IXUP Limited

ABN 85 612 182 368

Audited Financial Statements - 30 June 2020

Directors	Grant Paterson (Chairman and Non-Executive Director) Dean Joscelyne (Executive Director) Freya Smith (Non-Executive Director) (Appointed 2 July 2019) Peter Leihn (Managing Director) (Appointed 2 July 2019 and resigned 31 July 2020) Scott Wilkie (Non-Executive Director) (Appointed 2 July 2019 and resigned 31 July 2020) Cliff Rosenberg (Non-Executive Director) (Resigned 2 July 2019)
Company secretary	Andrew Whitten
Registered office and Principal Place of Business	Level 3 5-7 Ross St Parramatta NSW 2150
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone 1300 554 474 Email: registrars@linkmarketservices.com.au
Auditor	William Buck Audit (WA) Pty Ltd Level 3,15 Labouchere Road South Perth WA 6151
Solicitors	Automic Legal Pty Ltd (An Automic Group company)
Bankers	St George Bank Limited
Stock exchange listing	IXUP Limited shares are listed on the Australian Securities Exchange. ASX code: IXU
Website	www.ixup.com
Place of Incorporation	Victoria, Australia

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of IXUP Limited (referred to hereafter as the 'Company', 'parent entity' or 'IXUP') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors
The following persons were directors of IXUP Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Grant Paterson	Chairman and Non-Executive Director
Dean Joscelyne	Executive Director
Freya Smith	Non-Executive Director (Appointed 2 July 2019)
Peter Leihn	Managing Director (Appointed 2 July 2019 and resigned 31 July 2020)
Scott Wilkie	Non-Executive Director (Appointed 2 July 2019 and resigned 31 July 2020)
Cliff Rosenberg	Non-Executive Director (Resigned 2 July 2019)

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

Result of operations
The loss for the consolidated entity after providing for income tax amounted to $3,774,992 (30 June 2019: $6,588,667).

Review of operations
During the year IXUP extended the features offered across the IXUP privacy preserving analytics platform through the release of three further platform updates which has strengthened the commercial offering of its technology. This truly unique capability is designed to remove the risk of data loss and misuse, in an environment that is seeing unprecedented remote business activity and increased instances of cyber attacks. The Company believes that future demand for the IXUP platform will increase due to the exponential increase in data acquisition occurring globally, and a desire to monetise new data assets without risk.

Highlights of the year include:
- Commencement of paid Proof of Concept trials with Nib NZ and Velocity Frequent Flyers;
- Undertaking various technical proof of concept trials with various potential partners or customers;
- Expansion of relationships within Deloitte Touche Tohmatsu Australia;
- Signing of Reseller agreement with emerging analytics platform, Wejugo Pty Ltd;
- Participation in US Launchpad facility in San Francisco;
- Strengthening of commercialisation capability with appointment of Chief Commercial Officer;
- Continued membership of international homomorphic encryption standards group with Microsoft, Google and Intel;
- Successful completion of first audit for ISO/IEC 27001 information security certification;
- Commencement of SOC2 security certification process;
- Disciplined cash management and tightening of operational expenses due to slowing economy and impact from COVID-19 effects; and
- Successful capital raising via rights issue and new placement (subsequent to balance date) to raise approximately $2.228 million (before costs) for working capital purposes.

Large addressable market
The Company is investing in innovation and technology leadership to capitalise on the fast growth big data analytics market, in which there is forecast significant growth.

Software development and commercialisation
Investment continued in the Company's platform which secures data analytics and delivers insights across encrypted data. IXUP provides a unique environment where data is loaded and encrypted at cell level; and then layered, indexed and matched in encrypted repositories, allowing participating organisations to retain complete control of their encrypted data and to access control rules.

IXUP continues to offer access to the IXUP platform through either platform as a service (PaaS) or Software as a Service (SaaS) options on a monthly licence based offering linked to client usage The SaaS offering is hosted in Microsoft Azure' enterprise grade cloud computing platform and all data is encrypted on client servers prior to running across the IXUP platform to undertake encrypted analytics. This offers clients an alternative low cost entry to IXUP through a scalable, monthly recurring revenue model.

The benefits to clients include:

- realising unique insights from sensitive datasets which cannot be obtained in other ways;
- ability to securely combine data while the data remains in the complete control of its owners;
- prevention of data loss or misuse;
- leading governance and compliance frameworks; and
- security of using the Microsoft Azure cloud environment.

Partnerships
The Company continued selling its services through channel partners during the year. This complements the direct sales model and allows IXUP partners to manage further value added customisation and implementation of the IXUP platform according to client needs. The partnership model provides a cost-effective and faster way for IXUP to implement its technology without the need for a large sales team.

During the year IXUP expanded the relationship within Deloitte Touche Tohmatsu Australia; and signed a new Reseller agreement with emerging analytics platform group Wejugo Pty Ltd.

Approved supplier to government
The Company continues as a pre-approved cloud services supplier to all levels of government, being appointed a new supplier through the federal government's Digital Transformation Agency's cloud services panel in June 2019. This increases fairness helping government agencies to manage their own procurement. The panel accounts for more than 40% of the government's cloud spend and has a 55% growth rate.

Management team
Noting the resignation of Mr Peter Leihn effective 31 July 2020, the board has increased management strength through the appointment of Mr Warren Bradey as Chief Commercial Officer. IXUP Founder and Executive Director, Mr Joscelyne will take on the majority of the CEO's responsibilities along with the remaining leadership team while the board searches for a suitable candidate to fill the position of CEO and Managing Director.

COVID-19
IXUP is continuing to closely monitor the developments related to COVID-19. Given the continuing uncertainty of the duration and impact of the COVID-19 pandemic, IXUP has taken steps to reduce cash outflows and extend its cash operating runway.

Specific actions taken include:

- Staff hours and fixed remuneration reduced with focus on retaining core sales and technical support functions to focus on closing commercialisation opportunities;
- Successful application for the Federal Government's JobKeeper Wage Subsidy (Round 1) for all eligible staff, with eligible roles of staff not critical in pursuing commercialisation opportunities reduced in hours and fixed remuneration to the amount affordable by the JobKeeper Wage Subsidy; and
- Reduction in costs relating to essential services and infrastructure cost.

These actions reflect the continued focus of the Board and Management on preserving cash and long-term shareholder value while maintaining focus on service of existing and prospective customers and conversion of IXUP's sales pipeline.

Capital raise
In November 2019 the Company successfully completed a pro rata non-renounceable 2-for-5 entitlement offer raising approximately $3.2 million (before costs). The Entitlement Offer was fully underwritten by Cygnet Capital Pty Ltd (**Cygnet**). These funds were raised to fund commercial roll out of the Company's encrypted data collaboration platform, sales and marketing in the US and Australia, and general working capital requirements.

On 24 June 2020 the Company announced a 1-for-1 non-renounceable, pro rata rights issue to raise $2,228,401 (before costs) via the issue of 222,840,158 fully paid ordinary shares at an issue price of $0.01 per Share. The Entitlement Offer was fully underwritten by Cygnet.

Subsequent to the year end, the Company completed the above mentioned pro rata non-renounceable 1-for-1 Entitlement Offer, raising approximately $2.228 million (before costs).

As part of the noted Entitlement Offer, if the shortfall is less than 50,000,000 Shares, the underwriter has a top-up right to ensure that the total number of Shares to be allocated by it, including any shortfall, is not less than 50,000,000 Shares, subject to shareholder approval.

Given the strong interest in the Entitlement Offer and the ongoing economic uncertainty created by the COVID-19 pandemic, the Company believes it is prudent, and has therefore agreed with Cygnet, that the total number of Shares to be allocated by Cygnet pursuant to the Top-Up Right will be increased to 150,000,000 Shares at $0.01 per Share to raise up to $1.5 million (before costs), subject to shareholder approval (**Placement**).

Board appointments
Subsequent to the end of the financial year, on 31 July 2020 Mr Peter Leihn resigned as CEO and Managing Director and Mr Scott Wilkie resigned as Non-Executive Director.

Financial position
The Company reported sales revenue of $88,500 (2019: $158,500) for the financial year ended 30 June 2020. IXUP is in the early stages of commercialisation with version 4 of the SaaS and PaaS platform released in April 2020. The Company continues to invest in its technology platform and at 30 June 2020 had cash and term deposits of $1,537,365 (excluding Entitlements Offer and Placements funds referred to above).

During the year the Company received an Australian Tax Office R&D tax rebate of $932,782 (2019: $712,498).

Significant changes in the state of affairs
Other than discussed above, there were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
Other than as discussed above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Since the listing, the Company has been focused on building out its team, developing its product, defining its brand and expanding its capability to commercialise the IXUP platform.

The Company continues to progress discussions with potential users of the IXUP platform and to progress discussions with potential partners as well as explore additional opportunities in the market.

The Company continues to monitor developments related to COVID-19, with past actions reflecting the focus of the Board and Management on preserving cash and long-term shareholder value while maintaining focus on service of existing and prospective customer and conversion of IXUP's sales pipeline.

Environmental, Social and Governance

Our environmental commitment

IXUP is committed to being a responsible and sustainable business. We believe it makes good business sense to have environmental, social and governance (ESG) policies and programs where doing the right thing by our people, our partners, our environment and the communities in which we operate is part of our ethos.

Although the consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth State or Territory law, the Company is seeking to undertake in the future, an analysis of Company objectives that can reduce its environmental footprint.

Corporate Governance

IXUP's Board of Directors is responsible for the corporate governance of IXUP Limited. The Board guides and monitors the business affairs of the Group on behalf of stakeholders and its activities are governed by the Constitution.

Our Corporate Governance Statement is founded on the ASX Corporate Governance Council's principles and recommendations. The statement is periodically reviewed and, if necessary, revised to reflect the changing nature of the industry.

