HIT·IQ

HITIQ Limited
ABN 53 609 543 213

ANNUAL REPORT

30 JUNE 2021

WHAT GETS MEASURED
GETS MANAGED

RISK IS NOT A GAME

Chairman's Letter

Dear Shareholders,

It was not that long ago that I penned a similar letter, presenting you with the opportunity to become a shareholder in HITIQ via our initial public offering (**IPO**). Whilst your Company enjoys a loyal band of long-time shareholders, having been funded privately since its inception in 2016 to its IPO, it is pleasing to be joined by newer shareholders both via those who subscribed to our IPO and those that have purchased shares on-market.

Trading publicly for the first time on 16 June 2021, the Company's share price debuted strongly reaching a high of $0.30, a 50% premium to the issue price. Unfortunately, since that time, your Company has suffered the malaise of many recent IPOs, trading at a larger than expected discount to its issue price. Whilst this is no doubt disappointing to all of us, I can assure you that it has only emboldened your Board and management to continue to grow the business and prove up its ultimate worth.

Since it has only been a short operating period since our listing and given that our activities, opportunities and risks were well covered in the prospectus, I intend this letter to be somewhat concise and focus only on the higher level matters we have worked upon since the publishing of the prospectus. Our CEO, Mike Vegar, will go into more detail on our operations, within his subsequent report.

Since the release of the prospectus, we have:

i. Reaffirmed our FY'22 strategic operating plan, setting firm operating milestones for our executive team;

ii. Formalised our UK & EU entry strategy, directly employing an experienced executive based in the region;

iii. Commenced a trial with Rugby Australia, furthering our databank statistics in rugby union; and

iv. Entered into a trial with Bupa Dental for use of our technology in junior rugby, moving our product from elite athletes to the consumer market.

v. Initiated a data collection program with six Football Bowl Subdivision (FBS) division one US college football programs that is designed to support our US business development initiatives

The above list of activities have all been relayed to shareholders via the ASX, however are not representative of all the activities being undertaken within the business. The product development team continues to build out our product suite, continuing to capture data from various sports, building our end-to-end concussion management platform and preparing for future regulatory submissions. Whereas our business development team continues to work with various sporting codes both in Australia and overseas, despite the obvious challenges brought about by the pandemic in regard to travel and its' adverse effect on sports and associated finances to deploy our technologies.

I would like to thank my fellow directors Phil Carulli, Aidan Clarke and Glenn Smith, as well as our Company Secretary Peter Torre for their diligent efforts and counsel during the period.

I look forward to Mike, along with his team, delivering value for all stakeholders via further product and business development initiatives. Looking ahead to FY'22, we expect to be able to report more significant commercial progress, with several proposals nearing conclusion, as well as a plethora of opportunities remaining before us.

Finally, I would also like to take this opportunity to thank you, our shareholders for your support. Whilst the Company remains below its June 2021 IPO price, we are maturing as a business, have a well-articulated plan and ultimate product suite which has the capability of adding substantial value, rewarding all stakeholders.

Otto Buttula
Non-Executive Chairman

HITIQ CEO Letter

The HITIQ story starts long before our recent initial public offering (IPO) on the ASX in June 2021. I co-founded the Company in 2016 to address the significant issue concussion presents in sports, which came off the back of my time with US collegiate sport and involvement with professional sporting teams. The concussion thematic has been emerging slowly over the last decade, along with the pace of management protocols. Sporting codes around the globe are faced with challenges around the containment of the concussion issue from negatively affecting the long-term health outcomes of athletes, participation rates in junior sport and being subject to considerable litigation exposure.

Over the last five years, HITIQ has developed and refined our concussion management technology along-side several sporting codes, establishing what we believe to be a leadership position in impact sensor technology. Our difference is our data-led approach, which is the achilles heel of any transformation relating to a standard of care.

Taking the Company public in June 2021, represented our transition from research and development mode, to being a sports data company. Re-capitalising the Company gives us the opportunity to aggressively pursue our commercialisation ambitions globally. With the technology technically and commercially validated, we are now well positioned to activate our growth plan and develop a footprint in the elite and consumer market segments around the world.

In doing this, our focus is very clear. We are building the world's first end-to-end concussion management platform. Ultimately, HITIQ technology will deliver the most important data used in sports today. This vision is underpinned by a three-pillar strategy with an eco-system of products that are powered by machine learning and span multiple domains from surveillance and detection, to assessment, and finally rehabilitation.

We've set our strategic operating and growth plans in place, which convey the foundation on how we intend to transform the standard of care for concussion management in the global market. The growth plan sets clear operational milestones that will deliver value for all stakeholders, including:

Data sourced from diverse market segments – build upon our world leading head impact databank with relevant data sourced in each priority target market;

Platform and Product Technology Extension – continue innovation and product development;

Regulatory Submissions and Clinical Sites – validation of virtual reality technology;

Establish International Sales Footprint – commercial infrastructure and sales capability;

Key Advisory Committees – align with key opinion leaders and industry experts;

Demonstrate Early Traction in Consumer Model – scalable pathways to consumer markets; and

Distribution Partnerships and M&A Assessment – assess synergies that support growth.

For HITIQ, the global commercial opportunity is significant and we've identified an addressable market consisting of 500,000 elite athletes, 11 million consumer players, and 300,000 health practitioners that form a $5 billion target market. In our short tenure as a listed company, we have already started as we intend to continue, being data and results oriented, with the team quickly delivering on a number of outcomes:

Customer Markets

Elite

- Continued deployment, under a multi-year league wide deal, of mouthguard impact sensors across players and teams in the men's Australian Football League (AFL) and established player impact passports;
- New program partnership with Rugby Australia, initially deploying head impact sensors in the QLD Premier Rugby 1st grade competition in the 2021 season. A commercial partnership will be decided following assessment of the season trial.
- A data acquisition program is underway with six Football Bowl Subdivision (FBS) division one US college football programs. The program will build on HITIQ's global head impact databank sourcing US player data that will lay the foundation for a strong push into this international customer market in calendar year 2022.
- Overall, 1,100 units were deployed across the globe, in various customer and partnership settings, capturing over 12 million data points.

Partners

Health Insurers

- A landmark partnership with Bupa, through its Dental division, was announced that will see a trial of HITIQ concussion management technology in an Australian first Junior Rugby Pilot Project. The technology is currently being deployed across 100 junior players from the Wests Bulldogs Rugby Club who have been fitted with HITIQ mouthguards. When the trial concludes later this year, the Company will determine the potential to expand the technology offering across the Bupa Dental clinic network, which represents Australia's largest dental network.

International Expansion

UK & Europe Commercial Operations

- An international sales footprint commenced with the establishment of a UK and European beachhead led by Thomas Mockford who was appointed Director of Elite Sales and Strategy - UK & Europe. As previous European Sales Director for Catapult, Thomas brings strong capability and partnerships to drive traction into this market segment.

Technology

- Preparations continue to establish clinical trial sites globally for the validation of CoVR, the Company's Virtual Reality diagnostic and assessment product;
- Three provisional patent applications were lodged related to the Nexus mouthguard technology and associated Artificial Intelligence systems; and
- Ongoing enhancements to HITIQ proprietary Artificial Intelligence and Machine Learning algorithms continue to further develop.

