitigate and reduce unforeseen and unnecessary business risks around people, workplaces, assets, and information.

Integral to the Damstra EPP, Damstra's Workforce Management, Learning Management and Connected Worker solutions combine to ensure Protected People. In creating workplaces that are Safe, Damstra's Access Control, Digital Forms and Safety Solutions are utilised. Assets are connected into operations, through integrated Asset Management enabling Asset mobilisation and offerings in RFID (radio-frequency identification) and IOT (internet of things). Lastly Accessible Information, Reporting BI tools and Predictive Analytics are critical to ensuring customers are making the right decisions with the right information.

Dividends

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

Significant changes in the state of affairs

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

Review of operations

The loss for the Group after providing for income tax amounted to \$4,983,000 (31 December 2022: \$8,276,000).

H1 FY24 results continue the transformation of the business with a >100% improvement in EBITDA and 39.8% bottom line improvement.

Whilst revenue growth was modest at 1.4%, software services revenue grew \$1,324,000 or 12.49% which was offset by lower implementation and hardware sales revenue of \$1,113,000 increasing the quality of revenue going forward.

Net cash flow from operating activity improved by \$1,481,000, H1FY24 recording operating cash flow of \$3,688,000 compared to \$2,207,000 in H1FY23 on our journey to generating sustainable positive free cash flow.

Pro forma EBITDA, pro forma EBITDA %, gross margin and pro forma operating expenses used in the review of operations section below are financial measures that are not prescribed by Australian Accounting Standards ('AAS') and represent the statutory loss under AAS adjusted for certain items. The directors consider loss before tax excluding other items (being the impact of any impairment, acquisition costs, restructuring and share-based payments expenses) to reflect the core earnings of the Group. Pro forma EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') adjusted for non-cash share-based payments, acquisition costs, other costs and impairment expenses. A reconciliation between adjusted pro forma EBITDA and statutory loss is provided below.

For the half-year ended 31 December 2023, the Group reported revenue of \$14,991,000 (31 December 2022: \$14,780,000).

Key operational and financial metrics for the half-year ended 31 December 2023:

31 Dec 2023 31 Dec 2022

Key financial metrics¹

Revenue growth vs previous corresponding period ('pcp')	1.4%	12.0%
Gross margin	77.4%	78.3%
Research and development expenses as a % of revenue	(18.9%)	(18.2%)
Sales and marketing expenses as a % of revenue	(18.8%)	(31.6%)
General and administration expenses as a % of revenue	(36.2%)	(37.8%)
Proforma EBITDA margin	28.3%	13.8%

¹: Key financial metrics are shown on a pro forma basis excluding those items reconciling between loss before tax and pro forma EBITDA shown below, being impairment of goodwill and other assets, share-based payment, restructuring costs and acquisition and other costs. Research and development, sales and marketing and general administration expenses include both direct and indirect costs.

A reconciliation between loss before tax and proforma EBITDA is provided below.

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<i>Loss before tax based on statutory accounts</i>	(4,966)	(8,276)
Share-based payments	1,483	1,121
Acquisition and other one-off costs	307	81
Depreciation and amortisation expenses	6,439	8,089
Net finance costs	987	1,016
<i>Pro forma EBITDA</i>	<u>4,250</u>	<u>2,031</u>

Revenue:

The growth in revenue during the financial half-year was driven by:

- An increase in software services revenue of \$1,324,000 from past client wins and EPP implementations, especially in North America for Barrick Gold and Capstone Copper, offset by lower implementation and hardware sale revenue of \$1,113,000 when compared to the prior period; and
- Continued strong demand from Australian mining, civil construction, and increasing demand in the facilities management verticals.

Gross operating margin:

For the half-year ended 31 December 2023, the Group reported a gross operating margin of \$11,607,000 (31 December 2022: \$11,587,000) or consistent with the prior period. The gross margin percentage was 77.4%, in line with the previous corresponding period. Gross margin is calculated based on the revenue from operations less directly attributable costs associated with revenue earned.