The responsibilities of the Board of Directors and those functions reserved to the Board, together with the responsibilities of the Chief Executive Officer are set out in our Board Charter. To assist with governance IXUP has established policies.

For copies of policies and charters notes in this section, please visit the IXUP website and navigate to Investors > Corporate governance.

Information on directors

Name:	Dean Joscelyne
Title:	Executive Director and Founder
Experience and expertise:	Dean founded IXUP and is an Executive Director and the Head of Strategy & Innovation. He has over 25 years' experience in business, leading large scale organisational change and is known for innovative thinking and enhancing the customer experience to amplify customer satisfaction and engagement. Dean created IXUP in 2011 because he saw a blind spot and an opportunity to solve universal problems for organisations who needed more powerful data insights, to underpin differentiating growth strategies. Dean's ability to identify problems through a unique lens and apply creative thinking led him to design a novel data collaboration platform.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	31,193,302
Interests in options:	25,200,000
Interests in rights:	Nil

Name:	Cliff Rosenberg (Resigned 2 July 2019)
Title:	Non-Executive Director
Experience and expertise:	Cliff has spent more than 20 years working at digital companies leading innovation and change in the industry both as an entrepreneur and senior executive. Cliff was a senior executive and the Managing Director of LinkedIn for South East Asia, Australia and New Zealand for over 7 years where he led the expansion of LinkedIn in this region. Prior to LinkedIn, Cliff was Managing Director at Yahoo Australia and New Zealand, and previously the founder and Managing Director of iTouch Australia and New Zealand, one of the biggest mobile content and application service providers in Australia. Prior to iTouch Cliff was the head of strategy for Vodafone Australasia. Cliff has a Bachelor of Business Science (Honours) degree and a Master of Science in Management and is a Member of the Australia Institute of Company Directors.
Other current directorships:	Non-Executive Director of ASX listed companies Nearmap Limited, Cabcharge Australia Limited and Technology One Pty Limited.
Former directorships (last 3 years):	Afterpay Touch Group Limited and Pureprofile Ltd
Interests in shares:	Nil (At resignation date)
Interests in options:	500,000 (At resignation date, which lapsed on 31 December 2019)
Interests in rights:	1,250,000 (At resignation date, which lapsed on 31 December 2019)

Name:	Grant Paterson
Title:	Chairman and Non-Executive Director
Experience and expertise:	Grant brings significant experience in guiding the progress of emerging small-cap companies, having been involved with numerous technology companies listed on the Australian Securities Exchange (ASX), and providing corporate advice across a variety of sectors. In addition to his Chairmanship of the IXUP Board, Grant is also an experienced corporate lawyer, who founded Perth-based firm GTP Legal in 2011. GTP Legal specialises in corporate law including advising on the Corporations Act, ASX Listing Rules, IPOs and re-compliance listings, mergers and acquisitions, capital raisings, due diligence and general development primarily in the resources and technology sectors. Through his work at GTP Legal, Grant has a wide range of experience in all areas of commercial and corporate law, with a particular focus on equity capital markets and mergers and acquisitions. Mr Paterson holds a Bachelor of Law and a Bachelor of Commerce.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	14,583,008
Interests in options:	2,750,000
Interests in rights:	750,000

Name:	Freya Smith (Appointed 2 July 2019)
Title:	Non-Executive Director
Experience and expertise:	Ms Freya Smith is currently the General Counsel and Company Secretary of Claim Central Consolidated, an Australian headquartered global Insurtech and claims solutions business. Previously Freya was the Chief Legal Officer and Company Secretary of OFX Group Limited and Chair and a Non-Executive Director of the Sydney Fringe Festival. Both as a practising lawyer and company secretary, Freya has counselled many of Australia's leading and emerging companies on a number of significant matters of ethics, compliance, corporate governance and risk and reputation management. Ms Smith holds a Bachelor of Commerce and a Bachelor of Laws (Hons), a Master of Laws (High Distinction) and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. She is also admitted in the High Court of Australia, the Federal Court of Australia and the Supreme Court of New South Wales and is a member of the Association of Corporate Counsel; Fellow of the Governance Institute of Australia; and a member of the Australian Institute of Company Directors.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	500,000
Interests in rights:	1,500,000

Name:	Scott Wilkie (Appointed 2 July 2019 and resigned 31 July 2020)
Title:	Non-Executive Director
Experience and expertise:	Mr Scott Wilkie is an experienced corporate and investment banking senior executive and is the Founding Director of Sovereign Cloud Australia ("AUCloud"), a classified provider of sovereign cloud-based technology services to the Australian government, defence, health and critical national industries. Mr Wilkie has over 25 years' experience advising and raising capital for many global leading and emerging companies on their corporate growth, innovation and security strategies including digital transformation and governance, analytics, artificial intelligence and cloud computing. Mr Wilkie has held both Executive and Director roles in his career during which time he obtained multiple professional qualifications and associations including with the Securities and Exchange Commission USA, Australian Securities and Investments Commission and is a Member of the Australian Institute of Company Directors. He is additionally a Member of the Australian Information Security Association, has been a guest lecturer at the National Security College and played a role in development of the Australian Cyber Security Strategy
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	500,000 (At resignation which may be exercised any time until expiry)
Interests in rights:	750,000 (At resignation)

Name:	Peter Leihn (Appointed 2 July 2019 and resigned 31 July 2020)
Title:	CEO (and Managing Director from 2 July 2019)
Experience and expertise:	Peter has over 25 years' business experience in senior technology roles in both industry and government, with expertise in data availability, privacy, data innovation models and tech commercialisation. He joined the Company as CEO on 8 November 2018. Prior to joining IXUP, Peter was the Global Head of Commercial, based in San Francisco for Data61, the Australian Government CSIRO specialist data and technology innovator, where he was responsible for driving its global growth and strategy. Peter's previous leadership roles include Director of the Office of the Chief Scientist for the State of NSW where he led science policy development and had oversight for strategic investment in the innovation ecosystem. This followed a long career in the Asia Pacific with global ICT companies Hewlett-Packard and Autodesk. A graduate of the Australian Institute of Company Directors (AICD), Peter holds a Bachelor's in Applied Science from the Southern Cross University; Graduate Diploma in Marketing from Monash University; Masters in Environmental Science and Law from University of Sydney and he is currently completing his PhD in Innovation Economics, with a focus on commercialisation strategies, at Swinburne University of Technology.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	Nil
Interests in options:	750,000 (At resignation which may be exercised any time until expiry)
Interests in rights:	3,000,000 (At resignation)

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities.

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

Company secretary
Andrew Whitten

- Andrew is an admitted solicitor and an Executive Director of the Automic Group of Companies, Australia's only professional service provider that delivers a complete and integrated ecosystem of Registry, Company Secretarial, Legal, CFO and Accounting services.
- Andrew is currently the company secretary for a number of publicly listed companies. He has been involved in numerous corporate and investment transactions including IPOs on the ASX and NSX, corporate reconstructions, reverse mergers and takeovers over two decades.
- Andrew holds a Bachelor of Arts (Economics, UNSW); Master of Laws and Legal Practice (Corporate Finance and Securities Law, UTS); Graduate Diploma in Applied Corporate Governance from the Governance Institute and is an elected Associate of that institute.

Meetings of directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Dean Joscelyne	9	10
Grant Paterson	10	10
Scott Wilkie	10	10
Freya Smith	10	10
Peter Leihn	10	10

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report details the Key Management Personnel (KMP) remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. In this report "Executive KMP" refers to members of the Executive team that are KMP and includes Mr Peter Leihn, as an Executive Director from 2 July 2019.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's Executive KMP reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns Executive KMP reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that Executive KMP reward satisfies the following key criteria for good reward governance practices:
- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

The Board is responsible for determining and reviewing remuneration arrangements for its KMP. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align Executive KMP reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- Having economic profit as a core component of plan design;
- Focusing on sustained growth in shareholder wealth, consisting of share price growth and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- Attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- Rewarding capability and experience;
- Reflecting competitive reward for contribution to growth in shareholder wealth; and
- Providing a clear structure for earning rewards.

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

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

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. As outlined in the prospectus dated 3 October 2017 released to the ASX on 14 November 2017, the aggregate remuneration of Non-Executive Directors has been set at an amount not to exceed $500,000 per annum.

Executive KMP remuneration
The consolidated entity aims to reward Executive KMP based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components and includes:

- Base pay and non-monetary benefits;
- Short-term performance incentives;
- Share-based payments; and
- Other remuneration such as superannuation and long service leave.

The combination of these comprises the Executive KMP's total remuneration.

Fixed remuneration, comprising of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board based on individual and business performance and benchmarking.

Executive KMP may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the company and provides additional value to the Executive KMP.

The short-term incentive ('STI') plan is designed to align the targets of the business with the performance hurdles of Executive KMP. STI is an annual "at risk" opportunity awarded to Executive KMP based on specific annual targets and key performance indicators. Performance conditions are clearly defined and measurable and designed to support the financial and strategic direction of the business and in turn translate to shareholder return. STI is currently awarded to Executive KMP in 100% cash.

The long-term benefits ('LTB') plan includes long service leave and share-based payments. Options and Performance Rights are awarded to Executive KMP over a period of three years based on long-term incentive measures. These include increase in shareholder value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Details of remuneration

Amounts of remuneration
Details of the remuneration of KMP of the consolidated entity are set out in the following tables.