Finally, I would like to thank all shareholders and our business partners for their ongoing support, as well as acknowledging the HITIQ team for their tireless work across the last 12 months. We are in the infancy of our journey towards accomplishing lofty goals. Our focus is lasered in on the execution of our strategic milestones, with significant value to be unlocked as we realise the commercial outcomes from our initiatives. I look forward to the year ahead with our committed shareholders and progressing HITIQ towards the end-to-end concussion management solution.

Michael Vegar
Managing Director and Chief Executive Officer

Corporate Directory

30 June 2021

Directors	Otto Buttula Philip Carulli Aidan Clarke Glenn Smith Michael Vegar
Company secretary	Peter Torre
Registered office	C/o Optima Partners Suite 3, 128 Main Street Osbourne Park, WA, 6017 Phone: 08 6267 2200
Principal place of business	Suite 1, Level 2 9-17 Raglan Street South Melbourne, VIC, 3205, Australia Phone: 0478 038 567
Share register	Automic Group Level 2, 267 St Georges Tce Perth WA 6000 Phone: 1300 288 664
Bankers	Commonwealth Bank of Australia 3 Queen Street Fremantle WA 6161
Auditor	Hall Chadwick WA Audit Pty Ltd 283 Rokeby Rd, Subiaco WA 6008
Solicitors	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan St Perth WA 6000
Patent Attorney	Forward Intellectual Property Pty Ltd Level 2, 11 York St Sydney NSW 2000
Securities Exchange Listing	HITIQ Limited shares are listed on the Australian Securities Exchange (ASX: HIQ)
Website	www.hitiq.com

Directors Report

In accordance with the Corporations Act 2001, the directors of HITIQ Ltd present their report together with the financial statements for the financial year ended 30 June 2021.

Directors

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

Names	Position
Michael Vegar	Director
Otto Buttula	Director (Appointed 1 February 2021)
Philip Carulli	Director
Glenn Smith	Director
Aidan Clarke	Director (Appointed 17 April 2021)
Matthew Banks	Director (Resigned 19 March 2021)

Information on Directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Michael Vegar - Managing Director and Chief Executive Officer

Mr Vegar is a co-founder and Managing Director of HITIQ.

He has been responsible for creating and executing HITIQ's strategic plan, fundraising & developing the product's vision, as well as growing the HITIQ team from conception to now a team of 25 people. Mr Vegar has extensive experience in the sporting industry across a variety of roles with more than 13 years of domain knowledge. He holds a Bachelor's Degree of Commerce and a Master's Degree of Exercise Science.

Before co-founding HITIQ, Mike operated a sport science consultancy firm advising various professional and semi-professional sporting programs from 2008 – 2017, including working in the High-Performance Unit at the Australian Institute of Sport with the Australian Men's Hockey program. In that role, Mr Vegar was responsible for managing the injury rehabilitation and physical preparation programming. In 2012, Mr Vegar also co-founded Game Guardian, a leading Australian manufacturer of mouth guards and sports protection goods, which he exited in 2020.

Otto Buttula – Non-Executive Chair

Mr Buttula has had extensive experience and success in investment research, funds management and information/biotechnology, holding directorships in a number of public companies.

Mr Buttula's executive experience includes as a co-founder, CEO and Managing Director of IWL Ltd, an online financial services company that listed on the ASX in 1999. Growing from a market capitalisation of $48 million at listing, it was taken over in 2007 by Commonwealth Bank of Australia (ASX: CBA) for $373 million.

Mr Buttula also founded and was Managing Director of Investors Mutual, prior to which he was a co-founder and director of Lonsdale Securities Ltd. Following his completion of executive duties, Mr Buttula was Non-Executive Chairman of platform and stockbroking provider Investorfirst Ltd and led the acquisition of HUB24 Ltd (ASX: HUB).

More recently, he served on the Board as a non-executive director and Head of Audit & Risk at Imugene Ltd (ASX: IMU) between 2014 and 2016. Currently, Mr Buttula is also Non-Executive Chairman of Rhythm Biosciences Ltd (ASX: RHY), a company positioning itself to be a global leader in the mass market, early detection of colorectal cancer, via a simple blood test and a Non-Executive Director of Oncosil Medical Ltd (ASX: OSL), a commercial brachytherapy provider specialising in pancreatic cancer. Mr Buttula holds a Bachelor of Economics from Monash University, a Graduate Diploma of Applied Finance & Investment and is a Fellow of the Australian Institute of Company Directors.

Philip Carulli - Non-Executive Director

Philip Carulli is a Chartered Accountant and managing director of Optima Financial Group Pty Ltd where he provides financial, taxation and corporate advisory services to a diverse range of businesses. Over the past 22 years Mr Carulli has owned, managed and consulted to companies in professional services, construction, technology, medical, and industrial sectors to name a few.

He holds a Bachelor of Business, is a registered SMSF auditor and holds a Certificate of Public Practice. Philip has been working with the company since incorporation in the capacity of financial controller and company secretary. Phil has been appointed a non-executive director of the company.

Glenn Smith - Non-Executive Director

Glenn Smith is an experienced CEO, entrepreneur, investor and director. His success to date has been built around being involved in and/or growing customer-centric businesses at all stages of the growth cycle (listed and private) from start-ups to mature global enterprises.

Glenn currently leads TALI Digital (ASX: TD1). He holds an MBA from the University of Western Australia, a BA (Econ), a degree in Viticulture and Oenology from the University of Melbourne and is a practicing vigneron.

Aidan Clarke – Non-Executive Director

Mr Clarke is an experienced entrepreneur with close to 15 years' experience building and growing global brands within the sporting industry.

Having co-founded sporting brand 2XU, Mr Clarke was an Executive Director responsible for the Sales & Marketing functions of the company. Equipping multiple World and Olympic champions in almost every code, whilst building a global distribution network. 2XU supplied the US Navy Seals, majority of NFL teams, and 29 of the 30 NBA teams. Mr Clarke led 2XU commercialisation efforts into numerous elite sport relationships, such as a long serving AIS R&D agreement and signing multiple exclusive partnerships across high performance teams and institutions throughout the world. 2XU was partially acquired by the LVMH capital arm L-Capital for a $200m valuation in 2014, with Mr Clarke fully exiting his shareholding in 2018.

Mr Clarke has a BA/Bcomm from Auckland University, and through experience and track record brings a strong demand generation lens and skillset to HITIQ.

Matthew Banks (Resigned 19 March 2021)

Matthew is based in Western Australia and has strong relationships in small to medium business that spans the east, to the west of Australia. Originally in the sports marketing industry in Melbourne for over 10 years, Matthew now resides in Western Australia and is business finance solutions specialist working with Quantum Business Finance.

Since 2005 Matthew has been involved in raising capital for a number of listed exploration mining companies and currently is involved in taking mining assets and listing them publicly. He is a director of K2 Advisory Partners Pty Ltd that has an AFSL and consults to public companies.

Matthew is also a director of ASX Listed company Wildcat Resources Limited and Rumble Resources Limited which are looking for economic occurrences of base metals and gold in Western Australia.

Company Secretary

Peter Torre

Peter Torre is the principal of the corporate advisory firm Torre Corporate which provides corporate secretarial services to a range of listed companies. Prior to establishing Torre Corporate, Mr Torre was a partner and Chairman of the National Corporate Services Committee of an internationally affiliated firm of Chartered Accountants working within its corporate services division for over nine years.

