

SIMAVITA LIMITED

ARBN 165 831 309

Appendix 4D

For the half-year ended December 31 2019

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- 1 The report period covers the half-year ended December 31, 2019.
The previous corresponding period covers the half-year ended December 31, 2018.
 - 2 Results for announcement to the market
 - 2.1 Total comprehensive loss attributable to members for the period was \$2,032,500 a decrease of 6.4% compared to \$2,170,861 in the previous corresponding period.
 - 2.2 Total loss from ordinary activities after income tax attributable to members for the period was \$2,032,657, a decrease of 6.4% compared to \$2,171,220 in the previous corresponding period.
 - 2.3 During the period under review, total expenses excluding share based payments expense incurred by the Company amounted to \$2,483,530, a reduction of \$33,658 or 1.3% over the corresponding period to December 31, 2018. The expense for the period included \$24,000 associated with share based payments compared to \$58,800 in the prior corresponding period. The prior period also included expenses of \$174,434 being the full write-off of AssessPLUS™ inventory resulting from the Company's PIVOT strategy.
 - 2.4 Total revenue for the reporting period was \$489,834, an increase of 2.6% compared to \$477,382 in the previous corresponding period. Revenue from ordinary activities for the reporting period was \$23,573 a reduction of \$100,284 or 81% compared to \$123,857 in the previous corresponding period. As previously advised under the PIVOT strategy, the Company made the strategic decision to move away from "one-on-one" consultative selling so as to focus on major sales activity through partnerships with organisations who have significant and synergistic businesses particularly associated with the Company's platform Smartz™ technology.
 - 2.5 The Group does not propose to pay a dividend.
 - 2.6 Entitlements to dividends: Not applicable.
 - 3 The net tangible assets per ordinary share as at December 31, 2019 was negative 1.00 cents, a decrease of approximately 92% over the previous period (June 30, 2019) of negative 0.52 cents.
 - 4 During the half-year ended December 31, 2019, Simavita Limited neither gained nor lost control of any entities.
 - 5 No dividends were paid by Simavita Limited during or after the reporting period, nor were any paid during the previous corresponding period.
 - 6 The Group has no dividend reinvestment plans in operation.
 - 7 As at December 31, 2019 Simavita Limited held no investments in any associates or joint ventures.
 - 8 The group's financial statements for the reporting period have been prepared in accordance with Australian Accounting Standards.

SIMAVITA LIMITED

ARBN 165 831 309

Appendix 4D

For the half-year ended December 31, 2019

(continued)

- 9 This report is based on the Group's consolidated financial statements for the half-year ended December 31, 2019 which have been reviewed by PricewaterhouseCoopers. It contains an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Signed on behalf of Simavita Limited



Peta C. Jurd

Company Secretary

Date: February 28, 2020.

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Simavita

**SIMAVITA LIMITED AND
CONTROLLED ENTITIES**

(ARBN 165 831 309)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED

December 31, 2019

ASX CODE: SVA

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SIMAVITA LIMITED

ARBN 165 831 309

Directors' Report

The Directors submit their report on the consolidated entity consisting of Simavita Limited and the entities it controlled at the end of and during the half-year ended December 31, 2019.

Directors

The names of the Directors of Simavita Limited who held office during the half-year and to the date of this report are:

Michael R. Spooner

Gary W. Pace

Damien M. Haakman

Alan D. Fisher (Appointed on July 22, 2019)

John C. McBain (Appointed on November 26, 2019)

Company Secretary

Peta C. Jurd

Group Overview

Simavita Limited is a public company incorporated in Canada and it is the Ultimate parent company for four wholly-owned subsidiaries:

Simavita Holdings Limited

Simavita (Aust) Pty Ltd

Fred Bergman Healthcare Pty Ltd

Simavita US Inc.

Principal activities

The Simavita Group of companies (the “Group”) is a world leader in the development of smart, wearable and disposable sensors for the global diaper industry. The Group is focused upon major and rapidly growing markets for adult and infant diapers with global sales for these markets currently amounting to over USD\$64bn annually.

Smartz™ is Simavita’s flagship product. It is a platform of applications which provides meaningful real time feedback on the wellbeing of the wearer. Smartz™ takes the worry out of care. Smartz™ securely connects mothers and fathers to infants and carers to adults in need of help. The platform nature of the technology allows for continuous growth and innovation.

Simavita operates in Australia, Europe and North America where there is a significant and growing demand for products that deliver real clinical and cost benefits to the health care industry.

Review of operations

The Group's focus is to rapidly bring our leading platform technology to market.

Smartz™ is available for adult and infant markets. It is, we believe, an industry disruptive, platform technology. The technology will be licensed to major manufacturers for sale to distributors, retailers and aged care providers.

Smartz™ provides objective, timely and cost effective information about the wellness and wellbeing of people wearing the Smartz™ diaper. It delivers meaningful data on key clinical conditions such as pressure sores, falls, hydration, temperature as well as diaper wetness.

The Group can now deliver sensors and a portfolio of APPS that meet a growing demand for change in major markets. The operation of the Smartz™ platform represents a clear unmet market need to provide low cost product to a rapidly growing US\$53bn diaper market for infants and a US\$11bn market for adult incontinence pads. It is our view that this market has failed to materially change in over 25 years prior to our platform development.

Simavita has been granted patented rights to this core technology.

The Group's continued focus on cost management has resulted in stabilisation of the cost base year on year despite an increase research and development costs offset by reductions in sales and marketing costs.

The Group's sales strategy is to license our Smartz™ platform technology to major manufacturers and to drive high margin license fees whilst maintaining proportionally flat operating costs.

During the half year the Group obtained CE Mark registration. Our immediate objective is to license components of the Smartz™ platform to large corporates. The Group continues very active dialogue with a number of major organisations with specific interest in our platform technology. Key commercialisation activities are underway in major markets.

Strategic field testing during the half delivered positive feedback from aged care facility staff and family members. Staff found the technology easy to use and said it made their job easier and saved them time.

Financial results

Statement of comprehensive loss

The Group's reported total comprehensive loss for the six month period ended December 31, 2019 was \$2,032,500, a decrease of \$138,361 or 6.4% less than the loss incurred during the previous corresponding period ended December 31, 2018 of \$2,170,861.

Operating and non-operating expenses of \$ 2,507,530 were incurred for the period to December 31, 2019 compared with \$2,575,988, an overall decrease in expenses of \$68,458. The expenses for the current period included \$24,000 share-based payments expenses compared to \$58,800 in the corresponding period. The prior period also included inventory write off of \$174,434.

Statement of comprehensive loss (continued)

A reduction in net sales to \$23,573 a decrease of \$100,284 or 81% compared to \$123,857 in the previous corresponding period in line with the Company's PIVOT strategy to focus on a partnership sales model particularly for its new generation product Smartz™.

Other revenue of \$466,261 increased by \$112,736 or 32% compared to \$353,525 in the previous corresponding period. The other revenue included an estimated R&D tax incentive of \$465,915 (2018: \$300,000).

Cash and cash equivalents

Cash on hand at the end of the current period increased by \$116,362 or 17% to \$805,824 as compared to \$689,462 at the end of the previous financial year.

Changes to capital structure

During the period ended December 31, 2019 there were no changes to the capital structure of the Group.

There were also no changes to the unlisted options on issue.