The KMP of the consolidated entity consisted of the following directors of IXUP Limited:
- Dean Joscelyne - Executive Director
- Cliff Rosenberg - Non-Executive Director (Resigned 2 July 2019)
- Grant Paterson - Chairman and Non-Executive Director
- Scott Wilkie - Non-Executive Director (Appointed 2 July 2019 and resigned 31 July 2020)
- Freya Smith - Non-Executive Director (Appointed 2 July 2019)
- Peter Leihn - CEO (Managing Director from 2 July 2019 and resigned 31 July 2020)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2020	Cash salary and fees $	Cash bonus $	Non-monetary* $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Grant Paterson	20,000	-	25,000	-	-	37,405	82,405
Freya Smith	49,087	-	-	4,664	-	40,724	94,475
Scott Wilkie	49,087	-	-	4,664	-	40,724	94,475
Executive Directors:							
Dean Joscelyne	110,507	-	41,160	14,409	-	-	166,076
Peter Leihn	336,891	30,000	-	34,855	-	230,934	632,680
	565,572	30,000	66,160	58,592	-	349,787	1,070,111

* Salary and fees paid in shares.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2019	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Cliff Rosenberg	60,242	-	-	-	-	100,828	161,070
Grant Paterson*	38,000	-	-	-	-	22,751	60,751
Executive Directors:							
Tim Ebbeck**	93,564	-	-	-	-	17,370	110,934
Dean Joscelyne	260,000	-	-	24,700	-	-	284,700
Other Key Management Personnel:							
David Bonham***	303,677	25,000	-	29,438	-	13,546	371,661
Peter Leihn****	227,051	-	-	21,560	-	20,665	269,276
	982,534	25,000	-	75,698	-	175,160	1,258,392

* Grant Paterson was appointed as acting Chairman and Non-Executive Director on 13 November 2018.

** Tim Ebbeck resigned as Director on 13 November 2018.

*** David Bonham resigned as Chief Financial Officer on 24 May 2019.

**** Peter Leihn had a bonus accrued as at 30 June 2019 in the amount of $32,850 which was paid in July 2019. Peter was employed from 8 November 2018 as CEO and also became Managing Director from 2 July 2019.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2020	2019	2020	2019	2020	2019
Non-Executive Directors:						
Cliff Rosenberg	-	37%	-	-	-	63%
Grant Paterson	55%	63%	-	-	45%	37%
Freya Smith	57%	-	-	-	43%	-
Scott Wilkie	57%	-	-	-	43%	-
Executive Directors:						
Tim Ebbeck	-	84%	-	-	-	16%
Dean Joscelyne	100%	100%	-	-	-	-
Other Key Management Personnel:						
David Bonham	-	90%	-	7%	-	3%
Peter Leihn	57%	92%	5%	-	38%	8%

Service agreements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements. Details of these agreements are as follows:

Name:	Dean Joscelyne
Term of agreement:	The principal terms of Dean Joscelyne's current agreement are as follows:

From 1 July 2019 to 1 January 2020

(i) A base salary of $260,000 per annum (exclusive of statutory superannuation).

(ii) A bonus of 13% of the base salary at the Company's discretion.

(iii) Entitlement to participate in employee and executive incentive plans and the Company may provide additional bonus and incentives. Mr Joscelyne has been granted 1,000,000 Plan Options pursuant to the Option Plan. These have since been cancelled at Mr Joscelyne's request as announced to the market on 13 July 2018.

(iv) The agreement has no fixed term and may be terminated

(A) by either party without cause with 12 weeks' notice, or in the case of the Company, immediately with payment in lieu of notice; or

(B) by the Company with immediate effect following serious breach of the agreement or for serious misconduct.

(v) Other industry standard provisions for a senior executive of a public listed company.

From 1 February 2020

(i) For the month of February, consultancy fees at the same rate per annum paid to Mr Joscelyne as an employee (exclusive of GST). Services to be provided a minimum of 5 days a week.

(ii) From 1 March 2020, consultancy fees of $120,000 per annum (exclusive of GST). Services to be provided a minimum of 2 days a week.

(iii) Entitlement to 25 days leave where the consultant will be paid as if the consultant had been providing consultancy services. Other than these 25 days there is no right of leave accruing or right to any further leave with pay.

(iv) The agreement has no fixed term and may be terminated:

(A) by either party without cause with giving 3 months written notice to the other party

(B) by the Company with immediate effect following serious breach of the agreement or for serious misconduct.

(v) Other industry standard provisions for a senior executive of a public listed company.

Name:	Peter Leihn (Resigned 31 July 2020)
Term of agreement:	The principal terms of Peter Leihn's agreement are as follows: (i) A base salary of $350,000 per annum (exclusive of statutory superannuation). In response to the impact of COVID-19, effective 15 April 2020 Peter Leihn's hours and salary were reduced to 50%. (ii) Entitlement to participate in employee and executive incentive plans up to a maximum annual incentive of $150,000 (iii) The agreement has no fixed term and may be terminated: (A) by either party without cause with 3 months' notice, or in the case of the Company, immediately with payment in lieu of notice; or (B) by the Company with immediate effect following serious breach of the agreement or for serious misconduct. (iv) Initial ESOP Grant of 1,500,000 options vesting over 3 years and at strike price in accordance with scheme. 9,000,000 IXUP performance share rights, being 3,000,000 Class A, 3,000,000 Class B and 3,000,000 Class C rights. Performance criteria for all classes of performance rights: (A) 2 years of continuous employment, and (B) The company achieving Cumulative Contracted Revenue of: - Class A AU$5m - Class B AU$10m - Class C AU$15m (iv) Other industry standard provisions for a senior executive of a public listed company.

The Constitution of the Company provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting of Shareholders or, until so, by the Directors. The aggregate remuneration for Non-Executive Directors as outlined in the Prospectus dated 3 October 2017 has been set at an amount not to exceed $500,000 per annum. The Board has resolved that the Non-Executive Directors' base fee will be $60,000 per annum for Non-Executive Directors (inclusive of statutory superannuation) and an additional $10,000 per annum (inclusive of statutory superannuation) for each Board committee that they participate in commencing on Official Quotation. Mr Grant Paterson, Mr Wilkie and Ms Smith are Non-Executive Directors. Mr Wilkie and Ms Smith's fees were reduced by 50% effective 16 April 2020 and Mr Paterson has waived his fees from 1 April 2020 to date in response to the impact of COVID-19.

Share-based compensation

Issue of shares
Shares issued to directors and Executive KMP as part of compensation during the year ended 30 June 2020 are as follows:

- Grant Paterson was issued 216,207 shares on 14 February 2020 in lieu of Directors fees and Executive Remuneration.
- Dean Joscelyne was issued 593,301 shares on 14 February 2020 in lieu of Directors fees and Executive Remuneration.
- Grant Paterson was issued 209,464 shares on 27 April 2020 in lieu of Directors fees and Executive Remuneration.

There were no shares issued to directors and Executive KMP as part of compensation during the year ended 30 June 2019.

Options over equity instruments
The terms and conditions of each grant of options and performance rights over ordinary shares affecting remuneration of directors and Executive KMP in this financial year or future reporting years are as follows:

Issued in the year ended 30 June 2018

- Dean Joscelyne was issued 25,200,000 unlisted options (Issued 1 September 2017 option holder is entitled to purchase one fully-paid share in the Company for $0.25 per option over the 5-year life of the option to 14 November 2022). In addition, Dean Joscelyne was issued 1,000,000 plan options (Issued 15 November 2017, unlisted and unvested, exercisable at $0.25 per option, expire 14 November 2022). These plan options were cancelled on 13 July 2018 at Mr Joscelyne's request.
- Tim Ebbeck was issued 1,250,000 plan options (Issued 15 November 2017, unlisted and unvested, exercisable at $0.25 per option, expire 14 November 2022). 416,666 plan options were forfeited on 13 November 2018 upon resignation and 833,334 plan options lapsed on 11 February 2019 as not exercised.
- Cliff Rosenberg was issued 500,000 plan options (Issued 15 November 2017, unlisted and unvested, exercisable at $0.25 per option, expire 14 November 2022). These plan options lapsed on 31 December 2019 as not exercised.

Issued in the year ended 30 June 2019

- Grant Paterson was issued 750,000 plan options (Issued 20 December 2018, exercisable at 25 cents per option, expire on 20 December 2023).
- David Bonham was issued 1,750,000 plan options (Issued 20 December 2018, unlisted and unvested, exercisable at $0.25 per option, expire 20 December 2023). 1,166,667 plan options were forfeited on 24 May 2019 upon resignation.
- Peter Leihn was issued 1,500,000 unlisted options (Issued 2 July 2019, unlisted and unvested, exercisable at 25 cents per option, expire on 10 April 2024). 750,000 options were forfeited on 31 July 2020 upon resignation.

Issued in the year ended 30 June 2020

- Freya Smith was issued 500,000 unlisted options (Issued 2 July 2019, unlisted and unvested, exercisable at 25 cents per option, expire on 14 November 2022).
- Scott Wilkie was issued 500,000 unlisted options (Issued 2 July 2019, unlisted and unvested, exercisable at 25 cents per option, expire on 14 November 2022).

Performance rights

Performance rights over ordinary shares issued to directors and Executive KMP as part of compensation that were outstanding as at 30 June 2020 are as follows:

Issued in the year ended 30 June 2018

- Tim Ebbeck was issued 3,000,000 performance rights on 15 November 2017 (1,000,000 unlisted and unvested Class A performance rights; 1,000,000 unlisted and unvested Class B - Performance Rights; 1,000,000 unlisted and unvested Class C Performance Rights). These were forfeited on resignation on 13 November 2018.
- Cliff Rosenberg was issued 1,250,000 performance rights on 15 November 2017 (416,667, unlisted and unvested Class A Performance Rights; 416,667 unlisted and unvested Class B Performance Rights; 416,666 unlisted and unvested Class C Performance Rights). These rights lapsed on 31 December 2019.

Issued in the year ended 30 June 2019

- Grant Paterson was issued 750,000 performance rights on 20 December 2018 (250,000 unlisted and unvested Class A Performance Rights; 250,000 unlisted and unvested Class B Performance Rights and 250,000 unlisted and unvested Class C Performance Rights).