Mr. Torre is the company secretary of several ASX-listed companies, and previously companies listed on the London and Toronto Stock Exchange. He is a director of ASX listed Veem Ltd, Connexion Telematics Ltd and and Volt Power Group Limited.

Mr Torre holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and is a member of the Institute of Company Directors.

Principal activities

The principal activities of the company during the financial year were the development and commercialisation of concussion management technology.

No significant change in the nature of these activities occurred during the year.

Operating results

The loss of the company amounted to $5,062,846 (2020: $2,618,825 loss). The major items of expenditure include Research and Testing $547,460 (2020: $569,683), Share-based payments expense $1,331,286 (2020: $136,999) and Employee Benefits Expense $2,787,808 (2020: $2,028,788).

Dividends paid or recommended

No dividends have been paid or declared during or since the end of the financial year.

Share Options

During the year the company had issued options, details of options issued are as per Note 15a of the financial statements. There were no options that were exercised during the year.

Performance Rights

During the year the Company entered into performance rights transactions with its employees. Details of performance rights issued and exercised are as per Note 15b of the financial statements.

Review of operations

The Group incurred a loss after income tax of $5,062,846 for the year ended 30 June 2021 (2020: $2,618,825).

The Chairman's Letter and Chief Executive Officer's Report contain a review of operations.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company to the date of this report.

Matters subsequent to the end of the financial year

The following events have occurred after the reporting date:

The Board resolved to issue Unlisted Options to all employees under its existing Incentive Performance Rights and Option Plan (Plan) as disclosed as part of the Company's Pre-IPO disclosures. The Company has issued 4,642,250 Unlisted Options exercisable at $0.30 per share expiring 31 July 2024 vesting upon 12 months continued service with the Company and satisfaction of performance criteria based on key performance indicators applicable to each recipient to all HITIQ employees. In addition, the Board has separately resolved to propose the issue of Unlisted Options to non-executive directors of the Company, which will be put to members of the Company for approval at the 2021 Annual General Meeting. The proposed issue to non-executive directors will consist of a total amongst all directors of 1,500,000 Unlisted Options exercisable at $0.30 per share expiring 31 July 2024 and subject to the following proposed vesting conditions:

- 12 months continued service from date of appointment as a director
- Company achieving $2m in annual recurring revenue within 2 years
- Company achieving $3m in annual recurring revenue within 3 years.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Likely developments and expected results of operations

With the technology technically and commercially validated, we are now well positioned to activate our growth plan and develop a footprint in the elite and consumer markets segments around the world.

In doing this, our focus is very clear. We are building the world's first end-to-end concussion management platform. Ultimately, HITIQ technology will deliver the most important data used in sports today. This vision is underpinned by a three-pillar strategy with an eco-system of products that are powered by machine learning and span multiple domains from surveillance and detection, to assessment, and finally rehabilitation.

We've set our strategic operating and growth plans in place, which convey the foundation on how we intend to transform the standard of care for concussion management in the global market. The growth plan sets clear operational milestones that will deliver value for all stakeholders, including:

- **Data sourced from diverse market segments** – build upon our world leading head impact databank with relevant data sourced in each priority target market
- **Platform and Product Technology Extension** – continue innovation and product development
- **Regulatory Submissions and Clinical Sites** – validation of virtual reality technology
- **Establish International Sales Footprint** – commercial infrastructure and sales capability
- **Key Advisory Committees** – Align with key opinion leaders and industry experts
- **Demonstrate Early Traction in Consumer Model** – scalable pathways to consumer markets
- **Distribution Partnerships and M&A Assessment** – Assess synergies that support growth

The company expects to achieve commercial outcomes from its trials along with continuing to expand its core business by assessing opportunities and investing in further research and development.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Meetings of directors

During the financial year, 5 meetings of directors were held. Attendances by each director during the year were as follows:

	No. eligible to attend	Number attended
Michael Vegar	5	5
Otto Buttula	3	3
Philip Carulli	5	5
Glenn Smith	5	5
Aidan Clarke	2	2
Matthew Banks	2	2

Directors' interest in the shares and options and performance rights of the Company

As at the date of this report, the interests of the directors in the shares and options of HITIQ Limited were:

	Ordinary Shares	Options	Performance Rights
	Number	Number	Number
Michael Vegar	7,104,166	6,000,000	500,000
Otto Buttula	4,533,334	–	–
Philip Carulli	2,228,334	700,000	–
Glenn Smith	212,500	–	–
Aidan Clarke	375,000	–	–

Shares Issued during or since the end of the year as a result of exercise

At the date of this reports details of ordinary shares issued by the company during or since the end of the financial year as a result of exercise of an option and performance rights are:

Date of Exercise	Number Shares Issued	Amount paid for Share
25/03/2021	666,667	$133,334
01/06/2021	675,000	$135,000

Share options

As at the date of this report, the unissued ordinary shares of HITIQ under option was as follows:

Date of Expiry	Exercise Price	Number under Option	Date Option Granted
10/12/2023	$0.20	3,000,000	23/01/2019
15/11/2022	$0.30	2,500,000	15/11/2019
18/12/2023	$0.30	1,333,334	16/03/2020
30/06/2022	$0.30	758,330	20/05/2020
18/12/2023	$0.30	2,000,000	18/12/2020
1/11/2021	$0.20	600,002	19/03/2021
17/12/2023	$0.20	599,999	19/03/2021
19/03/2024	$0.20	599,999	19/03/2021
25/03/2024	$0.30	4,500,000	19/03/2021
25/03/2025	$0.30	1,500,000	19/03/2021
18/12/2023	$0.30	6,000,000	1/06/2021
31/07/2024	$0.30	4,642,250	19/07/2021

Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the entity, in accordance with the requirements of the Corporations Act 2001 ("the Act") and its Regulations. This information has been audited as required by Section 308(3C) of the Act.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the major activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the company.

Key Management Personnel

The directors and other key management personnel of the Company during or since the end of the year financial year are:

Except as noted above, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Executive Directors

- Michael Vegar – Managing Director

Non-Executive Directors

- Otto Buttula – Non-Executive Chairman
- Philip Carulli – Non-Executive Director
- Glenn Smith – Non-Executive Director
- Aidan Clarke – Non-Executive Director
- Matthew Banks – Non-Executive Director

Other Key Management Personnel

- Damien Hawes – Head of Commercial
- David Erikson – Chief Technical Officer
- Thomas Laudenbach – Head of Products and Projects

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 key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive 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 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 directors and executives. The performance of the 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 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 dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- 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
- 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 directors' 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 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.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The company has most recently disclosed its director's remuneration in its Prospectus.

Executive remuneration

The entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three or more years based on long-term incentive measures. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2021.

Entity performance and link to remuneration

Remuneration for certain individuals are directly linked to the performance of the entity. Cash bonus and incentive payments are at the discretion of the Board.