Pro forma operating expenses and capitalised labour:

The key driver for operating expenses, including cost of sales and overheads, was the impact of cost saving initiatives to reset the cost base for the integration of recent acquisitions whilst continuing the Group's continued investment in future growth via the development of the EPP platform.

- The Group's sales and marketing function reported pro forma expenses of \$2,812,000, which represents 18.8% of revenue, down from \$4,664,000 or 31.6% of revenue in the prior period after restructuring and realignment actions in late H1FY23;
- Research and development of \$2,831,000 (excluding capitalised costs), primarily due to the development of new EPP functions and the enhancement of existing modules, which represents 18.9% of revenue, consistent with \$2,689,000 or 18.2% of revenue in the prior period;
- General and administrative expenses of \$5,422,000, which represent 36.2% of revenue, lower than \$5,584,000 in the prior year at a percentage of revenue of 37.8%; and
- Capitalised employee labour of \$2,929,000, which represents 19.5% of revenue is lower than \$3,737,000 in the prior year, which represented 25.3% of revenue.

Pro forma operating expenses exclude share-based payments and other costs in the reconciliation between loss before tax and pro forma EBITDA.

Other expenses

Depreciation and amortisation expenses have resulted from investments in plant and equipment, internal software development, and acquired intangible assets. The 20.20% decrease in depreciation and amortisation reflects the timing and the useful life of these investments, most notably, the progress of fully amortising acquired intangibles.

Share-based payments expense relates to the potential benefit associated with the Group's equity incentive plan. To realise the benefits of these incentive plans, employees need to meet targets as approved at the FY23 Annual General meeting and past plans that remain active. The Equity Incentive Plans, including long-term and short-term incentives, require the achievement of minimum hurdles and KPI targets for revenue, free cash generation, employee and customer promoter scores and individual targets.

Financial position:

As at 31 December 2023, the Group has outstanding borrowings of \$17,208,000 (30 June 2023: \$17,208,000). The Group has cash balance of \$6,223,000 (including term deposits) (30 June 2023: \$7,446,000) and has utilised its borrowing facility at call.

The Group's cost savings program in FY23 and H1 FY24, along with forecast additional revenue from new client wins, is expected to result in the generation of positive free cashflow in the second half of FY24.

Strategic update

The Group has a vision of becoming a global business and sees continuing strong demand for our products in local markets and internationally.

Continuing on from new North American contract wins in FY22, the Company's North American operations have grown as expected, and with recent new contract expansions. Revenue from the North American region will continue to support revenue growth in FY24 and beyond, with revenue moving from Implementation revenue in FY23 to sustained software subscription revenue in FY24. Late in FY23 several new and existing customers chose to implement or upgrade their services to the EPP, these client wins validate the significant investment into the EPP product over the last two years and reinforce the effectiveness of the strategy of offering solutions focused integrated models within the EPP to address client needs without requiring bespoke or multiple software products.

The Group strategy is focused on geographic and vertical expansion:

1. Geographic expansion

Our products are now used in more than 25 countries globally. ANZ is the core business, and we have a small footprint in Asia through our existing clients. Both regions are contributing positively to the Group. Our key investment focus to date has been in North America, which has been underpinned by the successful implementation of recent client wins and agreement to expand our services with our existing clients. FY23 saw the successful implementation of our North American client wins and contract expansions. In FY24, these wins and expansions have moved to sustainable software subscription revenue and we have additional opportunities via the realisation of our sales pipeline in the North American markets.

2. Verticals

We have a diverse global customer base with the civil, construction and mining verticals being the most significant revenue contributors and the core of our business. These favourable industry verticals have strong forecast growth prospects based on government investment in multi-year infrastructure projects and the continued global demand for Australia's mining resources.

Leveraging our construction capability, we are increasing our facilities management client base, including leveraging our local CBRE customer agreement globally and providing services to other large industry customers.