Issued in the year ended 30 June 2020

- Freya Smith was issued 1,500,000 performance rights on 2 July 2019 (500,000 unlisted and unvested Class A Performance Rights; 500,000 unlisted and unvested Class B Performance Rights and 500,000 unlisted and unvested Class C Performance Rights).
- Scott Wilkie was issued 1,500,000 performance rights on 2 July 2019 (500,000 unlisted and unvested Class A Performance Rights; 500,000 unlisted and unvested Class B Performance Rights and 500,000 unlisted and unvested Class C Performance Rights). 750,000 performance rights were forfeited on 31 July 2020 upon resignation.
- Peter Leihn was issued 9,000,000 performance rights on 2 July 2019 (3,000,000 unlisted and unvested Class A Performance Rights; 3,000,000 unlisted and unvested Class B Performance Rights and 3,000,000 unlisted and unvested Class C Performance Rights). 6,000,000 performance rights were forfeited on 31 July 2020 upon resignation, being 2,000,000 unlisted and unvested Class A Performance Rights; 2,000,000 unlisted and unvested Class B Performance Rights and 2,000,000 unlisted and unvested Class C Performance Rights.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020 $	2019 $	2018 $	2017 $	2016 $
Revenue	88,500	158,500	120,000	153,695	247,610
Profit/(loss) after income tax	(3,774,992)	(6,588,667)	(8,679,456)	(2,993,668)	(4,461,184)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end ($)	0.01	0.07	0.28	-	-
Basic earnings per share (cents per share)	(1.93)	(4.16)	(7.04)	(6.62)	(7.30)

Additional disclosures relating to KMP

Shareholding
The number of shares in the Company held during the financial year by each director and Executive KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Dean Joscelyne*	25,500,001	593,301	5,100,000	-	31,193,302
Grant Paterson**	4,904,167	425,671	1,961,666	-	7,291,504
	30,404,168	1,018,972	7,061,666	-	38,484,806

* Dean Joscelyne holds his interests in shares indirectly through the Joscelyne Investments Pty Ltd atf Joscelyne Investments Unit Trust of which he is the ultimate controlling party.
** Grant Paterson holds his interests indirectly through Brown Bricks Pty Ltd.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each director and Executive KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Dean Joscelyne*	25,200,000	-	-	-	25,200,000
Cliff Rosenberg**	500,000	-	-	(500,000)	-
Peter Leihn***	1,500,000	-	-	-	1,500,000
Grant Paterson****	2,750,000	-	-	-	2,750,000
Freya Smith	-	500,000	-	-	500,000
Scott Wilkie	-	500,000	-	-	500,000
	29,950,000	1,000,000	-	(500,000)	30,450,000

* Dean Joscelyne holds his interests in shares indirectly through the Joscelyne Investments Pty Ltd atf Joscelyne Investments Unit Trust of which he is the ultimate controlling party.
** Cliff Rosenberg resigned as director 2 July 2019. These options lapsed on 31 December 2019.
*** Peter Leihn resigned as director 31 July 2020. 750,000 of these options lapsed on resignation.
**** Grant Paterson holds his interests indirectly through Brown Bricks Pty Ltd.

Performance rights
The number of performance rights over ordinary shares in the company held during the financial year by each Director and Executive KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Performance rights					
Cliff Rosenberg*	1,250,000	-	-	(1,250,000)	-
Grant Paterson	750,000	-	-	-	750,000
Freya Smith	-	1,500,000	-	-	1,500,000
Scott Wilkie**	-	1,500,000	-	-	1,500,000
Peter Leihn***	-	9,000,000	-	-	9,000,000
	2,000,000	12,000,000	-	(1,250,000)	12,750,000

* Cliff Rosenberg resigned as director 2 July 2019. These performance rights lapsed on 31 December 2019.
** Scott Wilkie resigned as director 31 July 2020. 750,000 of these performance rights lapsed on resignation.
*** Peter Leihn resigned as director 31 July 2020. 6,000,000 of these performance rights lapsed on resignation.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of IXUP under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 September 2017	14 November 2022	$0.25	30,000,000
1 September 2017	14 November 2022	$0.25	11,426,470
1 September 2017	14 November 2022	$0.25	2,000,000
15 November 2017	14 November 2022	$0.25	15,000,000
15 November 2017	14 November 2022	$0.25	1,140,000
20 December 2018	20 December 2023	$0.25	3,001,666
10 April 2019	10 April 2024	$0.25	1,633,333
2 July 2019	14 November 2022	$0.25	1,000,000
9 December 2019	30 November 2023	$0.10	10,000,000
30 July 2020	31 July 2024	$0.02	20,000,000
			95,201,469

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

Shares under performance rights
Unissued ordinary shares of IXUP under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
15 November 2017	14 November 2022	$0.00	1,000,000
20 December 2018	14 November 2022	$0.00	1,750,000
2 July 2019	14 November 2022	$0.00	12,000,000
			14,750,000

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

Shares issued on the exercise of options
There were no ordinary shares of IXUP issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of IXUP issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

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

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

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

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

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

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former directors of William Buck Audit (WA) Pty Ltd
There are no officers of the company who are former directors of William Buck Audit (WA) Pty Ltd.

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

Auditor
William Buck Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Grant Paterson
Chairman

31 August 2020

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF IXUP LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2020 there have been:

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

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

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

CM

Conley Manifis
Director
Dated this 31st day of August, 2020

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South Perth WA 6951
Telephone: +61 8 6436 2888
williambuck.com

General information

The consolidated financial report covers IXUP Limited (the "Company") and its controlled entities (together the "Consolidated Entity" or "Group").

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

Level 3
5-7 Ross Street
Paramatta NSW 2150

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2020. The directors have the power to amend and reissue the financial statements.

Corporate Governance Statement
The Corporate Governance Statement is available on the Company's website at http://www.ixup.com.

IXUP Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue			
Revenue	7	88,500	158,500
Cost of sales	8	(2,741)	(59,608)
Gross profit		85,759	98,892
Other income	6	212,652	-
Interest revenue calculated using the effective interest method		16,778	116,095
Research & Development Tax rebate		932,782	712,498
Expenses			
Employee benefits expense	8	(2,809,909)	(4,264,363)
Other Personnel costs (Share-based costs)	34	(481,358)	(465,416)
Depreciation and amortisation expense	8	(74,892)	(571,409)
Occupancy cost	8	(125,625)	(218,446)
Administration costs	8	(1,521,680)	(1,989,812)
Finance costs	8	(9,499)	(6,706)
Loss before income tax expense		(3,774,992)	(6,588,667)
Income tax expense	9	-	-
Loss after income tax expense for the year attributable to the shareholders of IXUP Limited	22	(3,774,992)	(6,588,667)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the shareholders of IXUP Limited		(3,774,992)	(6,588,667)
		Cents	**Cents**
Basic earnings per share	33	(1.93)	(4.16)
Diluted earnings per share	33	(1.93)	(4.16)

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

IXUP Limited
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents	10	1,537,365	2,005,194
Other receivables	11	109,400	35,184
Other financial assets	12	-	250,000
Prepayments		29,240	49,350
Total current assets		1,676,005	2,339,728
Non-current assets			
Property, plant and equipment	13	18,442	47,515
Right-of-use assets	14	19,936	-
Total non-current assets		38,378	47,515
Total assets		1,714,383	2,387,243
Liabilities			
Current liabilities			
Trade and other payables	16	292,705	542,885
Lease liabilities	17	22,634	-
Provisions	18	148,720	263,600
Total current liabilities		464,059	806,485
Non-current liabilities			
Provisions	19	52,257	-
Total non-current liabilities		52,257	-
Total liabilities		516,316	806,485
Net assets		1,198,067	1,580,758
Equity			
Issued capital	20	18,611,718	16,038,325
Reserves	21	8,442,017	7,840,393
Accumulated losses	22	(25,855,668)	(22,297,960)
Total equity		1,198,067	1,580,758

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

IXUP Limited
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	16,038,325	7,799,992	(16,134,308)	7,704,009
Loss after income tax expense for the year	-	-	(6,588,667)	(6,588,667)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(6,588,667)	(6,588,667)
Transactions with shareholders in their capacity as shareholders:				
Share-based payments (note 34)	-	465,416	-	465,416
Transfer relating to options and rights expired and/or cancelled	-	(425,015)	425,015	-
Balance at 30 June 2019	16,038,325	7,840,393	(22,297,960)	1,580,758

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	16,038,325	7,840,393	(22,297,960)	1,580,758
Adjustment for change in accounting policy	-	-	(4,850)	(4,850)
Balance at 1 July 2019 - restated	16,038,325	7,840,393	(22,302,810)	1,575,908
Loss after income tax expense for the year	-	-	(3,774,992)	(3,774,992)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(3,774,992)	(3,774,992)
Transactions with shareholders in their capacity as shareholders:				
Share-based payments (note 34)	-	481,358	-	481,358
Issue of shares	3,168,872	-	-	3,168,872
Issue of shares in lieu of remuneration	66,159	-	-	66,159
Share issue costs	(319,238)	-	-	(319,238)
Issue of options as cost of capital raising	(342,400)	342,400	-	-
Transfer relating to options and rights expired and/or forfeited	-	(222,134)	222,134	-
Balance at 30 June 2020	18,611,718	8,442,017	(25,855,668)	1,198,067

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

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		25,000	198,000
Payments to suppliers and employees		(4,714,851)	(6,501,847)
Interest received		7,362	150,259
Government grants and tax incentives (R&D Incentive, JobKeepers Rebate, Cash Boost, EMD Grant)		1,104,774	875,130
Net cash used in operating activities	31	(3,577,715)	(5,278,458)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(6,261)	(94,831)
Payments for investments in term deposits		(875,000)	(250,000)
Proceeds from investments in term deposits		1,129,885	6,052,356
Net cash from investing activities		248,624	5,707,525
Cash flows from financing activities			
Proceeds from issue of shares		3,168,872	-
Payment for share issue costs		(307,610)	-
Net cash from financing activities		2,861,262	-
Net increase/(decrease) in cash and cash equivalents		(467,829)	429,067
Cash and cash equivalents at the beginning of the financial year		2,005,194	1,576,127
Cash and cash equivalents at the end of the financial year	10	1,537,365	2,005,194

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
The consolidated entity 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.