Additional Information

The earnings of the entity for the four years to 30 June 2021 are summarised below:

	2021	2020
	$	$
Sales Revenue	406,682	40,259
EBITDA	(4,791,356)	(2,324,820)
EBIT	(5,009,213)	(2,532,233)
Loss after income tax	(5,062,846)	(2,618,825)

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

	2021	2020
Share price at end of financial year ($)	0.19	0.15
Total dividends declared (cents per share)	-	-
Basic earnings per share (cents per share)	(0.066)	(0.043)

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the entity are set out in the following tables.

	Short-term employee benefits	Post employment benefits	Share-based payments				Performance linked remuneration		
	Cash salary and fees	Superannuation	Equity-settled shares	Equity-settled options (i)	Equity-settled Performance rights	Total	Fixed remuneration	At risk – STI	At risk – LTI
2021	$	$	$	$	$	$	%	%	%
Executive Directors:									
Michael Vegar	150,000	14,250	100,000	329,794	170,000	764,044	22	35	43
Non-Executive Directors:									
Otto Buttula	35,000	3,325	–	–	–	38,325	100	–	–
Philip Carulli	25,000	–	–	–	–	25,000	100	–	–
Glenn Smith	28,000	–	–	–	–	28,000	100	–	–
Aidan Clarke	1,750	–	–	–	–	1,750	100	–	–
Matthew Banks	38,000	–	176,000	165,500	–	379,500	100	–	–
Other Key Management Personnel:									
Damien Hawes	136,000	12,920	–	–	20,000	168,920	88	12	–
David Erikson	136,154	12,935	–	–	20,000	169,089	88	12	–
Thomas Laudenbach	95,729	9,094	–	–	20,000	124,823	84	16	–
Total	**645,633**	**52,524**	**276,000**	**495,294**	**230,000**	**1,699,451**			

	Short-term employee benefits	Post employment benefits	Share-based payments				Performance linked remuneration		
	Cash salary and fees	Superannuation	Equity-settled shares	Equity-settled options (i)	Equity-settled Performance rights	Total	Fixed remuneration	At risk – STI	At risk - LTI
2020	$	$	$	$	$	$	%	%	%
Executive Directors:									
Michael Vegar	155,769	14,798	-	-	-	170,567	100	-	-
Non-Executive Directors:									
Otto Buttula	-	-	-	-	-	-	-	-	-
Philip Carulli	9,000	-	-	-	-	9,000	100	-	-
Glenn Smith	-	-	-	-	-	-	-	-	-
Aidan Clarke	-	-	-	-	-	-	-	-	-
Matthew Banks	6,000	-	-	-	-	6,000	100	-	-
Other Key Management									
Personnel:									
Damien Hawes	121,154	11,510	-	-	-	132,664	100	-	-
David Erikson	-	-	-	-	-	-	-	-	-
Thomas Laudenbach	88,900	8,445	-	-	-	97,345	100	-	-
Total	**380,823**	**34,753**	**-**	**-**	**-**	**415,576**			

i. The value of the options and performance rights to key management personnel as part of their remuneration is calculated as at grant date using Black-Scholes model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.

Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	**Michael Vegar**
Title:	Managing Director and Chief Executive Officer
Agreement Commenced:	25 March 2021
Term of Agreement:	N/A
Details:	Base salary from listing date of 16 June 2021 to 30 June 2021 increased to $210,000, plus superannuation, reviewed annually by the Nomination and Remuneration Committee. 1 month termination notice by the company, 3 months termination by the executive. Non-solicitation and non-compete clauses. Prior to listing date base salary was $180,000 per annum plus superannuation. It was agreed by Mr Vegar to reduce the salary to $90,000 plus superannuation during the Covid-19 period of 20 March 2020 to 30 October 2020.
Name:	**Otto Buttula**
Title:	Non-Executive Chair
Agreement Commenced:	1 February 2021
Term of Agreement:	N/A
Details:	$84,000 plus superannuation per annum.
Name:	**Philip Carulli**
Title:	Non-Executive Director
Agreement Commenced:	6 January 2020
Term of Agreement:	N/A
Details:	$18,000 per annum plus GST prelisting, base fee adjusted to $42,000 per annum plus GST upon listing.
Name:	**Glenn Smith**
Title:	Non-Executive Director
Agreement Commenced:	6 January 2020
Term of Agreement:	N/A
Details:	$18,000 per annum plus GST prelisting, base fee adjusted to $42,000 per annum plus GST upon listing.
Name:	**Aiden Clarke**
Title:	Non-Executive Director
Agreement Commenced:	17 April 2021
Term of Agreement:	N/A
Details:	$42,000 per annum plus GST

Name:	**Matthew Banks**
Title:	Non-Executive Director
Agreement Commenced:	26 July 2019 (resigned 19 March 2021)
Term of Agreement:	N/A
Details:	$2,000 per month including superannuation plus 20,000 ordinary shares per months to a cap of 100,000 shares for acceptance of appointment.

Name:	**Damien Hawes**
Title:	Head of Commercial
Agreement Commenced:	11 December 2017
Term of Agreement:	N/A
Details:	$160,000 per annum plus superannuation from 11 January 2021, increased from $140,000 plus superannuation. A commission scheme applies based on revenue milestones.

Name:	**David Erikson**
Title:	Chief Technical Officer
Agreement Commenced:	22 October 2020
Term of Agreement:	N/A
Details:	$200,000 per annum plus superannuation.

Name:	**Thomas Laudenbach**
Title:	Head of Products and Projects
Agreement Commenced:	5 March 2018
Term of Agreement:	N/A
Details:	$140,000 per annum plus superannuation from 14 June 2021. Increased from $120,000 per annum plus superannuation.

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

Share-based granted as compensation

Cash bonuses

No cash bonuses were paid during the financial year.

Shares granted as compensation

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Date	Shares	Issue Price	$
Michael Vegar	25/03/2021	500,000	20c	100,000

Options granted as compensation

Details of share-based payment arrangements granted as compensation to key management personnel during the current financial year.

Name	Number of options granted	Grant date	Vesting date	Expiry date	Exercise price	Fair value per option at grant date	Number vested
Michael Vegar	3,000,000	19/03/21	19/03/23	19/03/24	$0.30	0.096	1,500,000
Michael Vegar	1,500,000	19/03/21	19/03/23	19/03/24	$0.30	0.113	900,000
Michael Vegar	1,500,000	19/03/21	19/03/24	19/03/25	$0.30	0.112	750,000

	Value of options granted and vested during the year	Value of options exercised during the year	Value of options lapsed during the year
Name	$	$	$
Michael Vegar	329,794	-	-

There has been no alteration of the terms and conditions of the above share-based payment arrangements since grant date.

Options exercised

No options granted as remuneration were exercised.

Options lapsed

No options granted as remuneration lapsed.

Performance rights granted as compensation

Details of share-based payment arrangements granted as compensation to key management personnel during the current financial year.

	Number granted	Grant date	Value per option at grant date	Value of options at grant date	Vesting Date	Terms
			$	$		
Michael Vegar	375,000	19/03/21	0.20	75,000	15/06/21	Vest upon successful listing on the ASX
Michael Vegar	500,000	19/03/21	0.20	100,000	31/03/22	Vest upon contract signing and formalisation of an NRL deal with minimum revenue of $200,000 p.a. excluding GST by 31 March 2022
Michael Vegar	125,000	19/03/21	0.20	25,000	30/06/21	Reaching an agreement with the National Rugby League (NRL) for the 2021 season, with an acceptable promotional deal to benefit HITIQ by 30 June 2021
Damien Hawes	100,000	25/03/21	0.20	20,000	15/06/21	Vest upon successful listing on the ASX
David Erikson	100,000	25/03/21	0.20	20,000	15/06/21	Vest upon successful listing on the ASX
Thomas Laudenbach	100,000	25/03/21	0.20	20,000	15/06/21	Vest upon successful listing on the ASX

The performance rights were provided at no cost and expire on the earlier of their date or termination of the key management personnel's employment.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since grant date.