Liquidity

The Group has incurred losses before tax of \$2,032,657 (2018: \$2,171,220) during the six months ended December 31, 2019 and net cash flows used in operations during the same period of \$1,555,697 (2018: \$1,486,580). The Group's cash reserves as at December 31, 2019 were \$805,824 (June 2019 \$689,462). The Group's net liabilities at the balance date were \$4,163,020 (June 2019: \$2,154,786).

The following events occurred in the recent months that have had a positive bearing on the assessment by Directors as to the ability of the Group to continue as a going concern:

On April 9, 2019, the Group entered into a deed of variation with the holder of a convertible note with a face value of \$1,000,000 and a redemption notice date of March 31, 2020. The deed of variation extends the payment date on redemption to June 30, 2020, including interest accrued till redemption date.

In February 2020, the Group raised \$2,920,000 through the issue of new shares, of which funds of \$1,645,000 were received by report signing date. The balance of the funds are expected to be received by April 30, 2020. \$1,025,000 of the placement is subject to shareholder approval at the Special General Meeting to be held in early April 2020.

During the remainder of the financial year 2020 the Group will continue to focus on commercialising Smartz™ and securing relevant agreements. This will primarily occur through partnerships and licensing of Smartz™ technology to diaper manufacturers and distributors. As a result of these initiatives, monthly operating cash outflows of the Group are expected to be approximately \$400,000 per month, reflecting additional cash outflow on technical development and commercialisation as compared to the six months ended December 31, 2019.

The Group has indicated to the market its strong intention to complete a reorganisation. Details of this reorganisation are expected to be announced in coming months. Fundamental to the reorganisation of the Company will be to raise sufficient capital through the issue of new shares and/or the issue of convertible notes to fund major revenue opportunities particularly associated with Smartz™ for global Aged, Disabled and Infant markets.

There is uncertainty about the Group's ability to materially grow revenue in a timely manner, raise capital on a timely basis with terms that are acceptable to shareholders and / or execute licensing agreements. The viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon:

Liquidity (continued)

> Obtaining shareholder approval for additional \$1,025,000 placements by April 30, 2020.

> The continued support of the Group's shareholders and new investors in the provision of ongoing working capital to capture new opportunities as they arise and maintain sufficient cash reserves to trade into the remainder of 2020 Financial Year and financial year 2021. This includes successfully raising additional working capital through the issue of new shares and/or the issue of convertible notes which is expected to be needed in June 2020 unless the Group is successful in generating substantial revenues.

> Deliver revenue or enter into agreements, which reasonably point toward market support for Smartz™ and prospects of short to medium term revenue of a commercial nature.

> Obtaining continued support from a third party finance facility related to the Group's R&D tax incentive claims.

> Continuing cost containment strategies over administrative and non-technical areas of the business.

Due to the uncertainty surrounding the above matters, there is material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

The Group's auditor included an emphasis of matter paragraph in the December 31, 2019 Review Report relating to the Group's ability to continue as a going concern.

Currently, there are no significant seasonality factors that influence the Group's business.

Significant events after balance sheet date

On February 26, 2020, the Company announced a CDI placement totalling \$2,920,000. To date, funds of \$1,645,000 have been received. \$1,025,000 of the placement is subject to shareholder approval at the Special General Meeting to be held in early April 2020. As a result of the placement 146,000,000 new CDIs will be issued at a price of \$0.02.

Rounding of amounts

The Group is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest dollar in accordance with the instrument.

Environmental regulations

The Group is not aware of any breaches of any environmental regulation during the half-year ended December 31, 2019.

Proceedings on behalf of the Group

No proceedings have been brought or intervened in or on behalf of the Group with leave to the Court.

This report is signed in accordance with a resolution of the Board of Directors.



MICHAEL R. SPOONER
Chairman



DAMIEN M. HAKKMAN
Director

Dated February 28, 2020.

SIMAVITA LIMITED
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2019

	Notes	Consolidated	
		Dec 31, 2019	Dec 31, 2018
		\$	\$
Revenue		23,573	123,857
Cost of sales		(14,961)	(72,614)
Gross profit		<u>8,612</u>	<u>51,243</u>
Other revenue	4	466,261	353,525
Expenses	5		
Finance costs		(229,356)	(112,367)
General and administration		(1,102,292)	(832,645)
Occupancy costs		(16,343)	(80,845)
Research and development		(824,369)	(542,540)
Distribution, marketing and sales		(311,170)	(948,791)
Share-based payments expense		(24,000)	(58,800)
Loss before income tax		<u>(2,032,657)</u>	<u>(2,171,220)</u>
Income tax	7	-	-
Loss for the period		<u>(2,032,657)</u>	<u>(2,171,220)</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit/ (loss)			
Translation of foreign operations		157	359
Total comprehensive loss for the period		<u>(2,032,500)</u>	<u>(2,170,861)</u>
Basic loss per common share	6	(0.00)	(0.01)
Diluted loss per common share	6	(0.00)	(0.01)

The accompanying notes form an integral part of these consolidated financial statements

SIMAVITA LIMITED
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Notes	Consolidated	
		Dec 31, 2019	Jun 30, 2019
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	9	805,824	689,462
Trade and other receivables	10	476,971	695,934
Inventories	11	-	-
Prepayments		171,922	140,300
Total Current Assets		<u>1,454,717</u>	<u>1,525,696</u>
Non-Current Assets			
Property, plant and equipment	12	214,889	149,869
Intangible assets	13	<u>21,487</u>	<u>23,113</u>
Total Non-Current assets		<u>236,376</u>	<u>172,982</u>
Total Assets		<u>1,691,093</u>	<u>1,698,678</u>
Liabilities and Shareholders' Equity			
Liabilities			
Current Liabilities			
Trade and other payables	14	449,088	398,609
Borrowings	16	5,132,293	3,248,934
Provisions	15	<u>261,394</u>	<u>197,343</u>
Total Current Liabilities		<u>5,842,775</u>	<u>3,844,886</u>
Non-Current Liabilities			
Provisions	15	<u>11,338</u>	<u>8,578</u>
Total Non-Current Liabilities		<u>11,338</u>	<u>8,578</u>
Total Liabilities		<u>5,854,113</u>	<u>3,853,464</u>
Shareholders' Equity			
Share capital	17	69,729,681	69,729,681
Reserves	18	1,526,465	1,502,308
Accumulated losses	19	<u>(75,419,166)</u>	<u>(73,386,775)</u>
Total Shareholders' Equity		<u>(4,163,020)</u>	<u>(2,154,786)</u>
Total Liabilities and Shareholders' Equity		<u>1,691,093</u>	<u>1,698,678</u>

The accompanying notes form an integral part of these consolidated financial statements

SIMAVITA LIMITED
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED DECEMBER 31, 2019