There have been no new and revised standards that have had a significant impact on the measurement or disclosure requirements of the Group, except as noted below.

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 3.

Basis of preparation
IXUP Limited is domiciled in Australia. The consolidated financial statements comprise the results of IXUP Limited ("the Company") and its controlled entities ("the Group"). The consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australia Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the valuation of share-based payments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The significant accounting policies adopted in the preparation of these financial statements are presented below.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 28.

Note 1. Significant accounting policies (continued)

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Foreign Currencies
In preparing the financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

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

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:
Step 1: Identify the contract with a customer;
Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations;
Step 5: Recognise revenue as the performance obligations are satisfied.

(i) Identification of performance obligations
The Group has determined that for new software sales, the licenses and implementation services are quoted as separate line items and have separate list prices and therefore are not distinct performance obligations as the customer is purchasing customisable software which requires not only the licenses to be provisioned but the software to be installed by a qualified implementation consultant.

Licensing and technical support which is purchased by software customers to assist with their ongoing use of the software and is separate from the software implementation performance obligation.

(ii) Satisfaction of performance obligations
The performance obligation for the implemented software is satisfied at the point in time when the software has been installed and is operating materially as contractually required. It is when the customer has full access to and control of the software

The performance obligation for providing software customers with licensing and technical support remains throughout the contract period so is satisfied over the contract period.

In addition to contracts with customers, the Group receives interest income from monies held in its bank accounts, Interest income is recognised on an accruals basis based on the interest rate, deposited amount and time which lapses before the reporting period end date.

The expected future Research and Development incentive, for past qualifying Research and Development expenditure is accrued as other income when it is established that the conditions of the Research and Development incentive have been met and that the expected amount of the incentive can be reliably measured.

Note 1. Significant accounting policies (continued)

Government Grants
Government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to the grant and that the grant will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which grants are intended to compensate. If the grant relates to expenses or losses already incurred by the entity, or to provide immediate financial support to the entity with no future related costs, the income is recognised int eh period in which it becomes receivable.

Cash and cash equivalents
Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 1. Significant accounting policies (continued)

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

Property, plant and equipment
Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured using the cost model.

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An individual asset will be depreciated in full at the time of purchase if any of the following criteria is met:

- The cost of the asset is less than $2,000, or
- The asset has an expected useful life of less than 12 months, or
- The asset will become technically obsolete (particularly relating to computer equipment) in less than 12 months.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and included in an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset; and
- How the intangible asset will generate probable future economic benefits.

Amortisation is recognised so as to write off the cost of internally-generated assets over their useful lives, using the straight-line method. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The following useful lives are used in the calculation of amortisation:

- Software 3.33 years
- Trademarks and other intangibles 8 years

Note 1. Significant accounting policies (continued)

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

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

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the notes to the accounts.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax liabilities are therefore measured at the amounts expected to be paid to / recovered from the relevant taxation authority.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. There are no standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2. Critical accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in Note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. Alternatively, if the revision affects both current and future periods, the revision to the accounting estimate is recognised in the period of the revision as well as in future periods.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in note 4, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

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

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

Note 3. Impact on the adoption of AASB 16

Change in accounting policy
The consolidated entity has adopted AASB 16 using the modified retrospective approach where the cumulative effect of adopting the standard is recognised in opening retained earnings at 1 July 2019, with no restatement of prior year comparative information. As a result of adopting AASB 16, the consolidated entity has changed its accounting policies which are included in note 1. Practical expedients applied on transition and the impact on the adoption of AASB 16 are detailed below.

Practical expedients applied on transition

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients on transition:

- elected not to reassess whether a contract is, or contains a lease at the date of the initial application. Instead for contracts entered into before the transition date, the consolidated entity relied on assessments made applying AASB 117 Leases and Interpretation 4: Determining whether an Arrangement contains a lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the use of a single discount rate to a portfolio of leases with similar characteristics.

Note 3. Impact on the adoption of AASB 16 (continued)

Impact of adoption
On the date of initial application, the consolidated entity recognised lease liabilities in relation to leases which has previously been classified as 'operating leases' under the principals of AASB 117 Leases. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 10.0%.

The associated right-of-use assets for property and equipment leases were measured on a retrospective basis as if the new rules had always been applied.

Reconciliation of lease liabilities from non-cancellable operating lease commitments at 30 June 2020 to lease liabilities recognised is shown below:

	Consolidated 2020 $
Reconciliation of lease liabilities:	
Non-cancellable operating leases at 30 June 2020	264,054
Discounted using leasee's incremental borrowing rate of at the date of initial application	(5,239)
Short-term leases not recognised as at a right-of-use asset	(194,157)
Lease liabilities recognised on 1 July 2019	64,658

The change in accounting policy affected the following items in the Statement of Financial Position as on 1 July 2019.

	1 July 2019 $	30 June 2020 $
Right-of-use assets	59,807	19,936
Lease Liabilities	64,657	22,634

The net impact on accumulated losses on 1 July 2019 was an increase of $4,850.

Note 4. COVID-19 impact

Given the uncertainty of the duration and impact of COVID-19 pandemic, IXUP has taken steps to reduce cash outflows and extend its cash operating runway.

Further specific actions taken include:

- Staff hours and fixed remuneration reduced with focus on retaining jobs for long term and on retaining core sales and technical support functions to focus on closing commercialisation opportunities;
- Successful application for Federal Government's Job Keeper Wage Subsidy for all eligible staff with eligible roles of staff not critical in pursuing commercialisation opportunities reduced in hours and fixed remuneration to the amount afforded by the JobKeeper Wage Subsidy;
- Reduction in costs relating to essential services and infrastructure costs;
- Temporary freeze on all travel and entertainment; and
- Temporary freeze on all external marketing expenditure, including PR and conferences.

Also subsequent to the year end, the Company completed a pro rata non-renounceable 1-for-1 Entitlement Offer, raising approximately $2.228 million (before costs). As part of the noted Entitlement Offer, if the shortfall is less than 50,000,000 Shares, the underwriter has a top-up right to ensure that the total number of Shares to be allocated by it, including any shortfall, is not less than 50,000,000 Shares, subject to shareholder approval. Given the strong interest in the Entitlement Offer and the ongoing economic uncertainty created by the COVID-19 pandemic, the Company believes it is prudent, and has therefore agreed with Cygnet, that the total number of Shares to be allocated by Cygnet pursuant to the Top-Up Right will be increased to 150,000,000 Shares at $0.01 per Share to raise up to $1.5 million (before costs), subject to shareholder approval (Placement).

Note 4. COVID-19 impact (continued)

These actions reflect the continued focus of the Board and Management on preserving cash and long-term shareholder value while maintaining focus on service of existing and prospective customer and conversion of IXUP's sales pipeline. The Company will continue to closely monitor developments related to COVID-19, and take appropriate actions as required.

Note 5. Operating segments

Identification of reportable operating segments
The Group currently operates in one operating segment being the software industry. The Group continues to consider new projects in this sector and others by way of acquisition or investment. The Group currently operates in one geographic segment that being Australia.

The Group determines and presents segments based on information provided by the Board of directors who collectively are the Group's Chief Operating Decision Maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses.

Note 6. Other income

	Consolidated	
	2020 $	2019 $
Net foreign exchange gain	(2)	-
Government grants	42,654	-
ATO COVID-19 Cashflow Boost	50,000	-
ATO COVID-19 JobKeeper Subsidy	120,000	-
Other income	212,652	-

Note 7. Revenue

	Consolidated	
	2020 $	2019 $
Software revenue	88,500	158,500

Note 8. Expenses

	Consolidated 2020 $	2019 $
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	2,741	59,608
Depreciation		
Depreciation	74,892	571,409
Administrative Costs		
Professional adviser and legal costs	683,988	675,532
Consulting costs paid to entities related to the directors	50,432	319,349
Recruitment costs	22,667	108,882
Advertising and promotion	139,543	255,546
Travel and accommodation	105,099	173,257
Software licenses	63,730	21,790
Bad debt expense	1,000	-
Other	455,221	435,456
	1,521,680	1,989,812
Employee benefits expense		
Wages and salaries	2,573,343	3,527,760
Superannuation costs	242,499	297,829
Other employee benefits	(5,933)	438,774
	2,809,909	4,264,363
Occupancy costs		
Rent (short term lease payments)	90,042	174,343
Other occupancy costs	35,583	44,103
	125,625	218,446
Finance costs		
Interest costs	4,925	6,706
Interest and finance charges paid/payable on lease liabilities	4,574	-
Finance costs expensed	9,499	6,706
Share-based payments expense		
Share-based payments expense	481,358	465,416

Note 9. Income tax expense

	Consolidated 2020 $	Consolidated 2019 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,774,992)	(6,588,667)
Tax at the statutory tax rate of 27.5%	(1,038,123)	(1,811,883)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	132,378	127,989
Non assessable Research & Development refund	(256,515)	(195,937)
	(1,162,260)	(1,879,831)
Current year temporary differences not recognised	1,162,260	1,879,831
Income tax expense	-	-

	Consolidated 2020 $	Consolidated 2019 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	17,694,490	14,570,752
Potential tax benefit @ 27.5%	4,865,985	4,006,957

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The tax rate used for the reconciliation above is the relevant corporate tax rate payable by the Company on taxable profits under Australian tax law.