3. EPP migration

Our growth opportunities include customer migration from our legacy platforms to the EPP and the take-up of additional modules within the EPP. The EPP platform allows for a solutions focus, meeting customer's needs via a combination of modules and functionality. During H1 FY24, we have engaged with a series of large enterprise customers to migrate them to the EPP, resulting in contract extensions and future increases to their annualised recurring revenue spend. Our pipeline of near-complete new customer wins remains strong and we expect the pipeline of new customer implementations to continue and increase in H2 FY24.

Matters subsequent to the end of the financial half-year

On 25 January 2024, the Company entered a binding Scheme Implementation Deed with IDEAGEN to acquire 100% of the shares in Damstra Holdings Limited at 0.24 cents per share via a Scheme of Arrangement which is expected to be implemented by late April 2024.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

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

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

☐ On behalf of the directors



Johannes Risseuw
Executive Chairman

23 February 2024



Drew Fairchild
Director

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

To the directors of Damstra Holdings Limited

As lead auditor for the review of Damstra Holdings Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Damstra Holdings Limited and the entities it controlled during the period.

William Buck
William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis
A. A. Finnis
Director
Melbourne, 23 February 2024

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		Consolidated	
	Note	31 Dec 2023	31 Dec 2022
		\$'000	\$'000
Revenue from operations	4	14,991	14,780
Other income		263	295
Interest revenue		73	66
Expenses			
Employee benefits expenses		(7,209)	(8,697)
Depreciation and amortisation expenses		(6,439)	(8,089)
Share of losses of joint ventures accounted for using the equity method		(41)	(45)
Other expenses		(5,617)	(5,379)
Finance costs		(987)	(1,207)
Loss before income tax expense		(4,966)	(8,276)
Income tax expense		(17)	-
Loss after income tax expense for the half-year attributable to the owners of Damstra Holdings Limited		(4,983)	(8,276)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(31)	13
Other comprehensive (loss)/income for the half-year, net of tax		(31)	13
Total comprehensive loss for the half-year attributable to the owners of Damstra Holdings Limited		(5,014)	(8,263)
		Cents	Cents
Basic loss per share	11	(1.93)	(3.21)
Diluted loss per share	11	(1.93)	(3.21)

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

Assets

Current assets

Cash and cash equivalents	5,966	7,140
Trade and other receivables	4,121	4,162
Other assets	994	1,209
Total current assets	11,081	12,511

Non-current assets

Investments accounted for using the equity method	71	112
Property, plant and equipment	3,887	4,550
Right-of-use assets	1,435	2,164
Intangible assets	57,571	59,535
Term deposits	257	306
Other assets	409	469
Total non-current assets	63,630	67,136

Total assets

74,711 **79,647**

Liabilities

Current liabilities

Trade and other payables	3,643	4,361
Contract liabilities	5,500	5,679
Borrowings	5 2,958	1,458
Lease liabilities	745	1,100
Employee benefits	2,842	2,426
Provisions	1,157	1,157
Total current liabilities	16,845	16,181

Non-current liabilities

Contract liabilities	168	168
Borrowings	5 14,250	15,750
Lease liabilities	732	1,218
Employee benefits	31	114
Total non-current liabilities	15,181	17,250

Total liabilities

32,026 **33,431**

Net assets

42,685 **46,216**

Equity

Issued capital	6 173,373	173,351
Reserves	7 17,208	15,778
Accumulated losses	(147,896)	(142,913)

Total equity

42,685 **46,216**

Consolidated

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	173,351	13,069	(87,108)	99,312
Loss after income tax expense for the half-year	-	-	(8,276)	(8,276)
Other comprehensive income for the half-year, net of tax	-	13	-	13
Total comprehensive income/(loss) for the half-year	-	13	(8,276)	(8,263)
<i>Transactions with owners in their capacity as owners:</i>				
Vesting charge for share-based payments (note 12)	-	1,121	-	1,121
Exercise of cash settled share-based payments	-	(5)	-	(5)
Balance at 31 December 2022	<u>173,351</u>	<u>14,198</u>	<u>(95,384)</u>	<u>92,165</u>