	Share Capital \$	Reserves \$	Accumulated Losses \$	Totals \$
Balance at July 1, 2018	66,243,056	1,811,130	(69,819,942)	(1,765,756)
Net Loss for the period	-	-	(3,934,216)	(3,934,216)
Other comprehensive income, net of tax	-	1,861	-	1,861
Total comprehensive loss for the period	<u>-</u>	<u>1,861</u>	<u>(3,934,216)</u>	<u>(3,932,355)</u>
<i>Transactions with owners</i>				
Issue of common shares for cash	2,155,000	-	-	2,155,000
Issue of common shares from conversion of convertible notes	1,441,808	-	-	1,441,808
Movement in share-based payments reserve	-	56,700	-	56,700
Reversal of lapsed options vested not exercised	-	(367,383)	367,383	-
Equity transaction costs	(110,183)	-	-	(110,183)
Total transactions with owners	<u>3,486,625</u>	<u>(310,683)</u>	<u>367,383</u>	<u>3,543,325</u>
Balance at June 30, 2019.	<u>69,729,681</u>	<u>1,502,308</u>	<u>(73,386,775)</u>	<u>(2,154,786)</u>
Balance at July 1, 2019	69,729,681	1,502,308	(73,386,775)	(2,154,786)
Effect of adoption of AASB 16 - Leases		266	266	
Re-stated balance as at July 1, 2019	<u>69,729,681</u>	<u>1,502,308</u>	<u>(73,386,509)</u>	<u>(2,154,520)</u>
Net Loss for the period	-	-	(2,032,657)	(2,032,657)
Other comprehensive income, net of tax	-	157	-	157
Total comprehensive loss for the period	<u>-</u>	<u>157</u>	<u>(2,032,657)</u>	<u>(2,032,500)</u>
<i>Transactions with owners</i>				
Movement in share-based payments reserve	-	24,000	-	24,000
Total transactions with owners	<u>-</u>	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Balance at December 31, 2019	<u>69,729,681</u>	<u>1,526,465</u>	<u>(75,419,166)</u>	<u>(4,163,020)</u>

The accompanying notes form an integral part of these consolidated financial statements

SIMAVITA LIMITED
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED DECEMBER 31, 2019

	Notes	Consolidated	
		Dec 31, 2019	Dec 31, 2018
		\$	\$
Cash flows used in operating activities			
Loss for the year		(2,032,657)	(2,171,220)
Non-cash items			
Depreciation and amortization		78,901	9,503
Share-based payments expenses		24,000	58,800
Net (Gain)/Loss on sale of plant and equipment		-	-
Unrealized foreign exchange movements		157	(3,353)
Accrued interest on borrowings		207,240	111,775
Changes in assets and liabilities			
(Increase)/decrease in receivables		218,963	460,855
(Increase)/decrease in inventories		-	207,008
(Increase)/decrease in other assets		(31,622)	(11,593)
Increase/(decrease) in payables		50,479	(105,635)
Increase/(decrease) in provisions		(71,158)	(42,720)
Net cash flows used in operating activities		<hr/> <hr/> (1,555,697)	<hr/> <hr/> (1,486,580)
Cash flows used in investing activities			
Purchases of plant and equipment		(4,059)	(64,381)
Purchases of intangible assets		-	-
Net cash flows used in investing activities		<hr/> (4,059)	<hr/> (64,381)
Cash flows from financing activities			
Proceeds from the issue of shares by the Company		-	2,044,817
Proceeds from the issue of convertible notes		1,750,000	-
Repayment of the borrowings		(73,882)	(708,871)
Net cash flows from financing activities		<hr/> 1,676,118	<hr/> 1,335,946
Net increase/(decrease) in cash and cash equivalents held		116,362	(215,015)
Cash and cash equivalents at the beginning of period		689,462	1,361,484
Net foreign exchange differences on cash and cash equivalents		-	3,712
Cash and cash equivalents at the end of period	9	<hr/> 805,824	<hr/> 1,150,181

The accompanying notes form an integral part of these consolidated financial statements



SIMAVITA LIMITED

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED DECEMBER 31, 2019

1 Nature and continuance of operations

Simavita Limited (the company) was incorporated under the laws of the Yukon Territory on May 28, 1968 and continued under the laws of the Province of British Columbia, Canada on December 3, 2013.

Simavita's patented technologies provide sensors for all segments of the diaper market from the assessment of incontinence needs for the aged and disabled through to extremely low cost alert sensors for everyday use, particularly focused upon the infant market. The annual global economic burden is billions of dollars for incontinence diapers alone and is increasing rapidly.

Simavita operates in Australia, Europe and North America where there is a significant and growing demand for products that deliver real clinical and cost benefits to the health care industry.

2 Summary of significant accounting policies

2a Basis of preparation

This consolidated interim financial report for the half-yearly reporting period ended December 31, 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended June 30, 2019 and any public announcements made by Simavita Limited during the interim reporting period in accordance with the continuous disclosure requirements.

The group has applied the following standard for the first time for their financial reporting period commencing July 1, 2019 - AASB 16 *Leases*. The group did not need change its accounting policies and did not need to make retrospective adjustments following the adoption of AASB 16.

Going concern

The Group has incurred losses before tax of \$2,032,657 (2018: \$2,171,220) during the six months ended December 31, 2019 and net cash flows used in operations during the same period of \$1,555,697 (2018: \$1,486,580). The Group's cash reserves as at December 31, 2019 were \$805,824 (June 2019 \$689,462). The Group's net liabilities at the balance date were \$4,163,020 (June 2019: \$2,154,786).

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Going concern (continued)

During the remainder of the financial year 2020 the Group will continue to focus on commercialising Smartz™ and securing relevant agreements. This will primarily occur through partnerships and licensing of Smartz™ technology to diaper manufacturers and distributors. As a result of these initiatives, monthly operating cash outflows of the Group are expected to be approximately \$400,000 per month, reflecting additional cash outflow on technical development and commercialisation as compared to the six months ended December 31, 2019.

The Group has indicated to the market its strong intention to complete a reorganisation. Details of this reorganisation are expected to be announced in coming months. Fundamental to the reorganisation of the Company will be to raise sufficient capital through the issue of new shares and/or the issue of convertible notes to fund major revenue opportunities particularly associated with Smartz™ for global Aged, Disabled and Infant markets.

There is uncertainty about the Group's ability to materially grow revenue in a timely manner, raise capital on a timely basis with terms that are acceptable to shareholders and / or execute licensing agreements. The viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon:

- > Obtaining shareholder approval for additional \$1,025,000 placements by April 30, 2020.
- > The continued support of the Group's shareholders and new investors in the provision of ongoing working capital to capture new opportunities as they arise and maintain sufficient cash reserves to trade into the remainder of 2020 Financial Year and financial year 2021. This includes successfully raising additional working capital through the issue of new shares and/or the issue of convertible notes which is expected to be needed in June 2020 unless the Group is successful in generating substantial revenues.
- > Deliver revenue or enter into agreements, which reasonably point toward market support for Smartz™ and prospects of short to medium term revenue of a commercial nature.
- > Obtaining continued support from a third party finance facility related to the Group's R&D tax incentive claims.
- > Continuing cost containment strategies over administrative and non-technical areas of the business.

Due to the uncertainty surrounding the above matters, there is material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

The Group's auditor included an emphasis of matter paragraph in the December 31, 2019 Review Report relating to the Group's ability to continue as a going concern.

Currently, there are no significant seasonality factors that influence the Group's business.

2b Basis of consolidation

These consolidated interim financial statements include the accounts of the company and the entities it controlled, being Simavita Holdings Limited, Simavita (Aust.) Pty. Ltd., Simavita US, Inc. and Fred Bergman Healthcare Pty. Ltd. A Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intracompany balances and transactions, including any unrealised income and expenses arising from any intracompany transactions, are eliminated in preparing the consolidated financial statements. The functional and presentation currency of the Group is the Australian dollar.