Deferred tax assets and liabilities

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee benefits	(17,221)	9,124
Entertainment	2,750	2,219
Depreciation	141,625	145,846
Payroll accrual	(11,976)	427
Deferred tax assets used to offset deferred tax liabilities	(6,596)	(33,738)
Tax losses carried forward	4,865,985	4,006,957
Deferred tax assets not brought into account	(4,974,567)	(4,130,835)
Total deferred tax assets recognised	-	-

Note 9. Income tax expense (continued)

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax liability		
Accrued expenses	(23,986)	(42,441)
Deferred tax assets used to offset deferred tax liabilities	23,986	42,441
	-	-

Deferred tax assets have not been recognised in respect of the above items because it is not possible at this stage of development to explicitly confirm the probability that future taxable profit will be available against which the Company can utilise these benefits.

Note 10. Current assets - cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash at bank	407,450	2,005,194
Term deposits	1,129,915	-
	1,537,365	2,005,194

Term deposits have maturity dates of less than 3 months.

Note 11. Current assets - other receivables

	Consolidated 2020 $	Consolidated 2019 $
Trade receivables	27,600	1,100
Other receivables	61,856	-
GST	19,944	34,084
	109,400	35,184

Allowance for expected credit losses
The consolidated entity has recognised a loss of $nil (2019: $nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

Note 12. Current assets - other financial assets

	Consolidated 2020 $	Consolidated 2019 $
Term deposits	-	250,000

Term deposits have maturity dates of more than 3 months but less than 12 months.

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Leasehold improvements - at directors' valuation	73,269	73,269
Less: Accumulated depreciation	(58,695)	(29,388)
	14,574	43,881
Computer equipment - at cost	74,200	68,253
Less: Accumulated depreciation	(70,332)	(64,619)
	3,868	3,634
Office equipment - at cost	75,922	75,922
Less: Accumulated depreciation	(75,922)	(75,922)
	-	-
	18,442	47,515

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $	Computer equipment $	Office equipment $	Total $
Balance at 1 July 2018	73,189	-	-	73,189
Additions	-	20,088	4,625	24,713
Depreciation expense	(29,308)	(16,454)	(4,625)	(50,387)
Balance at 30 June 2019	43,881	3,634	-	47,515
Additions	-	5,947	-	5,947
Depreciation expense	(29,307)	(5,713)	-	(35,020)
Balance at 30 June 2020	14,574	3,868	-	18,442

Note 14. Non-current assets - right-of-use assets

	Consolidated 2020 $	Consolidated 2019 $
Right-of-use asset	119,615	-
Less: Accumulated depreciation	(99,679)	-
	19,936	-

The consolidated entity leases two buildings for its offices, with lease terms of 3 years. Both leases commenced on 1 January 2018 and terminate on 31 December 2020 with an option to renew for a period of 3 years. In December 2019 the Company gave notice that it would cancel the lease of one of its offices early at the end of February 2020. This is deemed to be a short-term lease and has been expensed as incurred and not capitalised as right-of-use asset. Depreciation for the year for the right-of-use asset was $39,872.

Note 15. Non-current assets - intangibles

	Consolidated 2020 $	Consolidated 2019 $
Development - at cost	1,731,909	1,731,909
Less: Accumulated amortisation	(1,731,909)	(1,731,909)
	-	-

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Development $	Intellectual Property $	Total $
Balance at 1 July 2018	479,185	41,059	520,244
Amortisation expense	(479,185)	(41,059)	(520,244)
Balance at 30 June 2019	-	-	-
Balance at 30 June 2020	-	-	-

The Company reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

As at 30 June 2020, the gross carrying value of Developed Software equated to $1,731,909 (2019;$1,731,909). This asset was originally capitalised at this gross value with effect September 2015 and is being depreciated on a straight-line basis at 30% per annum.

Accumulated depreciation of this software totalled $1,731,909 (2019; $1,731,909), giving net written down value of $nil (2019:nil) at financial year end.

Note 16. Current liabilities - trade and other payables

	Consolidated 2020 $	Consolidated 2019 $
Trade payables	106,111	132,228
Accrued expenses	45,075	92,406
PAYG withholding payable	33,202	75,926
Superannuation payable	34,830	78,379
Income in advance	-	37,500
Wages payable	73,487	113,159
Other payables	-	13,287
	292,705	542,885

Refer to note 24 for further information on financial instruments.

The average credit period allowed by trade creditors to the Group which are not related parties is approximately 24 days.

Note 17. Current liabilities - lease liabilities

	Consolidated	
	2020 $	2019 $
Lease liability	22,634	-

Refer to note 24 for further information on financial instruments.

This balance relates to the application of accounting standard AASB 16 in effect from 1 July 2019. Refer to note 14 for details.

Note 18. Current liabilities - provisions

	Consolidated	
	2020 $	2019 $
Annual leave	148,720	263,600

Note 19. Non-current liabilities - provisions

	Consolidated	
	2020 $	2019 $
Long service leave	52,257	-

Note 20. Equity - issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	222,840,158	158,443,751	18,611,718	16,038,325

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2018	158,443,751	16,038,325
Balance	30 June 2019	158,443,751	16,038,325
Issue of shares	26 November 2019	39,490,590	1,974,530
Issue of shares	6 December 2019	23,886,845	1,194,342
Issue of unlisted options to Cygnet Capital as fees		-	(342,400)
Issue of shares	14 February 2020	809,508	56,156
Issue of shares	27 April 2020	209,464	10,003
Share issue costs		-	(319,238)
Balance	30 June 2020	222,840,158	18,611,718

Note 20. Equity - issued capital (continued)

Options (Refer to note 34 for further information on Options)

Details	Date	Options
Balance	1 July 2018	63,496,470
Issue of unlisted options	20 December 2018	5,685,000
Issue of plan options to employees and directors	10 April 2019	1,900,000
Expired and/or cancelled during the year		(5,163,334)
Balance	30 June 2019	65,918,136
Issue of plan options to employees and directors	2 July 2019	1,000,000
Issue of unlisted options to Cygnet Capital	9 December 2019	10,000,000
Cancelled due to forfeiture during the period		(1,716,667)
Balance	30 June 2020	75,201,469

Performance Rights (Refer to note 34 for further information on Performance Rights)

Details	Date	Performance Rights
Balance	1 July 2018	5,250,000
Expired and/or cancelled during the period		(3,000,000)
Issue of performance rights to directors	20 December 2018	750,000
Issue of performance rights to employees	20 December 2018	1,000,000
Balance	30 June 2019	4,000,000
Issue of performance rights to directors	2 July 2019	12,000,000
Cancelled due to forfeiture during the period		(1,250,000)
Balance	30 June 2020	14,750,000

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 21. Equity - reserves

	Consolidated 2020 $	Consolidated 2019 $
Equity-settled reserves	1,839,662	1,839,662
Options reserve	6,602,355	6,000,731
	8,442,017	7,840,393

Equity-settled reserve
On 19 October 2016, 11,426,470 warrants were issued to Asia Principal Capital Group Pte Ltd as part of a restructure of the IXUP Group. Subject to the terms of the warrant deed, the warrants entitled the holder to subscribe for the number of ordinary shares in the Company equal to 15% of the fully diluted outstanding capital of the Company. These warrants were cancelled and equivalent options were issued in their place on 1 September 2017.

To determine the fair value of the warrants, the IXUP Group engaged the support of a professional adviser, who estimated the fair value of the warrants using a widely accepted valuation methodology and assumptions based on historical data for similar publicly-listed securities.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Equity-settled reserve $	Options reserve $	Total $
Balance at 1 July 2018	1,839,662	5,960,330	7,799,992
Share based payments	-	465,416	465,416
Transfer relating to options and rights expired and/or cancelled	-	(425,015)	(425,015)
Balance at 30 June 2019	1,839,662	6,000,731	7,840,393
Issue of options as part of capital raising	-	342,400	342,400
Share based payments	-	481,358	481,358
Transfer relating to options and rights expired and/or cancelled	-	(222,134)	(222,134)
Balance at 30 June 2020	1,839,662	6,602,355	8,442,017

Note 22. Equity - accumulated losses

	Consolidated 2020 $	Consolidated 2019 $
Accumulated losses at the beginning of the financial year	(22,297,960)	(16,134,308)
Adjustment for change in accounting policy	(4,850)	-
Accumulated losses at the beginning of the financial year - restated	(22,302,810)	(16,134,308)
Loss after income tax expense for the year	(3,774,992)	(6,588,667)
Transfer relating to options and rights expired and/or cancelled	222,134	425,015
Accumulated losses at the end of the financial year	(25,855,668)	(22,297,960)

Note 23. Equity - dividends

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

Note 24. Financial instruments

Financial risk management objectives
The Group's finance function provides services to the business, co-ordinates access to banking facilities, and monitors and manages the financial risks relating to the operations of the Group in accordance with the decisions of the directors.

In the reporting period, the Group was not exposed to material financial risks of changes in foreign currency exchange rates. Accordingly, the Group did not employ derivative financial instruments to hedge currency risk exposures.

	Consolidated	
	2020 $	2019 $
Financial assets		
Cash and cash equivalents	1,537,365	2,005,194
Other receivables and other assets	138,640	84,534
Other financial assets	-	250,000
	1,676,005	2,339,728
Financial liabilities		
Trade and other payables	292,705	542,885
Lease Liabilities	22,634	-
	315,339	542,885

Market risk

Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's cash held on term deposit. A sensitivity analysis was performed and the assessment determined that a movement in interest rates is not considered to be material to the group's profit and loss.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group does not have significant credit risk exposure to any single counterparty at the reporting date.