Performance rights exercised

	Number of performance rights vested	Number of ordinary shares issued	Amount paid	Amount unpaid	Value of performance rights at the grant date	Value at exercise date (i)
Michael Vegar	375,000	375,000	19/03/21	$nil	$75,000	$0.20
Damien Hawes	100,000	100,000	25/03/21	$nil	$20,000	$0.20
David Erikson	100,000	100,000	25/03/21	$nil	$20,000	$0.20
Thomas Laudenbach	100,000	100,000	25/03/21	$nil	$20,000	$0.20

i. The value at the date of exercise of performance rights that were granted as part of remuneration and exercised during the year has been determined as the intrinsic value of the performance rights at the exercise date.

Performance rights forfeited / lapsed during the year

	Number forfeited / lapsed during the year	Financial year granted
Michael Vegar	125,000	2021
Damien Hawes	500,000	2019

Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the company held during the financial year by each director and other members of key management personnel of the entity, including their personally related parties, is set out below:

	Balance at 1/7/20	Granted as part of remuneration	Granted / On exercise	Held at date of resignation	Balance at 30/6/21
Michael Vegar	6,166,666	875,000	62,500	–	7,104,166
Otto Buttula	3,208,334	–	1,325,000	–	4,533,334
Philip Carulli	1,778,334	–	325,000	–	2,103,334
Glenn Smith	–	–	212,500	–	212,500
Aiden Clarke	–	–	375,000	–	375,000
Matthew Banks	500,000	–	1,337,500	(1,837,500)	–
Damien Hawes	–	–	100,000	–	100,000
David Erikson	–	–	100,000	–	100,000
Thomas Laudenbach	–	–	100,000	–	100,000
	11,653,334	875,000	3,937,500	(1,837,500)	14,628,334

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the entity, including their personally related parties, is set out below:

	Balance at 1/7/20	Granted as part of remuneration	Granted	Exercised	Expired/ forfeited/ other	Held at date of resignation	Balance at 30/6/21
Michael Vegar	–	6,000,000	–	–	–		6,000,000
Otto Buttula	–	–	–	–	–		–
Philip Carulli	700,000	–	–	–	–		700,000
Glenn Smith	–	–	–	–	–		–
Aiden Clark	–	–	–	–	–		–
Matthew Banks	1,600,000	–	600,000	(1,066,667)	(533,333)	(600,000)	–
Damien Hawes	–	–	–	–	–		–
David Erikson	–	–	–	–	–		–
Thomas Laudenbach	–	–	–	–	–		–
	2,300,000	6,000,000	600,000	(1,066,667)	(533,333)	(600,000)	6,700,000

Performance Rights

	Balance at 1/7/20	Granted	Exercised	Expired/ forfeited/ other	Balance at 30/6/21
Performance Rights					
Michael Vegar	–	1,000,000	(375,000)	(125,000)	500,000
Otto Buttula	–	–	–	–	–
Philip Carulli	–	–	–	–	–
Glenn Smith	–	–	–	–	–
Aiden Clark	–	–	–	–	–
Matthew Banks	–	–	–	–	–
Damien Hawes	500,000	100,000	(100,000)	(500,000)	–
Thomas Laudenbach	–	100,000	(100,000)	–	–
David Erikson	–	100,000	(100,000)	–	–
	500,000	1,300,000	(675,000)	(625,000)	500,000

Other transactions with key management personnel and their related parties

The following transactions occurred with related parties:

	2021	2020
	$	$
Payments for goods and services:		
Payments to Optima Financial Group Pty Ltd (director related entity of Philip Carulli)		
Bookkeeping services	12,800	6,963
Accounting services	24,770	12,546
Total	37,570	19,509

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

End of Audited Remuneration Report

Environmental Legislation

The company is not subject to any significant environmental legislation.

Indemnification and insurance of officers

The Company's Constitution provides that, subject to and so far as permitted by the Corporations Act 2001, the Company must, to the extent the person is not otherwise indemnified, indemnify every director and officer of the Company out of the assets of the Company to the relevant extent against any liability incurred by the director or officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the duties of the director or officer, except where there is a lack of good faith.

During the financial year, the Company has paid insurance premiums in respect of Directors' and Officers' liability. The policy indemnifies all Directors and Officers of the Company and its controlled entities against certain liabilities. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium. The Directors have not included details of the nature of the premium paid in respect of Directors' and Officers' liability as such disclosure is prohibited under the terms of the contract.

Indemnification and insurance of auditors

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 for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 20 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2021 has been received and can be found on the next page of the financial report.

Auditor

Hall Chadwick 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,

Michael Vegar
Managing Director

Dated at Perth on 29 September 2021

HALL CHADWICK

To the Board of Directors

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

As lead audit partner for the audit of the financial statements of HITIQ Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully,

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

CHRIS NICOLOFF CA
Partner

Dated this 29th day of September 2021

Contents

General information

The financial statements cover HITIQ Limited as an individual entity. The financial statements are presented in Australian dollars, which is HITIQ Limited's functional and presentation currency.

HITIQ Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Suite 3,
128 Main St
Osborne Park, WA, 6017

Principal place of business

Suite 1, Level 2,
9-17 Raglan Street
South Melbourne, VIC, 3205, Australia

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 September 2021. The directors have the power to amend and reissue the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021	2020
		$	$
Revenue			
Revenue	3	406,682	40,259
Other Income	3	714,475	255,097
Research and development grant	3	–	969,847
Expenses			
Accountancy and secretarial fees		(32,720)	(5,355)
Auditor's remuneration	20	(26,500)	(10,519)
Consultancy fees		(410,056)	(264,994)
Depreciation and amortisation		(217,857)	(207,413)
Interest paid		(53,633)	(86,592)
Occupancy		(100,621)	(23,231)
Research and testing		(547,460)	(569,683)
Share-based payments expense	15 c.	(1,331,286)	(136,999)
Employee benefits expenses		(2,787,808)	(2,028,788)
Other expenses		(676,062)	(550,454)
Profit/(Loss) before income tax expense		(5,062,846)	(2,618,825)
Income tax expense	4	–	–
Loss after income tax expense for the period attributable to the owners of HITIQ Limited		(5,062,846)	(2,618,825)
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to the owners of HITIQ Limited		(5,062,846)	(2,618,825)
Basic loss per share attributable to ordinary equity holders of the parent Company (cents per share)	5	(6.610)	(4.259)
Diluted loss per share attributable to ordinary equity holders of the parent Company (cents per share)	5	(6.610)	(4.259)