2c Changes in accounting policies

The following standards and amendments to standards and interpretations are effective for annual periods following July 1, 2019 and have been applied in preparing these consolidated interim financial statements:

AASB 16 Leases – Summary of new accounting policies

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- > fixed payments (including in-substance fixed payments), less any lease incentives receivable
 - > variable lease payment that are based on an index or a rate
 - > amounts expected to be payable by the lessee under residual value guarantees
 - > the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
 - > payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.
- The lease liability is presented as a separate line in note 15.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- > The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- > The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

AASB 16 Leases – Summary of new accounting policies (continued)

> A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy (as outlined in the financial report for the annual reporting period).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The group has adopted AASB 16 retrospectively from July 1, 2019, but has not restated comparatives for the reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on July 1, 2019.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of July 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on July 1, 2019 was 5.0%.

Changes in accounting policies (continued)

3 Critical accounting estimates and judgments

Estimates and judgments are evaluated and based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

3a Critical accounting estimates and assumptions

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

Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using a Black-Scholes options pricing model.

3b Critical judgments in applying the Group's accounting policies*Research and development costs*

An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured. The costs of research and development are expensed in full in the period in which they are incurred. The Group will only capitalize its development expenses when specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

	Notes	Consolidated	
		Dec 31, 2019	Dec 31, 2018
		\$	\$
4 Other revenue			
Interest revenue		346	2,353
Sale of mining rights		-	51,172
R&D tax incentive		465,915	300,000
Total other revenue		<u>466,261</u>	<u>353,525</u>

		Consolidated	
	Notes	Dec 31, 2019	Dec 31, 2018
		\$	\$
5 Expenses			
Amortization of intangible assets		1,626	3,951
Depreciation of fixed assets		77,275	5,552
Total depreciation and amortization		<u>78,901</u>	<u>9,503</u>
Employee benefit expenses		854,959	1,176,221
R&D expenses (excluding employee benefits)		337,056	190,227

Note: Employee benefits expenses represent all salaries, bonuses, redundancies, share based payments and associated on-costs attributable to employees of the Group, which have been allocated across their respective functions in the statement of comprehensive loss.

6 Loss per share

Loss for the period attributable to the owners of Simavita Limited	(2,032,657)	(2,171,220)
Weighted average number of shares used to calculate loss per share	417,778,132	371,708,678

Note: None of the 24,444,844 (2018: 28,739,844) options over the Group's ordinary shares that were outstanding as at the reporting date are considered to be dilutive for the purposes of calculating diluted earnings per share.

7 Income tax

Subject to the Group continuing to meet the relevant statutory tests, tax losses are available for offset against future taxable income. As at June 30, 2019, there were unrecognized tax losses with a benefit of approximately \$15,452,228 (June 2018: \$14,401,985) that have not been recognised as a deferred tax asset to the Group. These unrecognized deferred tax assets will only be obtained if:

- (a) The Group companies derive future assessable income of a nature and amount sufficient to enable the benefits to be realised;
- (b) The Group companies continue to comply with the conditions for deductibility imposed by the law; and
- (c) No changes in tax legislation adversely affect the Group companies from realizing the benefit.

Tax consolidation legislation

Simavita Holdings Limited (the "Head Entity") and its wholly owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. As at December 31, 2019, the Group had not yet generated a profit from the commercialization of its intellectual property. Accordingly, no deferred tax assets arising from carried forward losses and temporary differences have yet been recognized.

8 Dividends and distributions

No dividends have been paid since the end of the previous financial year, nor have the Directors recommended that any dividend be declared or paid in the foreseeable future. Rather, the Group intends to retain any earnings to finance its future growth and development.

Any future payment of cash dividends will be dependent upon, amongst other things, the Group's future earnings, financial condition, capital requirements, and such other factors as the Board of Directors may deem relevant at that time.

		Consolidated	
		Dec 31, 2019	Jun 30, 2019
	Notes	\$	\$
9 Cash and cash equivalents			
Cash at bank and on-hand		805,824	689,462
Total cash and cash equivalents		805,824	689,462
10 Trade and other receivables			
Trade receivables		3,006	950
Less Provision for doubtful debts		-	-
GST receivable		26,721	30,034
R&D tax concession receivable		447,244	664,950
Total trade and other receivables		476,971	695,934
11 Inventories			
Finished goods and raw materials		517,603	520,698
Less Provision for obsolescence		(517,603)	(520,698)
Total inventories		-	-

Note: In line with the Company's strategy which outlines its focus on its new generation product Smartz™, the Company has decided to provide for the full carrying cost of its legacy product AssessPLUS™ and SIM™.

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		Consolidated	
	Notes	Dec 31, 2019	June 30, 2019
		\$	\$
12 Property, plant and equipment			
Office equipment at cost		341,036	338,306
Less: accumulated depreciation		<u>(335,472)</u>	<u>(333,844)</u>
Net office equipment		<u>5,564</u>	<u>4,462</u>
Furniture and fittings at cost		85,088	84,679
Less: accumulated depreciation		<u>(84,698)</u>	<u>(84,165)</u>
Net furniture and fittings		<u>390</u>	<u>514</u>
Leasehold Improvements		80,117	80,117
Less: accumulated depreciation		<u>(80,117)</u>	<u>(80,050)</u>
Net leasehold improvements		<u>-</u>	<u>67</u>
Testing Equipment		205,483	197,037
Less: accumulated depreciation		<u>(83,665)</u>	<u>(52,211)</u>
Net testing equipment		<u>121,818</u>	<u>144,826</u>
Rental Assets at cost		59,737	59,737
Less: accumulated depreciation		<u>(59,737)</u>	<u>(59,737)</u>
Net rental assets		<u>-</u>	<u>-</u>
Right of Use Assets		137,935	-
Less: accumulated depreciation		<u>(50,818)</u>	<u>-</u>
Net rental assets		<u>87,117</u>	<u>-</u>
Total property, plant & equipment		<u>214,889</u>	<u>149,869</u>
13 Intangible assets			
Patents at cost		63,714	63,714
Less: accumulated depreciation		<u>(42,289)</u>	<u>(40,696)</u>
Net patents		<u>21,425</u>	<u>23,018</u>
Software at cost		138,253	138,253
Less: accumulated depreciation		<u>(138,191)</u>	<u>(138,158)</u>
Net software		<u>62</u>	<u>95</u>
Total intangible assets		<u>21,487</u>	<u>23,113</u>

	Notes	Consolidated	
		Dec 31, 2019	June 30, 2019
		\$	\$
14 Trade and other payables			
Trade payables		128,342	107,016
Accrued expenses		161,046	152,939
Payroll-related payables		75,809	73,051
Other payables		83,891	65,603
Total trade and other payables		449,088	398,609
15 Provisions			
Current Provisions			
Annual leave		99,441	123,564
Long service leave		73,959	73,779
ROU Lease liability		87,994	-
Total current provisions		261,394	197,343
<i>Reconciliation of annual leave provision</i>			
Balance at the beginning of the period		123,564	143,370
Add: obligation accrued during the period		79,119	137,920
Less: balance utilized during the period		(103,242)	(157,726)
Balance at the end of the period		99,441	123,564
Non-Current Provisions			
Long service leave		11,338	8,578
Total non-current provisions		11,338	8,578
<i>Reconciliation of long service leave provision</i>			
Balance at the beginning of the period		82,357	80,074
Add: obligation accrued/(released) during the period		(3,495)	27,037
Less: balance utilized during the period		6,435	(24,754)
Balance at the end of the period		85,297	82,357
16 Borrowings			
Third party loan - R&D tax incentive advance		227,457	285,882
Convertible notes issue - 2018	16(a)	1,634,137	1,563,562
Convertible notes issue - 2019	16(b)	3,270,699	1,399,490
Total borrowings		5,132,293	3,248,934

(a) In April 2018, the company entered into unsecured note deed pursuant to which it has issued unsecured notes for an aggregate principal amount of AUD\$1,400,000.