Consolidated

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2023	173,351	15,778	(142,913)	46,216
Loss after income tax expense for the half-year	-	-	(4,983)	(4,983)
Other comprehensive loss for the half-year, net of tax	-	(31)	-	(31)
Total comprehensive loss for the half-year	-	(31)	(4,983)	(5,014)
<i>Transactions with owners in their capacity as owners:</i>				
Vesting charge for share-based payments (note 12)	-	1,483	-	1,483
Issue of shares (note 6)	22	(22)	-	-
Balance at 31 December 2023	<u>173,373</u>	<u>17,208</u>	<u>(147,896)</u>	<u>42,685</u>

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	16,383	17,273
Payments to suppliers and employees (inclusive of GST)	(13,004)	(15,132)
Interest received	73	66
Cash received from government grants and others	253	-
Income taxes paid	(17)	-
	<hr/>	<hr/>
Net cash from operating activities	3,688	2,207
Cash flows from investing activities		
Payment for purchase of subsidiary, net of cash acquired	-	(3,500)
Payments for property, plant and equipment	(430)	(720)
Payments for intangibles	(2,938)	(3,524)
	<hr/>	<hr/>
Net cash used in investing activities	(3,368)	(7,744)
Cash flows from financing activities		
Interest and other finance costs paid	(987)	(782)
Proceeds from borrowings	-	5,000
Repayment of borrowings	(128)	(121)
Repayment of lease liabilities	(428)	(522)
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(1,543)	3,575
Net decrease in cash and cash equivalents	(1,223)	(1,962)
Cash and cash equivalents at the beginning of the financial half-year	7,446	10,095
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year (including Term deposits)	<u>6,223</u>	<u>8,133</u>

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

Note 1. General information

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

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

Suite 11c, Level 3
299 Toorak Road
South Yarra 3141

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2023 and are not expected to have any significant impact for the full financial year ending 30 June 2024.

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

Going concern

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

The Group has net current liabilities of \$5,764,000 as at 31 December 2023 (30 June 2023: net current liabilities of \$3,670,000). The Group has net assets of \$42,685,000 (30 June 2023: \$46,216,000). The Group has cash and cash equivalents of \$5,966,000 as at 31 December 2023 (30 June 2023: \$7,140,000). Net cash flow from operating activity improved by \$1,481,000, H1FY24 recording operating cash flow of \$3,688,000 compared to \$2,207,000 in H1FY23 on our journey to generating sustainable positive free cash flow.

In assessing the Group's ability to continue as a going concern, the directors have considered the Group's financial forecasts, available funds, and that they are in compliance with all banking covenants at 31 December 2023 having completed a refinancing of the banking facility to November 2026 during the last financial year to 30 June 2023. The Group's forecasts reflect the generation of free Cashflow resulting from the achieved cost reduction program and recent new client wins. The directors are satisfied that these actions are practical and achievable and are therefore satisfied that there are reasonable grounds to conclude the Group can continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment, being workforce management solutions. The determination of the operating segment is based on the information provided to the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Consideration has been given to the manner in which services are provided to the customers, the organisation structure and the nature of the Group's customer base.

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	30 Jun 2023
	\$'000	\$'000	\$'000	\$'000
Australia	11,874	11,646	62,643	65,800
New Zealand	1,846	1,689	341	454
United States of America	997	1,185	172	246
International operations	274	260	216	330
	<u>14,991</u>	<u>14,780</u>	<u>63,372</u>	<u>66,830</u>

Note 4. Revenue from operations

	Consolidated	Consolidated
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Sales revenue	<u>14,991</u>	<u>14,780</u>

Disaggregation of revenue

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

	Consolidated	Consolidated
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
<i>Major product lines</i>		
Software services	11,925	10,601
Rental and hardware equipment sales	2,184	2,662
Implementation and other support services	882	1,517
	<u>14,991</u>	<u>14,780</u>
<i>Timing of revenue recognition</i>		
Revenue recognised over time	9,621	10,640
Revenue recognised at a point in time	5,370	4,140
	<u>14,991</u>	<u>14,780</u>

Revenue from external customers by geographic regions is set out in note 3 operating segments.