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

Statement of Financial Position

As at 30 June 2021

	Notes	2021	2020
		$	$
Assets			
Current assets			
Cash and cash equivalents	6	8,955,130	428,028
Trade and other receivables	7	264,633	1,222,718
Total current assets		**9,219,763**	**1,650,746**
Non-current assets			
Property, plant and equipment	8	117,539	101,465
Intangible assets	9	33,493	58,493
Right-of-use asset	10a	117,418	271,511
Total non-current assets		**268,450**	**431,469**
Total assets		**9,488,213**	**2,082,215**
Liabilities			
Current liabilities			
Trade and other payables	11	628,870	464,866
Employee entitlements	12	226,375	73,118
Borrowings	13	584,343	866,049
Lease liabilities	10 b.	124,994	160,331
Total current liabilities		**1,564,582**	**1,564,364**
Non-current liabilities			
Lease liabilities	10b	-	130,994
Total non-current liabilities		**-**	**130,994**
Total Liabilities		**1,564,582**	**1,695,358**
Net assets		**7,923,631**	**386,857**
Equity			
Issued capital	14	18,300,641	6,889,190
Reserves	15	1,684,294	602,389
Accumulated losses		(12,061,304)	(7,104,722)
Total equity		**7,923,631**	**386,857**

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

Statement of Changes in Equity

For the year ended 30 June 2021

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 July 2019	4,273,711	572,290	(4,485,897)	360,104
Loss for the year	–	–	(2,618,825)	(2,618,825)
Other comprehensive income	–	–	–	–
Total comprehensive income attributable to the owners of HITIQ Limited	–	–	(2,618,825)	(2,618,825)
Transactions with owners in their capacity as owners:	2,604,484	–	–	2,604,484
Share issue costs	(95,905)	–	–	(95,905)
Share based payment expense	24,900	105,199	–	130,099
Share based payment exercised	82,000	(82,000)	–	–
Performance rights expense	–	6,900	–	6,900
Dividends Paid	–	–	–	–
Balance at 30 June 2020	6,889,190	602,389	(7,104,722)	386,857
Balance at 1 July 2020	6,889,190	602,389	(7,104,722)	386,857
Loss for the year	–	–	(5,062,846)	(5,062,846)
Other comprehensive income	–	–	–	–
Total comprehensive income attributable to the owners of HITIQ Limited	–	–	(5,062,846)	(5,062,846)
Transactions with owners in their capacity as owners:	12,419,334	–	–	12,419,334
Share issue costs	(1,311,400)	–	–	(1,311,400)
Share based payment expense	–	1,229,686	–	1,229,686
Share based payment exercised	88,517	(88,517)	–	–
Share based payment lapsed	–	(73,764)	73,764	–
Performance rights expense		262,000	–	262,000
Performance rights exercised	215,000	(215,000)	–	–
Performance rights lapsed	–	(32,500)	32,500	–
Dividends Paid	–	–	–	–
Balance at 30 June 2021	18,300,641	1,684,294	(12,061,304)	7,923,631

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

Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021	2020
		$	$
Cash flows from operating activities			
Receipts from customers		454,874	103,809
Payments to suppliers and employees		(4,211,917)	(3,365,646)
Receipts - other		1,684,322	1,039,352
Interest paid		(53,633)	(86,592)
Net cash used in operating activities	16	(2,126,354)	(2,309,077)
Cash flows from investing activities			
Payments for property, plant and equipment	8	(54,837)	(63,972)
Net cash used in investing activities		(54,837)	(63,972)
Cash flows from financing activities			
Proceeds from share issue		11,800,000	2,604,483
Payments for share issue costs		(608,000)	(95,905)
Proceeds from borrowings	16b	855,153	1,194,097
Repayment of borrowings	16b	(1,172,549)	(1,020,841)
Repayment of lease liabilities	4	(166,311)	(147,104)
Net cash from financing activities		10,708,293	2,534,730
Net increase in cash and cash equivalents		8,527,102	161,681
Cash and cash equivalents at the beginning of the year		428,028	266,347
Cash and cash equivalents at the end of the year	6	8,955,130	428,028

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

Notes to the Financial Statements

For the year ended 30 June 2021

Note 1. Summary of 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.

a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the financial statements for the Company. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for selected non-current assets, financial assets and financial liabilities, which have been measured at fair value as explained in the relevant accounting policies. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia. The entity's principal activities are detailed in the Directors Report.

Statement of compliance

The financial report was authorised for issue on 29 September 2021.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Adoption of New and Revised Standards

Standards and Interpretations applicable to 30 June 2021

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to accounting policies.

b) Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2021, the company incurred a net loss of $5,062,846 (2020: Loss $2,618,825) and experienced net cash outflows from operating activities of $2,126,354 (2020: $2,309,077). In addition, at the 30 June 2021 the company had working capital of $ 7,655,181 (2020: $86,382).

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

c) Revenue recognition

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; and

Step 5: Recognise the revenue as the performance obligations are satisfied.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Revenue is measured at the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Company estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

i. The customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs;
ii. the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
iii. the company's performance does not create an asset with an alternative use and the company has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Government Grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight- line basis over the expected lives of the related assets.

d) **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

e) **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

g) 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.

The entity 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

When the entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

h) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

i) 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, except where included in the cost of inventories, 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 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 re-measurement of lease liabilities.

The 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.

j) Intangible assets

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

i. *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

ii. *Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

iii. *Patents and trademarks*

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

iv. *Customer contracts*

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

v. *Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

k) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

l) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

m) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

n) 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 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.

o) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

p) Provisions

Provisions are recognised when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

q) 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.

i. *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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

ii. *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

iii. *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

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 cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or 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 entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost 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 either the Binomial or 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.

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 entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the entity 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.

r) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

s) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

u) Earnings per share

i. *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

ii. *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

v) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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 Company 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 Company operates. Other than as addressed in specific notes, 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 Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The entity 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 either the Binomial or 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.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Goodwill and other indefinite life intangible assets

The entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The entity recognises liabilities for anticipated tax audit issues based on the entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets

The company 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.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3: Operating segments

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

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

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being mouthguard sales and trial revenue and one geographical segment, namely Australia.

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

Note 3. Revenue and other income

	2021	2020
	$	$
Revenue from contracts with customers	406,682	40,259
Interest Income	1,272	2,697
EMDG grant	201,903	–
Job keeper	456,300	189,900
Cash flow boosts	37,500	62,500
Grant payment	17,500	–
Research and development grant	–	969,847
	1,121,157	1,265,203

Note 4. Income Tax Expense

	2021	2020
	$	$
The components of the tax expense/(income) comprise:		
Current tax	–	–
Deferred tax	–	–
	–	–
(a) The prima facie tax on profits/(losses) from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss from continuing operation	5,062,846	2,618,825
Prima facie tax benefit on loss from ordinary activities before income tax at 26% (2020: 27.5%)	(1,316,340)	(720,177)
Add/(subtract) tax effect of:		
Share based payments	346,135	14,438
Concessions (Research and Development claim refund / ATO Cashflow Boost)	599,362	333,666
Other non-allowable items	9,066	5,283
Movement in unrecognised temporary differences	43,149	8,640
Deferred tax balances due to change in income tax rate from 27.5% to 26% (effective 1 July 2020)		
Temporary differences	(2,583)	–
Tax revenue losses	(47,348)	–
Changes in income tax rate unrecognised	49,931	–
Current year losses not recognised	318,628	358,150
Income tax expense attributable to entity	–	–
(b) Unrecognised deferred tax assets Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
Differences between accounting and tax depreciation	23,825	17,328
Blackhole expenditure (s40-880)	37,691	51,411
Prepaid expenditure	12,431	12,431
Movements in employee leave provisions	58,858	19,011
Tax revenue losses	1,139,334	868,055
	1,272,139	968,236
(c) Unrecognised deferred tax liabilities		
Taxable temporary differences for which no deferred tax liabilities have been recognised are attributable to the following:		
Movements in receivables	34,010	37,082
Timing of superannuation payments	10,525	15,746
Unexpired interest	350	–
	44,885	52,828