At the company's Special General Meeting on April 13, 2018, the Company obtained shareholder approval to convert the Debt Notes issued into CDIs (a form of 'equity security' for the purposes of the ASX Listing Rules). The conditions of the resultant AUD\$1,400,000 Convertible Notes are prescribed by the Convertible Note Terms contained in the unsecured debt notes entered into between the Company and each Noteholder on identical terms.

There has been no prior formal valuation of the securities issued in the Financing as there has not been any necessity to do so. The Financing has been reviewed and unanimously approval by the independent members of the Board of Directors.

The company has accrued \$234,137 interest payable on Convertible Notes as at December 31, 2019.

Term	Description
Use of Funds:	Company's working capital purposes.
Interest:	Coupon rate of 10% per annum, with all interest payable upon the Maturity Date.
Maturity Date:	March 31, 2019, at which time the Noteholder can elect the Notes be redeemed or convert into CDIs following shareholder approval which was obtained at the Special General Meeting on April 13, 2018. The principal amount plus accrued interest is repayable earlier on the occurrence of an event of default.
Security and priority:	The Notes are unsecured. The money owing to each Noteholder by the Company shall rank pari passu and pro rata between each Noteholder without any preference or priority between them.
Requisite Approvals	All Requisite Approvals have been obtained under the applicable laws and regulations and the Convertible Notes are now convertible into CDIs upon Conversion.
Convertible Notes	As all Requisite Approvals have been obtained , the Convertible Notes will be either redeemed for cash or converted into CDIs on the earlier of the next capital raising or March 31, 2019.
Conversion	The Convertible Notes automatically convert into CDIs (shareholder approval having been obtained) into that number of CDIs calculated by dividing the sum of the principal amount paid under the Convertible Notes plus accrued interest; by the Conversion Price (i) \$0.04 per CDI; (ii) where prior to the Maturity Date the Company undertakes the Next Capital Raise, the price per CDI at which the Next Capital Raise has been completed and (iii) the 10 Day VWAP for the period immediately preceding the Maturity Date.
Repayment	Repayment is due on earlier of: <ul style="list-style-type: none"> • Maturity Date (March 31, 2019); or • the occurrence of an Event of Default If repayment is due to the occurrence of an Event of Default the Company must redeem the relevant Notes the subject of a Default Redemption Notice by paying the Principal outstanding plus Accrued Interest (including interest at the annual rate of 12% as from the date of service of the default redemption notice).
Events of default:	The Convertible Note Deed also includes customary events of default including – <ul style="list-style-type: none"> • the Company breaches a material term of the Deed; • any warranty is materially misleading or untrue; • occurrence of an insolvency event; • failure to obtain a Requisite Approval (including shareholder approval) within the time periods- no longer applicable; • Court judgement in excess of \$100,000 is obtained against the Company

On February 22, 2019 the Company entered into Deed of Amendment with the 2018 Noteholders to extend the Maturity Date of notes to March 31, 2020. The Noteholders option to convert at the price per CDI at which the Next Capital Raise has been completed has been extended to within 7 days prior to the convening of a special general meeting of CDI holders to seek security holder approval to a reorganisation.

The mandatory conversion provision is now operational when the company completes a Next Financing Event defined as a financing of the company of at least \$7.5 million undertaken after February 21, 2019 and before Maturity Date. The Conversion Price is the lower of the Conversion Price as originally defined or the price at which funds were raised under that Next Financing Event.

On April 9, 2019, the Group entered into a deed of variation with one of the convertible note holders who held notes with a face value of \$1 million with a redemption notice date of March 31, 2020. The deed of variation extends the payment date on redemption to June 30, 2020, including interest accrued till redemption date.

Borrowings (continued)

(b) In June 2019, the company entered into secured note deed pursuant to which it has issued unsecured notes for an aggregate principal amount of AUD\$3,140,000.

At the company's Special General Meeting on June 24, 2019, the Company obtained shareholder approval to convert up to \$3,500,000 the Debt Notes into CDIs (a form of 'equity security' for the purposes of the ASX Listing Rules). The conditions of the resultant AUD\$3,500,000 Convertible Notes are prescribed by the Convertible Note Terms contained in the secured debt notes entered into between the Company and each Noteholder on identical terms.

There has been no prior formal valuation of the securities issued in the Financing as there has not been any necessity to do so. The Financing has been reviewed and unanimously approved by the independent members of the Board of Directors.

The company has accrued \$130,699 interest payable on Convertible Notes as at December 31, 2019.

The key terms from the 2019 Convertible Note Deed are summarised as follows:

Term	Description
Use of Funds:	To focus on the Corporation's business model by continuing to bring its software platform technology AlertPLUS™ to market and for other working capital purposes.
Interest:	Coupon rate of 10% per annum, with all interest payable upon the earlier of conversion, redemption or the Maturity Date.
Subscription Tranches:	<p>Funds are to be advanced in 3 tranches as follows:</p> <p>(a) an initial tranche of \$500,000 upon signing the Note Deeds (First Tranche) as consideration for 500,000 Debt Notes (already subscribed),</p> <p>(b) a further tranche of a minimum of \$1,575,000 (Second Tranche) in return for 1,575,000 Convertible Notes, and</p> <p>(c) a further tranche of up to \$1,000,000 (Third Tranche) at AU\$1.00 per Convertible Notes as consideration for the issue of up to 1,000,000 Convertible Notes.</p>
Maturity Date:	April 30, 2022
Security and priority:	<p>The Convertible Notes will be secured convertible notes. A general securities deed poll granting security over the entire Corporation's assets and undertakings in Australia will be executed by the Corporation in favour of each 2019 Noteholder. The security shall cease as the Convertible Notes are converted or redeemed.</p> <p>The secured money owing to each Noteholder by the Corporation shall rank pari passu and pro rata between each 2019 Noteholder without any preference or priority between them. The Note Deed includes general terms governing Noteholders conducting Noteholder meetings and a process for actions that may be taken by the Noteholders.</p>
Requisite Approvals	All Requisite Approvals have been obtained under the applicable laws and regulations and the Convertible Notes are now convertible into CDIs upon Conversion.
Repayment	<p>Repayment is due on earlier of:</p> <ul style="list-style-type: none"> • Maturity Date (if required by the Noteholder and not already Converted); or • the occurrence of an Event of Default. <p>If repayment is due to the occurrence of an Event of Default the Corporation must redeem the relevant Notes by paying the Principal outstanding plus Accrued Interest (including interest at the annual rate of 12% as from the date of service of the default redemption notice).</p>

Borrowings (continued)