Note 5. Borrowings

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Current liabilities</i>		
Back-end fee payable	1,458	1,458
Minimum Loan payable to Partners for Growth VI, L.P. ('PFG')	1,500	-
	<u>2,958</u>	<u>1,458</u>
<i>Non-current liabilities</i>		
Loan from Partners for Growth VI, L.P. ('PFG')	13,500	15,000
Back-end fee payable	750	750
	<u>14,250</u>	<u>15,750</u>
	<u><u>17,208</u></u>	<u><u>17,208</u></u>

Loan from Partners for Growth VI, L.P. ('PFG facility')

On 5 June 2023, the Group renewed and extended its loan facility. The PFG facility has been increased to \$17,500,000 during the previous financial year, with a redemption date of 30 November 2026. As at 31 December 2023, \$15,000,000 (30 June 2023 - \$15,000,000) of the facility was drawn. The interest rate on the facility is 8.6% above BBSW per annum, payable monthly in arrears.

As part of the arrangement the following additional conditions were agreed between the Group and PFG:

- An establishment fee of \$200,000;
- An additional backend fee of \$750,000 payable on 30 June 2026;
- The issue of warrants, for a total value of \$535,000, which are based on fixed exercise prices of \$0.071, \$0.102 and \$0.118 exercisable before 30 June 2030. As these warrants are under a fixed for fixed arrangement they have been classified as equity;
- No minimum repayments are required for FY24; and
- The minimum aggregate of all monthly FY25 payments payable by the Borrower is \$3,000,000.

Bank Covenants

The Group was in compliance with all bank covenants as at 31 December 2023.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	31 Dec 2023	30 Jun 2023
	\$'000	\$'000
<i>Total facilities</i>		
Loan from Partners for Growth VI, L.P. ('PFG')	17,500	17,500
<i>Used at the reporting date</i>		
Loan from Partners for Growth VI, L.P. ('PFG')	15,000	15,000
<i>Unused at the reporting date</i>		
Loan from Partners for Growth VI, L.P. ('PFG')	2,500	2,500

Note 6. Issued capital

	31 Dec 2023 Shares	30 Jun 2023 Shares	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
Ordinary shares - fully paid	257,882,093	257,696,388	173,373	173,638
Less: Treasury shares issued	(2,060,948)	(2,060,948)	(4,462)	(4,462)
Add back: Treasury shares allocated	2,060,948	1,928,573	4,462	4,175
	<u>257,882,093</u>	<u>257,564,013</u>	<u>173,373</u>	<u>173,351</u>

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2023	257,564,013		173,351
Allocation of shares on exercise of options	12 July 2023	132,375	\$0.000	-
Issue of shares	02 August 2023	81,285	\$0.120	10
Issue of shares	08 September 2023	104,420	\$0.120	12
Balance	31 December 2023	<u>257,882,093</u>		<u>173,373</u>

Treasury shares

Treasury shares comprise of 2,060,948 shares issued to the Employee Share Trust ('EST'). Treasury shares have been reallocated to issued and allocated. There is no overall change in the share capital position. All treasury shares have been fully allocated during this reporting period.

The Company has established the EST to deliver long-term incentives to eligible employees. The trustee of the Share Trust is controlled by the Company. The acquisition of the shares under the EST is fully funded by the Group. These shares are recorded as treasury shares representing a deduction against issued capital. The shares issued to EST is allocated to employees on successful vesting of options/awards. As at 31 December 2023, EST had zero (30 June 2023: 132,375) shares that were unallocated. Refer to note 12 'Share-based payments' for further details.