Note 5. Earnings per share

Basic and diluted earnings per share

	2021	2020
Basic earnings per share (cents per share)	(6.610)	(4.259)

Earnings

Earnings used in the calculation of basic earnings per share is as follows:

	2021	2020
	$	$
Earnings used in the calculation of basic earnings per share	(5,062,846)	(2,618,825)

Weighted average number of ordinary shares

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share is as follows:

	2021	2020
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	76,594,504	61,488,495

Note 6. Cash and cash equivalents

	2021	2020
	$	$
Cash at Bank	8,955,130	428,028
	8,955,130	428,028

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 7. Trade and other receivables

	2021	2020
	$	$
Trade Receivables	–	55,000
Lease Bond – Bank Guarantee	52,240	52,240
GST Receivable	110,210	15,453
Sundry Debtors	27,124	102,931
Prepayments	75,059	27,247
Research and Development Grant Receivable	–	969,847
	264,633	1,222,718

i. Trade receivables are non-interest bearing and are generally on terms of 14 days to 30 days. All amounts are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

ii. Note 17 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Note 8. Property, plant & equipment

	2021	2020
	$	$
Leasehold improvements at cost	4,970	4,970
Less: accumulated depreciation	(2,794)	(2,552)
Office equipment at cost	152,175	99,006
Less: accumulated depreciation	(71,292)	(42,325)
Plant & Equipment at cost	48,942	47,274
Less: accumulated depreciation	(14,462)	(4,908)
	117,539	101,465

Movements in carrying amounts	**Leasehold improvements**	**Plant & Equipment**	**Office Equipment**	**Total**
	$	$	$	$
Balance – 1 July 2020	2,419	42,366	56,680	101,465
Additions	–	1,668	53,169	54,837
Depreciation Expense	(242)	(9,554)	(28,967)	(38,763)
Balance – 30 June 2021	2,177	34,480	80,882	117,539

Note 9. Intangible Assets

	2021	2020
	$	$
Intellectual Property	125,000	125,000
Less: accumulated amortisation	(91,507)	(66,507)
	33,493	58,493

Note 10. Right-of-use asset and lease liability

The Company held leases for office space during the year.

The average remaining lease term at 30 June 2021 is 0.8 years.

Total cash outflow for leases is $166,311.

Depreciation expense relating to ROU assets is $154,094.

Lease interest expense is $7,581.

	2021	2020
	$	$

Note 10a. Right of Use Assets

	2021	2020
Opening Right of Use Assets	425,271	425,271
Additions during the year	–	–
Depreciation	(307,853)	(153,760)
Closing Balance	**117,418**	**271,511**

Note 10b. Lease Liability

	2021	2020
Opening Lease Liability	291,305	425,271
Additions during the year	–	–
Interest Expense	7,581	13,138
Repayments	(173,892)	(147,104)
Closing Balance	**124,994**	**291,305**

	2021	2020
Lease Liability – Current	124,994	160,311
Lease Liability – Non-Current	–	130,994
Total Lease Liability	**124,994**	**291,305**

Note 11. Trade and other payables

	2021	2020
	$	$
Trade Creditors	231,357	109,483
Other Payables	278,793	187,376
PAYG Withholding Payable	62,694	21,914
Superannuation Payable	68,026	27,543
Contract Liability	(12,000)	118,550
	628,870	464,866

i. Trade payables are non-interest bearing and are normally settled on 30-day terms. All amounts are short term. The net carrying value of trade payables is considered a reasonable approximation of fair value.

ii. Interest payable is normally settled quarterly throughout the financial year.

Note 12. Employee entitlements

	2021	2020
	$	$
Annual leave	226,375	73,118
	226,375	73,118

Note 13. Borrowings

	2021	2020
	$	$
Credit Cards	20,649	35,136
Loan – Radium (i)	563,694	754,262
Loan – Fifo Capital	–	50,414
Insurance Premium Funding	–	26,257
	584,343	866,049

i. On 17 March 2021, the company signed a facility of $546,806 agreement with Radium Capital. The total outstanding as of 30 June 2021 is $563,694 including accrued interest. The facility was advanced against the expected R&D refund from the ATO on or before 30 September 2021 and carries interest rate at 14%. The 30 June 2020 loan balance of $754,262 was repaid in full on 17 September 2020.

Note 14. Issued Capital

	2021	2020	2021	2020
	Shares	Shares	$	$
Ordinary Shares – fully paid	132,419,018	67,783,601	18,300,641	6,889,190

Movements in Ordinary share capital

		2021	2021	2020	2020
Details	Date	Number	$	Number	$
Opening Balance		67,783,601	6,889,190	49,621,042	4,273,711
Issue of Shares	29/08/19	–	–	7,052,862	1,057,929
Issue of Shares	10/10/19	–	–	5,127,003	769,050
Issue of Shares	18/12/19	–	–	1,333,334	200,000
Issue of Shares	19/02/20	–	–	1,666,701	250,005
Issue of Shares	16/03/20	–	–	666,666	100,000
Issue of Shares	25/05/20	–	–	1,516,660	227,500
Issue of Shares	10/10/19	–	–	116,000	17,400
Issue of Shares	18/03/20	–	–	50,000	7,500
Conversion Rights	10/09/19	–	–	333,333	40,000
Conversion Rights	18/03/20	–	–	100,000	12,000
Conversion Rights	18/03/20	–	–	200,000	30,000
Capital Raising Fee	–	–	–		(95,905)
Issue of Shares – Pre IPO	22/12/20	10,075,000	1,612,000	–	–
Issue of Shares – Pre IPO	21/01/21	1,175,000	188,000	–	–
Settlement Shares	25/03/21	1,100,000	176,000	–	–
Exercise of options	–	–	88,517	–	–
Unpaid Director Fees	25/03/21	343,750	55,000	–	–
Exercise of Performance Rights	25/03/21	666,667	133,334	–	–
Conversion of Performance Rights	–	–	80,000	–	–
Director Shares	25/03/21	500,000	100,000	–	–
Company Secretary Shares	25/03/21	100,000	20,000	–	–
Exercise of Performance Rights	01/06/21	675,000	135,000	–	–
Conversion of Performance Rights	–	–	135,000	–	–
Issue of Shares – IPO	15/06/21	50,000,000	10,000,000	–	–
Issue Costs			(1,311,400)	–	–
Closing Balance		132,419,018	18,300,641	67,783,601	6,889,190

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.

Note 15. Reserves

Details	2021	2020
	$	$
Option reserve	1,614,294	546,889
Performance rights	70,000	55,500
	1,684,294	602,389

Option reserve

This reserve is used to record the value of equity benefits provided to employees, Directors and consultants.