Term	Description
Events of default:	The Convertible Note Deed also includes customary events of default including <ul style="list-style-type: none"> · the Company breaches a material term of the Deed; · any warranty is materially misleading or untrue; · occurrence of an insolvency event; · Court judgement in excess of \$100,000 is obtained against the Company
Covenants	The Corporation provides each Noteholder with usual commercial covenants for a transaction such as this Financing
Conversion	<p>The Convertible Notes may be converted by the Noteholder at any time, and will automatically convert into CDIs upon a Qualifying Finance Event or a Takeover of the Corporation, where a Qualifying Financing Event means an equity capital raise of at least A\$7.5 million, or such other amount as agreed, based on a minimum pre-money valuation of the Company of at least A\$20 million, with a target of pre-money valuation of A\$25 million.</p> <p>The number of CDIs to issue upon Conversion is calculated by dividing the sum of the principal amount paid under the Convertible Notes plus accrued interest; by the Conversion Price. The Conversion Price shall be determined as follows:</p> <p>(a) upon a "Qualifying Financing Event", the Conversion Price is equal to a 65% discount to the price per CDI at which the Qualifying Financing Event occurred with a cap based on a fully diluted (excluding all options under the Simavita Limited Stock Option Plan) pre-money value of \$25m (in which case the conversion price will be the lower of the 65% discount and the pre-money cap of \$25m). This price is to be calculated at a share price before taking into account the Qualifying Capital raise; or</p> <p>(b) where a Noteholder elects to Convert on or prior to June 30, 2020, the Conversion Price is equal to a 65% discount to the price per CDI calculated by dividing \$20 million by the number of CDIs on issue at the date of Conversion, or</p> <p>(c) where a Noteholder elects to Convert after June 30, 2020, the Conversion Price is equal to a price per CDI calculated by dividing \$3 million by the number of CDIs on issue at the date of Conversion; or</p> <p>(d) upon the "Maturity Date": the Conversion Price is equal to a price per CDI calculated by dividing \$3 million by the number of CDIs on issue at the date of Conversion.</p> <p>Where the CDIs are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities under circumstances not otherwise contemplated by the Note Terms or the Note Deed, the Conversion Price and / or Conversion Number shall be adjusted by the Company as it reasonably considers appropriate, having first obtained independent confirmation of the adjustment.</p>

Management has disclosed that a Qualifying Financing Event is anticipated to occur within 12 months after the financial year end date. The Qualifying Financing Event will trigger mandatory conversion of the convertible notes which will automatically settle both the financial liability embedded derivative and debt host within 12 months. On that basis, the convertible notes are classified as a current financial liability as at December 31, 2019.

17 Share capital

Summary of common shares issued and outstanding	Number of Common Shares	Amount
	\$	
Balance at July 1, 2018	309,899,594	66,243,056
Issue of common shares for cash	71,833,330	2,155,000
Issue of common shares from conversion of convertible notes	36,045,208	1,441,808
Equity transaction costs	-	(110,183)
Balance at June 30, 2019	417,778,132	69,729,681
 Balance at July 1, 2019	 417,778,132	 69,729,681
Issue of common shares for cash	-	-
Issue of common shares from conversion of convertible notes	-	-
Equity transaction costs	-	-
Balance at December 31, 2019	417,778,132	69,729,681

As of the date of these financial statements, there was a total of 417,778,132 common shares in the Group on issue, of which all were held as CDIs.

Summary of warrants outstanding

As of the date of these financial statements, there were no warrants outstanding.

Summary of options outstanding

As at December 31, 2019, a total of 24,444,844 options over common shares in the Group were outstanding.

The numbers of options outstanding including the respective dates of expiry and exercise prices, are tabled below. The options are not listed on the ASX.

Number	Exercise price	Grant date	Expiry date	Fair value option Black Scholes
6,279,922	\$0.050	July 14, 2016	June 23, 2023	\$0.056
6,279,922	\$0.050	July 14, 2016	June 23, 2023	\$0.056
3,000,000	\$0.060	October 13, 2016	October 13, 2023	\$0.034
460,000	\$0.120	October 13, 2016	October 13, 2023	\$0.027
2,000,000	\$0.050	June 29, 2017	June 28, 2024	\$0.019
1,675,000	\$0.050	February 15, 2018	January 31, 2025	\$0.027
50,000	\$0.050	June 5, 2018	June 4, 2025	\$0.027
2,700,000	\$0.035	November 20, 2018	November 19, 2025	\$0.021
2,000,000	\$0.050	July 18, 2019	July 17, 2026	\$0.012

	Consolidated	
	Dec 31, 2019	Jun 30, 2019
	\$	\$
18 Reserves		
Share-based payments reserve	983,046	959,046
Share capital reserve	499,445	499,445
Foreign currency reserve	43,974	43,817
Total reserves	1,526,465	1,502,308

19 Accumulated Losses

Balance at the beginning of the period	(73,386,775)	(69,819,942)
Reversal of lapsed options vested not exercised	-	367,383
Effect of adoption of AASB 16 - Leases	266	-
Add: net loss attributable to owners of Simavita Limited	(2,032,657)	(3,934,216)
Balance at the end of the period	(75,419,166)	(73,386,775)

20 Commitments and contingencies

	Consolidated	
	Dec 31, 2019	Jun 30, 2019
	\$	\$
Operating lease expenditure commitments		
- not later than one year	-	78,698
- later than one year but no later than five years	-	41,307
- later than five years	-	-
Total minimum operating lease payments	-	120,005

21 Auditor's remuneration

Name of Auditor	Year	Audit services	Assurance services	Other services	Totals
		\$	\$	\$	\$
PricewaterhouseCoopers	June 30, 2020	125,000		27,000	152,000
	June 30, 2019	125,000		16,000	141,000

22 Related party transactions

(a) Parent entities

The Group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			Dec-19	Jun-19
Simavita Limited *	Ultimate parent entity and controlling party	Canada	100%	100%
Simavita Holdings Limited	Immediate and ultimate Australian parent entity	Australia	100%	100%

* Simavita Limited holds 100% of the issued ordinary shares of Simavita Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out below:

Name of Group company	Incorporation details	Group interest %	
		Dec-19	Jun-19
Simavita Limited	28 May 1968; Yukon, Canada (continued into British Columbia, Canada on 3 December 2013)	N/A	N/A
Simavita Holdings Limited	11 October 1995; Victoria, Australia	100%	100%
Simavita (Aust) Pty Ltd	15 January 2009; NSW, Australia	100%	100%
Simavita US Inc.	11 August 2012; Delaware, USA	100%	100%
Fred Bergman Healthcare Pty Ltd	28 January 1971; Victoria, Australia	100%	100%

(c) Transactions with Directors and Key Management Personnel

There were no related party transactions with Directors and other key management personnel during the half-year outside of contractual remuneration and there has been no change to the nature of the related party transactions described in the Group financial statements for the year ended June 30, 2019 that have a material effect on the financial position or results of operations of the Group.

Related party transactions (continued)

	Dec 31, 2019	Dec 31, 2018
	\$	\$
(d) Key management personnel compensation		
Short-term employee benefits	548,111	619,909
Post-employment benefits	44,946	45,968
Share-based payments	-	42,000
	593,057	707,877

Table disclosing directors and KMP's who were employed by the group during the period to 31 December 2019

Directors

Name	Title	Nature of transactions
Michael R. Spooner	Executive Chairman	Director's fee
Gary W. Pace	Non-Executive Director	Director's fee
Damien M. Haakman	Non-Executive Director	Director's fee
Alan D. Fisher	Non-Executive Director (appointed July 22, 2019)	Director's fee
John C. McBain	Non-Executive Director (appointed November 26, 2019)	Director's fee

Executives

Name	Title	Nature of transactions
Peta C. Jurd	Chief Commercial Officer & Company Secretary	Salary
Peter J. Curran	Chief Technology Officer	Salary

No bonuses were paid relating to year ended 30 June 2019.