The credit risk on liquid cash funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group is not exposed to credit risk in relation to financial guarantees given to banks, because it has no such guarantees outstanding at the reporting date.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. The consolidated entity has assessed the expected credit losses to trade receivables and concluded that no allowance is required.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 24. Financial instruments (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which periodically reviews the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities where possible.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	106,111	-	-	-	106,111
Other payables	-	186,594	-	-	-	186,594
Interest-bearing - variable						
Lease liability	10.00%	22,634	-	-	-	22,634
Total non-derivatives		315,339	-	-	-	315,339

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	132,228	-	-	-	132,228
Other payables	-	410,657	-	-	-	410,657
Total non-derivatives		542,885	-	-	-	542,885

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of net cash (there were no borrowings at year end offset by cash as detailed in note 10 and note 12) and equity (detailed in note 20).

As at reporting date, the Group had net assets of $1,198,067 (2019: $1,580,758) and issued capital of $18,611,718 (2019:16,038,325).

Note 25. Key management personnel disclosures

Directors
The following persons were directors of IXUP Limited during the financial year:

Grant Paterson	Chairman and Non-Executive Director
Dean Joscelyne	Executive Director
Freya Smith	Non-Executive Director (Appointed 2 July 2019)
Peter Leihn	CEO and Managing Director (Appointed 2 July 2019 and resigned 31 July 2020)
Scott Wilkie	Non-Executive Director (Appointed 2 July 2019 and resigned 31 July 2020)
Cliff Rosenberg	Non-Executive Director (Resigned 2 July 2019)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	661,732	1,007,534
Post-employment benefits	58,592	75,698
Share-based payments	349,787	175,160
	1,070,111	1,258,392

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (WA) Pty Ltd, the auditor of the Company:

	Consolidated	
	2020	**2019**
	$	**$**
Audit services - William Buck Audit (WA) Pty Ltd		
Audit or review of the financial statements	33,800	36,000

Note 27. Related party transactions

Parent entity
IXUP Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Note 27. Related party transactions (continued)

Transactions with related parties
Mr Dean Joscelyne is the ultimate controlling party of YDCJ Pty Ltd atf YDCJ Unit Trust and Destria Pty Ltd.

Mr Cliff Rosenberg is the beneficial owner of Rosenberg Trading Pty Ltd.

Mr Tim Ebbeck is the beneficial owner of Ebbeck Family Trust t/as Ebbeck TIG Consulting.

Mr Grant Paterson is a partner in GPT Legal

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The following transactions occurred with related parties and are GST inclusive:

	Consolidated	
	2020 $	2019 $
Payment for goods and services:		
Payment to Rosenberg Trading Pty Ltd for consulting services	-	66,266
Payment to Ebbeck Family Trust t/as Ebbeck TIG Consulting for consulting services	-	102,920
Payment to YDCJ Pty Ltd atf YDCJ Unit Trust as landlord for company premises	111,664	159,675
Payment to Mr Dean Joscelyne as landlord for company premise and office services	67,514	62,397
Payment to GPT Legal for Director fees (2019: from date of appointment of Mr Paterson)	55,475	41,800

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2020 $	2019 $
Amounts owed to related parties:		
YDCJ Pty Ltd atf YDCJ Unit Trust	-	13,735
Mr Dean Joscelyne	73,487	5,481
Rosenberg Trading Pty Ltd	-	11,000

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

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 28. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020 $	2019 $
Loss after income tax	(1,913,977)	(1,506,439)
Total comprehensive loss	(1,913,977)	(1,506,439)

Note 28. Parent entity information (continued)

Statement of financial position

	Parent 2020 $	Parent 2019 $
Total current assets	1,562,787	2,308,933
Total assets	10,307,375	11,053,521
Total current liabilities	(13,255,899)	(11,026,581)
Total liabilities	(13,255,899)	(11,026,581)
Equity		
Issued capital	18,611,719	16,038,326
Equity-settled reserves	1,839,662	1,839,662
Options reserve	6,602,355	6,000,731
Accumulated losses	(3,490,462)	(1,798,617)
Total equity	23,563,274	22,080,102

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal activities	Principal place of business / Country of incorporation	Parent Ownership interest 2020 %	Parent Ownership interest 2019 %
IXUP Operations Pty Ltd	Software development	Australia	100%	100%
IXUP IP Pty Ltd	Software patents	Australia	100%	100%

Note 30. Events after the reporting period

Capital Raise
On 24 June 2020 the Company announced a 1-for-1 non-renounceable, pro rata rights issue to raise $2,228,401 (before costs) via the issue of 222,840,158 fully paid ordinary shares at an issue price of $0.01 per Share. The Entitlement Offer was fully underwritten by Cygnet Capital Pty Ltd (**Cygnet**).

Subsequent to the year end, the Company completed the above mentioned pro rata non-renounceable 1-for-1 Entitlement Offer, raising approximately $2.228 million (before costs).

As part of the noted Entitlement Offer, if the shortfall is less than 50,000,000 Shares, the underwriter has a top-up right to ensure that the total number of Shares to be allocated by it, including any shortfall, is not less than 50,000,000 Shares, subject to shareholder approval.

Given the strong interest in the Entitlement Offer and the ongoing economic uncertainty created by the COVID-19 pandemic, the Company believes it is prudent, and has therefore agreed with Cygnet, that the total number of Shares to be allocated by Cygnet pursuant to the Top-Up Right will be increased to 150,000,000 Shares at $0.01 per Share to raise up to $1.5 million (before costs), subject to shareholder approval (**Placement**).

Board appointments
Subsequent to the end of the financial year, on 31 July 2020 Mr Peter Leihn resigned as CEO and Managing Director and Mr Scott Wilkie resigned as Non-Executive Director.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 31. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020 $	2019 $
Loss after income tax expense for the year	(3,774,992)	(6,588,667)
Adjustments for:		
Depreciation and amortisation	74,892	571,409
Share-based payments	481,358	465,416
Change in operating assets and liabilities:		
(Increase)/decrease in other receivables and other assets	(54,108)	123,768
(Increase)/decrease in Tax R&D benefit receivable	-	162,632
Decrease in trade and other payables	(242,242)	(46,194)
(Decrease)/Increase in provisions	(62,623)	33,178
Net cash used in operating activities	(3,577,715)	(5,278,458)

Note 32. Non-cash investing and financing activities

During the current year, the Group entered into the following non-cash investing and financing activities, which are not reflected in the consolidated statement of cash flows:
(i) The Company issued 10,000,000 Unlisted Options to Cygnet Capital as part of their fees for providing underwriting and offer management services.

During the year ended 30 June 2019, the Group did not enter into any non-cash investing and financing activities.

Note 33. Earnings per share

	Consolidated 2020 $	2019 $
Loss after income tax attributable to the shareholders of IXUP Limited	(3,774,992)	(6,588,667)
	Cents	Cents
Basic earnings per share	(1.93)	(4.16)
Diluted earnings per share	(1.93)	(4.16)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	195,884,647	158,443,751
Weighted average number of ordinary shares used in calculating diluted earnings per share	195,884,647	158,443,751

Non-Dilutive Securities
As at reporting date, 95,201,469 Unlisted Options (which represent 95,201,469 potential Ordinary Shares) were considered non-dilutive as they would decrease the loss per share.

Note 34. Share-based payments and Performance Rights

During the year ended 30 June 2017 IXUP issued 7,070,000 Plan Options to employees. Vesting occurs over 3 years in equal instalments. The Plan Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is $0.134 per Plan Option which is $403,513 recognised during the year ended 30 June 2018 as part of Share-based payments.

In September 2017 IXUP issued 30,600,000 Unlisted Options to Directors and advisory board members. The Unlisted Options have vested and are escrowed. The Unlisted Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is $0.106 per Unlisted Option which equates to $3,243,600 recognised during the year ended 30 June 2018 as part of Share-based payments.

In November 2017 IXUP issued 15,000,000 Unlisted Options to Cygnet Capital. The Unlisted Options have vested and are escrowed. The Unlisted Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is $0.139 per Unlisted Option which equates to $2,085,000 and this has been offset against Issued Capital as these options relate to the capital raising.

In September 2017 IXUP converted warrants held by Asia Principal Capital Limited to 10,826,470 Unlisted Options. The strike price of each option is $0.25 and term is 5 years from the grant date. The remeasurement of the fair value of the unlisted options after the conversion was not taken into account in accordance with AASB 2 Share-based payments as it resulted in a decrease in the fair value of the equity instruments granted.

In September 2017 IXUP issued 5,250,000 Performance Rights to directors and advisory board members. The rights have been valued with reference to market price, adjusted for probability of vesting between 40% to 90% and an expense of $291,667 had been recognised during the year ended 30 June 2018 as part of Share-based payments. Vesting occurs in equal instalments subject to revenue targets and tenure conditions being achieved.

During the year ended 30 June 2019 IXUP issued 5,685,000 Plan Options to employees. Vesting occurs over 3 years in equal instalments. The Plan Options have been valued using the Black Scholes Model by the Company. The calculated Black Scholes Valuation is $0.047 per Plan Option which is $89,417 recognised during the year ended 30 June 2019 as part of Share-based payments.

Note 34. Share-based payments and Performance Rights (continued)

During the year ended 30 June 2019 IXUP issued 1,900,000 Plan Options to employees. Vesting occurs over 3 years in equal instalments. The Plan Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is $0.043 per Plan Option which is $27,645 recognised during the year ended 30 June 2019 as part of Share-based payments.

During the year ended 30 June 2020 IXUP issued 1,000,000 Unlisted Options to directors with an exercise price of 25 cents and an expiry date of 14 November 2022. Vesting occurs over 3 years in equal instalments and have no other vesting conditions besides the holder continuing to act as a director of the Company. The Unlisted Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is $0.022 per Unlisted Option which is $11,449 recognised during the year ended 30 June 2020 as part of Share-based payments.