Note 7. Reserves

	Consolidated 31 Dec 2023 \$'000	30 Jun 2023 \$'000
Foreign currency reserve	(136)	(105)
Share-based payments reserve	16,790	15,329
Warrants equity reserve	554	554
	<u>17,208</u>	<u>15,778</u>

Movements in reserves

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

Consolidated	Foreign currency reserve \$'000	Share-based payments reserve \$'000	Warrants equity reserve \$'000	Total \$'000
Balance at 1 July 2023	(105)	15,329	554	15,778
Foreign currency translation	(31)	-	-	(31)
Share-based payments	-	1,483	-	1,483
Issue of shares	-	(22)	-	(22)
Balance at 31 December 2023	<u>(136)</u>	<u>16,790</u>	<u>554</u>	<u>17,208</u>

Note 8. Dividends

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

Note 9. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 10. Contingent liabilities

The Group had no contingent liabilities at 31 December 2023 (30 June 2023: nil) with the exception of term deposits pledged as security for rental properties.

Note 11. Earnings per share

	Consolidated	
	31 Dec 2023	31 Dec 2022
	\$'000	\$'000
Loss after income tax attributable to the owners of Damstra Holdings Limited	<u>(4,983)</u>	<u>(8,276)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>257,808,350</u>	<u>257,696,388</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>257,808,350</u>	<u>257,696,388</u>
	Cents	Cents
Basic loss per share	(1.93)	(3.21)
Diluted loss per share	(1.93)	(3.21)

Due to the Group's loss position, options have been excluded from the above calculations as their inclusion would be anti-dilutive.

Note 12. Share-based payments

The share-based payment expense for the half financial year was \$1,483,000 (31 December 2022: \$1,121,000).

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to the employees of the Group, based on the achievement of gateway hurdles and performance thresholds within the approved plan rules. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Note 12. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

	Number of options	
	31 Dec 2023	30 Jun 2023
Outstanding at the beginning of the financial half-year	23,255,180	14,984,657
Granted*	21,286,833	11,703,681
Forfeited	(789,942)	(2,594,719)
Exercised	(318,080)	(494,397)
Expired	(343,216)	(344,042)
Outstanding at the end of the financial half-year	<u>43,090,775</u>	<u>23,255,180</u>
Exercisable at the end of the financial period	<u>9,607,029</u>	<u>6,869,482</u>

* Does not include 334,254 options which have been approved at the Annual General Meeting but have not been issued as at the reporting date.

The weighted average share price during the financial year was \$0.20 (30 June 2023: \$0.136).

The weighted average remaining contractual life of options outstanding at the end of the half financial year was 13.95 years (30 June 2023: 13.20 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Fair value at grant date
01/07/2023	01/07/2038	\$0.085	\$0.000	\$0.085
01/08/2023	09/10/2038	\$0.092	\$0.000	\$0.092
14/08/2023	14/08/2038	\$0.116	\$0.000	\$0.116
25/10/2023	01/07/2038	\$0.240	\$0.000	\$0.240
25/10/2023	25/10/2038	\$0.240	\$0.000	\$0.240
25/10/2023	31/01/2039	\$0.240	\$0.000	\$0.240
25/10/2023	30/04/2039	\$0.240	\$0.000	\$0.240
25/10/2023	31/07/2039	\$0.240	\$0.000	\$0.240
31/10/2023	31/10/2038	\$0.240	\$0.000	\$0.240

Shares issued to the Employee Share Trust ('EST')

As detailed in note 6, the Company issued 2,060,948 shares to EST. The shares issued to EST is allocated to employees on successful vesting of options/awards. During the current half financial year, 132,375 shares were allocated to option holders on the exercise of options. As at 31 December 2023, EST had zero (30 June 2023: 132,375) shares that were unallocated.

Note 13. Events after the reporting period

On 25 January 2024, the Company entered a binding Scheme Implementation Deed with IDEAGEN to acquire 100% of the shares in Damstra Holdings Limited at 0.24 cents per share via a Scheme of Arrangement which is expected to be implemented by late April 2024.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Johannes Risseuw
Executive Chairman



Drew Fairchild
Director

23 February 2024

Independent auditor's review report to the members of Damstra Holdings Limited

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Damstra Holdings Limited (the Company), and its subsidiaries (the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including a summary of material accounting policy information, and
- the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report


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

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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


William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136


A. A. Finnis
Director
Melbourne, 23 February 2024