23 Financial risk management

The Group's activities expose it to a variety of financial risks such as credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, interest rate and aging analysis for credit risk.

Risk management is managed by the Group's Audit and Risk Committee (the "Committee") under guidance provided by the Board of Directors. Due to the small number of Directors currently, the full Board is operating as the Audit & Risk Committee. The Committee identifies and evaluates financial risks in close cooperation with the Group's operating units. A detailed Enterprise Risk Plan was developed during the year ended June 30, 2015 and approved by the Board. This Plan has been thoroughly reviewed in early 2018 given the shift in business focus. This Plan is reviewed by the Committee and revised on a regular basis, as required.

The Board, via the Committee, provides guidance for overall risk management, as well as policies covering specific areas, such as credit risk, foreign exchange risk and interest rate risk. The Group's principal financial instruments comprise cash and cash equivalents. The Group also has other financial assets and liabilities, such as trade receivables and payables and convertible notes which arise directly from its operations.

The Group does not enter into derivative transactions, such as interest rate swaps or forward currency contracts. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk exposures, foreign currency risk, interest rate risk and liquidity risk. The policies and procedures for managing these risks are summarized below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

The Group holds the following financial instruments:

	Consolidated	
	Dec 31, 2019	Jun 30, 2019
	\$	\$
Financial Risk Management		
Financial Assets		
Cash and cash equivalents	805,824	689,462
Trade and other receivables	476,971	695,934
Total financial assets	<u>1,282,795</u>	<u>1,385,396</u>
Financial Liabilities		
Trade and other payables	449,088	398,609
Borrowings	5,132,293	3,248,934
Total financial liabilities	<u>5,581,381</u>	<u>3,647,543</u>

Financial risk management (continued)

Credit risk

The Group's credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The compliance with credit limits by customers is regularly monitored by Management. The maximum exposures to credit risk as at December 31, 2019 in relation to each class of recognized financial assets is the carrying amount of those assets, as indicated in the statement of financial position.

Financial assets included on the statement of financial position that potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents and trade receivables. In accordance with the guidelines of the Group's Short Term Investment Policy, the Group minimizes this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior credit ratings in order to limit the degree of credit exposure. For banks and financial institutions, only independently-rated parties with a minimum rating of "A-1" are accepted. The Group has also established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. The Group does not require collateral to provide credit to its customers, however, the majority of the Group's customers to whom credit is provided are substantial, reputable organizations and, as such, the risk of credit exposure is relatively limited. The Group has not entered into any transactions that qualify as a financial derivative instrument.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As at December 31, 2019, the Group had raised provision of \$1,627 for doubtful debts. In certain circumstances, the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit from customers which can be called upon if the counterparty is in default under the terms of the agreement.

The Group does not typically enter into derivative transactions, such as interest rate swaps or forward currency contracts. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk exposures, foreign currency risk, interest rate risk and liquidity risk. The policies and procedures for managing these risks are summarized below.

Credit risk further arises in relation to financial guarantees given by the Group to certain parties in respect of any obligations of its subsidiaries. Such guarantees are only provided in exceptional circumstances. An analysis of the aging of trade and other receivables and trade and other payables is provided below:

Trade Receivables	Consolidated	
	Dec 31, 2019	Jun 30, 2019
	\$	\$
Current (less than 30 days)	3,006	675
31 days to 60 days	-	-
61 days to 90 days	-	-
Greater than 90 days	-	275
Total trade receivables	3,006	950

Note: Trade receivables do not include the R&D tax concession receivable of \$447,244 (Jun 30, 2019: \$664,950)

Financial risk management (continued)

Trade and other payables	Consolidated	
	Dec 31, 2019	Jun 30, 2019
	\$	\$
Current (less than 30 days)	418,888	398,609
31 days to 60 days	-	-
61 days to 90 days	-	-
Greater than 90 days	30,200	-
Total trade and other payables	449,088	398,609

Market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign currency exchange risk, primarily as at balance date with respect to the US dollar, Euro and Canadian dollar, through financial assets and liabilities. It is the Group's policy not to hedge these transactions as the exposure is considered to be minimal from a consolidated operations perspective. Further, as the Group incurs expenses which are payable in US dollars, Euros and Canadian Dollars, the financial assets that are held in US dollars, Euros and Canadian dollars provide a natural hedge for the Group.

Foreign exchange risk arises from planned future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group has a Foreign Exchange Management Policy which was developed to establish a formal framework and procedures for the efficient management of the financial risks that impact on Simavita Limited through its activities outside of Australia, predominantly in the United States and Europe. The policy governs the way in which the financial assets and liabilities of the Group that are denominated in foreign currencies are managed and any risks associated with that management are identified and addressed. Under the policy, which is updated as circumstances dictate, the Group generally retains in foreign currency only sufficient funds to meet the expected expenditures in that currency. Surplus funds, if any, are converted into Australian dollars as soon as practicable after receipt.

As at December 31, 2019 the Group held the following financial assets and liabilities that were denominated in the following currencies: AUD – Australian dollars; USD – United States dollars; CAD – Canadian dollars; EUR – European euros.

Financial risk management (continued)

Financial Assets	Year	AUD	USD	CAD	GBP	EUR	Totals (AUD)
		\$	\$	\$	\$	\$	\$
Cash and cash equivalents	Dec-19	781,272	7,800	14,785		1,967	805,824
	Jun-19	657,846	8,167	21,456	-	1,993	689,462
Trade and other receivables	Dec-19	476,971	-	-	-	-	476,971
	Jun-19	700,575	(4,641)	-	-	-	695,934
Total financial assets	Dec-19	1,258,243	7,800	14,785	-	1,967	1,282,795
	Jun-19	1,358,421	3,526	21,456	-	1,993	1,385,396
Financial Liabilities							
Trade and other payables	Dec-19	395,882	10,586	5,254	6,792	30,574	449,088
	Jun-19	392,975	-	2,607	-	3,027	398,609
Borrowings	Dec-19	5,132,293	-	-	-	-	5,132,293
	Jun-19	3,248,934	-	-	-	-	3,248,934
Total financial liabilities	Dec-19	5,528,175	10,586	5,254	6,792	30,574	5,581,381
	Jun-19	3,641,909	-	2,607	-	3,027	3,647,543

During the period ended December 31, 2019, the Australian dollar / US dollar exchange rate decreased by 4.5%, from 0.7391 at the beginning of the period July 1, 2019 to 0.7058 at the end of the period.

During the same period, the Australian dollar / Canadian dollar exchange rate decreased by 1.5%, from 0.9771 at the beginning of the period to 0.9622 at the end of the period.

Also, during the same period, the Australian dollar / Euro exchange rate decreased by 2.6% from 0.6344 at the beginning of the period to 0.6178 at the end of the period.

Based on the financial instruments held at December 31, 2019, had the Australian dollar weakened / strengthened by 10% against the US dollar, with all other variables held constant, the Group's equity for the period would not have changed materially.

Based on the financial instruments held at December 31, 2019, had the Australian dollar weakened / strengthened by 10% against the Canadian dollar, with all other variables held constant, the Group's equity for the period would not have changed materially.

Based on the financial instruments held at December 31, 2019, had the Australian dollar weakened / strengthened by 10% against the Euro, with all other variables held constant, the Group's equity, relating solely to the movement in profit and loss for the period, would have been \$11,850 lower/higher, due to changes in the values of cash and cash equivalents which are denominated in Euros, as detailed in the above tables.