During the year ended 30 June 2020 IXUP issued 10,000,000 Unlisted Options to Cygnet Capital with an exercise price of 10 cents and an expiry date of 31 November 2023. The Unlisted Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is $0.043 per Unlisted Option which is $342,400 recognised during the year ended 30 June 2020 as part of Capital raising costs.

During the year ended 30 June 2020 $42,892 was recognised relating to Plan Options issued in 2017 to employees and directors.

During the year ended 30 June 2020 $62,318 was recognised relating to Plan Options issued in 2018 to employees and directors.

During the year ended 30 June 2020 $23,833 was recognised relating to Plan Options issued in 2019 to employees and directors.

During the year ended 30 June 2020 1,716,667 Plan Options were forfeited relating to employees and directors who left the Company and did not meet vesting conditions.

During the year ended 30 June 2020 IXUP issued 12,000,000 Performance Rights in July 2019 to directors with nil exercise price. The rights have been valued with reference to market price, adjusted for probability of vesting between 40% to 90% and an expense of $280,000 has been recognised during the year ended 30 June 2020 as part of Share-based payments. Vesting occurs in equal instalments subject to revenue targets and tenure conditions being achieved.

During the year ended 30 June 2020 $58,333 was recognised relating to Performance Rights issued in 2018.

During the year ended 30 June 2020 $11,111 was recognised relating to Performance Rights issued in 2017.

During the year ended 30 June 2020 1,250,000 Performance Rights were cancelled relating to directors who left the Company and did not meet the vesting conditions.

Set out below are summaries of options issued during the year:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/09/2017	14/11/2022	$0.25	10,826,470	-	-	-	10,826,470
01/09/2017	14/11/2022	$0.25	30,600,000	-	-	-	30,600,000
15/11/2017	14/11/2022	$0.25	15,000,000	-	-	-	15,000,000
01/09/2017	14/11/2022	$0.25	2,000,000	-	-	-	2,000,000
15/11/2017	14/11/2022	$0.25	1,740,000	-	-	(600,000)	1,140,000
20/12/2018	20/12/2023	$0.25	3,851,666	-	-	(850,000)	3,001,666
10/04/2019	10/04/2024	$0.25	1,900,000	-	-	(266,667)	1,633,333
02/07/2019	14/11/2022	$0.25	-	1,000,000	-	-	1,000,000
09/12/2019	30/11/2023	$0.10	-	10,000,000	-	-	10,000,000
			65,918,136	11,000,000	-	(1,716,667)	75,201,469

Note 34. Share-based payments and Performance Rights (continued)

Weighted average exercise price	$0.25	$0.11	$0.00	$0.25	$0.23

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/09/2017	14/11/2022	$0.25	10,826,470	-	-	-	10,826,470
01/09/2017	14/11/2022	$0.25	30,600,000	-	-	-	30,600,000
15/11/2017	14/11/2022	$0.25	15,000,000	-	-	-	15,000,000
01/09/2017	14/11/2022	$0.25	2,000,000	-	-	-	2,000,000
15/11/2017	14/11/2022	$0.25	5,070,000	-	-	(3,330,000)	1,740,000
20/12/2018	20/12/2023	$0.25	-	5,685,000	-	(1,833,334)	3,851,666
10/04/2019	10/04/2024	$0.25	-	1,900,000	-	-	1,900,000
			63,496,470	7,585,000	-	(5,163,334)	65,918,136
Weighted average exercise price			$0.25	$0.25	$0.00	$0.25	$0.25

Set out below are the options exercisable at the end of the financial year (released from escrow on 10 November 2019):

Grant date	Expiry date	2020 Number	2019 Number
01/09/2017	14/11/2022	30,000,000	30,000,000
15/11/2017	14/11/2022	15,000,000	15,000,000
		45,000,000	45,000,000

The weighted average exercise share price during the financial year was $0.23 (2019: $0.25).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.5 years (2019: 3.5 years).

Set out below are summaries of performance rights granted during the year:

2020

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
20/12/2018	14/11/2022	4,000,000	-	-	(1,250,000)	2,750,000
02/07/2019	14/11/2022	-	12,000,000	-	-	12,000,000
		4,000,000	12,000,000	-	(1,250,000)	14,750,000

2019

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
20/12/2018	14/11/2022	5,250,000	1,750,000	-	(3,000,000)	4,000,000
		5,250,000	1,750,000	-	(3,000,000)	4,000,000

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2.4 years (2019: 3.4 years)

Note 34. Share-based payments and Performance Rights (continued)

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
02/07/2019	14/11/2022	$0.07	$0.25	88.00%	-	0.97%	$0.002
09/12/2019	30/11/2023	$0.08	$0.10	88.00%	-	0.64%	$0.042

* Note that the fair value has been further adjusted to reflect the probability of the options being vested for the purpose of determining the expense recognised in the share-based payment.

For the performance rights granted during the current 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	Vesting T1	Probability of Vesting T2	Vesting T3
02/07/2019	14/11/2022	$0.07	$90.00	70.00%	40.00%

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Grant Paterson
Chairman

31 August 2020

William Buck

IXUP Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IXUP Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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RELATED PARTY TRANSACTIONS	
Area of focus **Refer also to Remuneration Report on pages 9 to 16 and Note 27**	**How our audit addressed it**
There have been numerous related party transactions with entities where key management personnel of the Group have interests and/or are directors. As, such, there is a risk that not all related party transactions are disclosed in the financial report or that related party transactions have been made on non-arm's length basis. This could result in insufficient information being provided in order to enable the reader to understand the nature and effect of the various related party relationships and transactions.	Our audit procedures included: — Comparing the list of related parties provided by the directors with internal and external sources; — Conducting an ASIC search for external directorships held by the board members and key management personnel to evaluate whether all related party relationships and transactions had been appropriately identified and disclosed; and — Assessing whether related party transactions were conducted at arm's length by comparing the basis of the transactions to external sources. For each class of related party transaction, we compared the financial statement disclosures against the underlying transactions and the accounting and *Corporations Act 2001* requirements.

SHARE BASED PAYMENTS	
Area of focus **Refer also to Remuneration Report on pages 9 to 16 and Note 34**	**How our audit addressed it**
The Group issued plan options and performance rights to employees and directors under Employee Incentive Plans which included performance, contribution and service conditions. Under the Employee Incentive Plan the Group issued 1,000,000 planned options exercisable at $0.25 on or before 14 November 2022. Under the Employee Incentive Plan the Group also issued 12,000,000 performance rights exercisable on or before 14 November 2022. The above arrangement required significant judgements and estimations by management, including the following: — The evaluation of the grant date for the arrangement, and the evaluation of the fair	Our audit procedures included: — In determining the grant date, we evaluated what was the most appropriate date based on the terms and conditions of the share-based payment arrangement; — Evaluating the fair value of the share-based payment arrangement by agreeing assumptions to third party evidence; and — For the specific application of the Black Scholes model, we assessed the experience of the company secretary who advised the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values. We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms.

value of the underlying share price of the company as at the grant date; — The evaluation of key inputs into the Black Scholes option pricing model, including the significant judgement of the forecast volatility of the share option over its exercise period. The results of these share-based payment arrangements materially affect the disclosures.	For options issued we compared the financial statement disclosures against the underlying transactions and the Australian Accounting Standard requirements. We also reconciled the vesting of the share-based payment arrangement to disclosures made in note 34.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of IXUP Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

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Conley Manifis
Director
Dated this 31st day of August, 2020

The shareholder information set out below was applicable as at 20 August 2020.

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	26	-
1,001 to 5,000	124	-
5,001 to 10,000	87	-
10,001 to 100,000	283	1
100,001 and over	231	30
	751	31
Holding less than a marketable parcel	254	-

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	44,339,973	19.90
JOSCELYNE INVESTMENTS PTY LTD	31,193,302	14.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,906,972	11.18
HOLDREY PTY LTD	20,380,000	9.15
RANSDALE INVESTMENTS PTY LTD	19,500,000	8.75
POOLSIDE INVESTMENTS PTY LTD	15,500,212	6.96
TERRA CAPITAL MANAGEMENT PTY LTD	15,249,278	6.84
WHITE SWAN NOMINEES PTY LTD	14,997,358	6.73
BROWN BRICKS PTY LTD	14,583,008	6.54
MAHSOR HOLDINGS PTY LTD	11,291,323	5.07
SL CURTIS PTY LTD	10,000,000	4.49
CS THIRD NOMINEES PTY LIMITED	9,500,114	4.26
RACCOLTO INVESTMENTS PTY LTD	8,000,000	3.59
MOSCH PTY LTD	7,650,000	3.43
VISTA GROVE INVESTMENTS PTY LTD	6,943,393	3.12
KOLLEY PTY LTD	4,930,626	2.21
KEA HOLDINGS PTY LTD	4,898,178	2.20
DIGITAL INVESTMENTS PTY LTD	4,773,060	2.14
JJG GROUP PTY LTD	4,500,000	2.02
FNL INVESTMENTS PTY LTD	4,500,000	2.02
	277,636,797	124.60

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	44,339,973	19.90
JOSCELYNE INVESTMENTS PTY LTD	31,193,302	14.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,906,972	11.18
HOLDREY PTY LTD	20,380,000	9.15
RANSDALE INVESTMENTS PTY LTD	19,500,000	8.75
POOLSIDE INVESTMENTS PTY LTD	15,500,212	6.96
TERRA CAPITAL MANAGEMENT PTY LTD	15,249,278	6.84
WHITE SWAN NOMINEES PTY LTD	14,997,358	6.73
BROWN BRICKS PTY LTD	14,583,008	6.54
MAHSOR HOLDINGS PTY LTD	11,291,323	5.07

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Annual General Meeting

The Annual General meeting will be held on 26 November 2020.