Financial risk management (continued)

Interest rate risk

The Group's main interest rate risk arises in relation to its short-term deposits with various financial institutions. If rates were to decrease, the Group may generate less interest revenue from such deposits. However, given the relatively short duration of such deposits, the associated risk is relatively minimal. As at balance date, the Group has no debt or hire purchase liabilities on which variable interest expense is charged.

The Group has a Short Term Investment Policy which was developed to manage the Group's surplus cash and cash equivalents. In this context, the Group adopts a prudent approach that is tailored to cash forecasts rather than seeking the highest rates of return that may compromise access to funds as and when they are required. Under the policy, the Group deposits its surplus cash in a range of deposits over different time frames and with different institutions in order to diversify its portfolio and minimize overall risk.

On a monthly basis, Management provides the Board with a detailed list of all cash and cash equivalents, showing the periods over which the cash has been deposited, the name and credit rating of the institution holding the deposit and the interest rate at which the funds have been deposited. A comparison of interest rate movements from month to month and a variance to an 11am deposit rate is also provided.

At December 31, 2019, if interest rates had changed by +/- 50 basis points from the year-end rates, with all other variables held constant, the Group's equity, relating solely to the movement in profit and loss for the period, would not have changed materially. The Group's main interest rate risk during the period ended June 30, 2019 and December 31, 2019 arose in respect of fixed rate borrowings with interest rates that did not fluctuate.

The exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognized and unrealized, for the Group is as follows:

Consolidated	Year	Floating rate	Fixed rate	Total	Weighted ave. rate %	Maturity period
		\$	\$	\$	%	days
Financial Assets						
Cash and cash equivalents	Dec-19	805,824	-	805,824	0.47%	At call
	Jun-19	689,462	-	689,462	0.44%	At call
Performance bond and deposits	Dec-19					
	Jun-19	-	-	-	-	-
Total financial assets	Dec-19	805,824	-	805,824		
	Jun-19	689,462	-	689,462		
Financial Liabilities						
Interest-bearing liabilities	Dec-19	-	5,132,293	5,132,293	10.27%	
	Jun-19	-	3,248,934	3,248,934	10.53%	
Total financial liabilities	Dec-19	-	5,132,293	5,132,293		
	Jun-19	-	3,248,934	3,248,934		

Note: All periods in respect of financial assets are for less than one year.

Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities, such as its hire purchase and credit card facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and, wherever possible, matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying business, Management aims to maintain flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

A balanced view of cash inflows and outflows affecting the Group is summarized in the table below:

Consolidated	Year	< 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
		\$	\$	\$	\$	
Financial liabilities						
Trade and other payables	Dec-19	418,888	30,200	-	-	449,088
	Jun-19	384,493	14,116	-	-	398,609
Interest-bearing liabilities and deposits	Dec-19	1,921,430	-	4,002,792	-	5,924,222
	Jun-19	298,535	1,693,973	2,754,929	-	4,747,437
Total financial liabilities	Dec-19	2,340,318	30,200	4,002,792	-	6,373,310
	Jun-19	683,028	1,708,089	2,754,929	-	5,146,046

Classification of financial instruments

AASB 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the Group's financial assets and liabilities as at June 30, 2019 and December 31, 2019 (as set out above) approximate their carrying values due to the short term nature of these instruments.

Borrowing facilities

The Group had access to the following borrowing facilities as at December 31, 2019:

Nature of facility	Facility limit	Amount used	Amount available
	\$	\$	\$
Credit card facilities	90,000	12,971	77,029

24 Capital management

The Group's objective when managing capital is to ensure its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. Refer to note 9 for details of cash reserves of the Group as at the end of the financial reporting period.

25 Subsequent events

On February 26, 2020, the Company announced a CDI placement totalling \$2,920,000. To date, funds of \$1,645,000 have been received. \$1,025,000 of the placement is subject to shareholder approval at the Special General Meeting to be held in early April 2020. As a result of the placement 146,000,000 new CDIs will be issued at a price of \$0.02.

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Directors' Declaration

The Directors of the Group declare that:

1 The financial statements and notes are:

- (a) giving a true and fair view of the Group's financial position as at December 31, 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting; and

2 In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



MICHAEL R. SPOONER
Chairman



DAMIEN M. HAAKMAN
Director

Dated February 28, 2020.

The above declaration should be read in conjunction with the consolidated financial statements and with the accompanying notes.

SIMAVITA LIMITED

CORPORATE INFORMATION

Directors

Michael R. Spooner (Executive Chairman)
Gary W. Pace (Non-Executive)
Damien M. Haakman (Non-Executive)
Alan D. Fisher (Non-Executive)
John C. McBain (Non-Executive)

Company Secretary

Peta C. Jurd

Registered Office

26th Floor, 700 West Georgia Street
Vancouver BC V7Y 1B3
Canada

Head Office

Suite 2.02, Level 2, 54 Miller Street
North Sydney NSW 2060
Australia
Telephone: +61 2 8405 6300
Facsimile: +61 2 8088 1301
Email: customerservice@simavita.com

Simavita Group website

www.simavita.com

Australian Registered Business Number

165 831 309

Banker (Canada)

Bank of Montreal
595 Burrard Street
Vancouver BC V7X 1L7
Canada

Banker (Australia)

Westpac Banking Corporation
Shop 235, Warringah Mall
Cnr Old Pittwater Rd & Condamine St
Brookvale NSW 2100
Australia

Banker (USA)

J.P. Morgan Chase Bank N.A.
3700 Wiseman Boulevard
San Antonio, TX 78251
USA

Lawyers (Canada)

Farris, Vaughan, Wills & Murphy LLP
25th Floor, 700 W Georgia St
Vancouver BC V7Y 1B3
Canada

Lawyers (Australia)

K&L Gates
Level 25, 525 Collins Street
Melbourne VIC 3000
Australia

Lawyers (USA)

Masuda, Funai, Eiffert &
Mitchell, Ltd.
203 N. LaSalle Street, Suite 2500
Chicago IL 60601-1262
USA

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
Australia

Australian Securities Exchange

Code: SVA (CDIs)
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

CDI Register

Computershare Investor Services Pty. Ltd.
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067. Australia.
Telephone: +61 3 9415 5000
Facsimile: +61 3 9473 2500
www.computershare.com.au

Independent auditor's review report to the members of Simavita Limited

Report on the consolidated interim financial statements

We have reviewed the accompanying consolidated interim financial statements of Simavita Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated interim statement of financial position as at 31 December 2019, the consolidated interim statement of comprehensive loss, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the consolidated interim financial statements

The directors of the Company are responsible for the preparation and fair presentation of the consolidated interim financial statements in accordance with Australian Accounting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the consolidated interim financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Australian Accounting Standards. As the auditor of Simavita Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a consolidated interim financial statements 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.

Independence

In conducting our review, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the consolidated interim financial statements of Simavita Limited do not present fairly, in all material respects, the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date, in accordance with Australian Accounting Standards.

Material uncertainty related to going concern

We draw attention to Note 2(a) to the consolidated interim financial statements, which indicates that the Group incurred a loss before tax of \$2,032,657 during the half year ended 31 December 2019 and incurred operating cash outflows of \$1,555,697 for the same period. As a result, the Group is dependent on successfully completing a fund raising and other related operational strategies.

These conditions, along with other matters set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



PricewaterhouseCoopers



Manoj Santiago
Partner

Sydney
28 February 2020