Performance rights

This reserve is used to record the value of equity benefits Directors and consultants.

Note 15a. Share Based Payments

Employees

The Company has an Employee Performance Rights and Options Plan for key staff members and management of the HITIQ Limited. The plan was originally approved by the board on 19 March 2019, was updated and approved on 21 January 2021 and subsequently approved on listing date.

Consultants

Issue of options to various consultants to assist with capital raisings.

Note 15a. Share Based Payments - Option Reserve

The following share-based payment arrangements were in place during the current and prior periods:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Vesting date
HILOPT1	3,000,000	23/01/2019	10/12/2023	$0.20	$288,000	Vests at the date of grant
HILUOPT2	1,000,000	29/04/2019	01/05/2022	$nil	$120,000	Refer note annotation
HILUOPT3	1,800,000	29/04/2019	01/05/2022	$0.50	$149,400	Refer note annotation
HIQEOPT2	2,500,000	15/11/2019	15/11/2022	$0.30	$127,500	Vests at the date of grant
HIQEOPT5	1,333,334	16/03/2020	18/12/2023	$0.30	$nil	Vests at the date of grant
HIQEOPT6	758,330	25/02/2020	30/06/2022	$0.30	$nil	Vests at the date of grant
HILEOPT3	2,000,000	18/12/2020	18/12/2023	$0.30	$192,000	Vests at the date of grant
HIQEOPT4	600,002	19/03/2021	01/11/2021	$0.20	$30,600	Vests at the date of grant
HIQEOPT5	599,999	19/03/2021	17/12/2023	$0.20	$64,800	Vests at the date of grant
HILQEOPT6	599,999	19/03/2021	19/03/2024	$0.20	$70,200	Vests at the date of grant
HIQEOPT7	4,500,000	19/03/2021	25/03/2024	$0.30	$457,500	Refer note annotation
HIQEOPT8	1,500,000	19/03/2021	19/03/2025	$0.30	$168,188	Refer note annotation
HIQOPTB	6,000,000	01/06/2021	18/12/2023	$0.30	$511,400	Vests at the date of grant

Vesting Date: HIQEOPT7

i. 3,000,000 30c options expiring in 3 years from the date of issue subject to the achieving a 510k or De Novo Approval with the US Food and Drug Administration (FDA) for COVR product within 2 years of date of listing on the ASX.

ii. 1,500,000 30c options expiring in 4 years from the date of issue subject to the achieving a $4m ARR within 3 years of the date of listing on the ASX. An additional 300,000 options will be granted for each $1m ARR over $4m ARR.

Vesting Date: HIQEOPT8

1,500,000 30c options expiring in 4 years from the date of issue subject to the achieving a $2m ARR within 2 years of the date of listing on the ASX. An additional 300,000 options will be granted for each $1m ARR over $2m ARR.

Vesting Date: HILUOPT2

i. 333,333 vests at the date of the grant.

ii. 333,333 Vesting upon the completion of a Pre-IPO raise or other capital investment product to raise no less than $4 million.

iii. 333,334 Vest upon lodgement of a prospectus with the ASX (or other exchange in the world) for the IPO of the company, or a trade sale, or investment that values the company at a minimum of $30 million.

Vesting Date: HILUOPT3

i. 600,000 vests at the date of the grant.

ii. 600,000 Vesting upon the completion of a Pre-IPO raise or other capital investment product to raise no less than $4 million.

iii. 600,000 Vest upon lodgement of a prospectus with the ASX (or other exchange in the world) for the IPO.

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

Share-based payment expense

The expense recognised of $718,286 (2020: $136,999) in the statement of profit or loss and other comprehensive income and $511,400 in the statement of financial position in relation to options expense.

Movements in share options during the year

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	30 June 2021		30 June 2020	
		Weighted average exercise price		Weighted average exercise price
	Number	$	Number	$
Outstanding at the beginning of year	10,391,664	0.28	5,800,000	0.26
Granted during the year	15,800,000	0.17	4,591,664	0.30
Forfeited during the year	-		-	-
Exercised during the year	(1,866,667)	(0.32)	-	-
Expired during the year	-	-	-	-
Lapsed during the year	(933,333)	(0.32)	-	-
Outstanding at the end of year	23,391,664	0.27	10,391,664	0.28
Exercisable at the end of year	23,391,664	0.27	10,391,664	0.28

The weighted average fair value of options granted during the financial year is $0.09 (2020: $0.03).

Share options outstanding at the end of the year

The share options outstanding at the end of the year had an:

i. exercise price of exercise price of between $0.20 to $0.30 (2020: between $0.20 to $0.50); and a

ii. weighted average remaining contractual life of 845 days (2020: 910 days).

Share options exercised during the year

The following share options were exercised during the year:

	30 June 2021			30 June 2020		
	Exercised Number	Exercise date	Share price at exercise date	Exercised Number	Exercise date	Share price at exercise date
HILUOPT2	666,667	25/03/2021	$0.20	–	–	–
HILUOPT3	1,200,000	25/03/2021	$0.20	–	–	–

Fair value of share options granted in the year

The fair value of the equity-settled share options granted to employees and consultants is estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted.

	HIQEOPT7	HIQEOPT8	HIQEOPT4	HIQEOPT5	HILQEOPT6	HILEOPT3
Dividend yield (%)	–%	–%	–%	–%	–%	–%
Expected volatility	90%	90%	90%	90%	90%	90%
Risk-free interest rate	0.09%	0.09%	0.09%	0.09%	0.09%	0.11%
Expected life of options	3 years	4 years	7.5 months	3 years	3 years	3 years
Exercise price	$0.30	$0.30	$0.20	$0.20	$0.20	$0.30
Grant date share price	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Note 15b. Share Based Payments – Performance rights

The following share-based payment arrangements were in place during the current and prior periods:

	Number	Share price at grant date	Grant Date	Term	Vesting Condition	Probability	Fair value recognised	Performance condition satisfied
Berry Enterprises Pty Ltd ATF the Berry Trust	333,333	$0.12	29/04/2019	3 years from date of issue	Vest immediately	n/a Exercised	$40,000	Met Exercised
	333,333	$0.12	29/04/2019	3 years from date of issue	Vest upon the completion of a Pre-IPO raise or other capital investment product to raise no less than $4 million	n/a Exercised	$12,000	Met Exercised
	333,334	$0.12	29/04/2019	3 years from date of issue	Vest upon lodgement of a prospectus with the ASX (other stock exchange in the world	n/a Exercised	$20,000	Met Exercised
Damien Peter Hawes as trustee for The DP Hawes Trust	125,000	$0.12	29/04/2019	31/12/2020	Vest upon the Company reaching $2 million in revenue by 31 December 2020.	n/a, Cancelled	$-	n/a Cancelled
	125,000	$0.12	29/04/2019	31/12/2021	Vest upon the Company reaching $4 million in revenue by 31 December 2021.	n/a, Cancelled	$-	n/a Cancelled
	125,000	$0.12	29/04/2019	31/12/2020	Vest upon the Company reaching $1.4 million in revenue by 31 December 2020.	n/a, Cancelled	$-	n/a Cancelled
	125,000	$0.12	29/04/2019	27/02/2020	Vest upon the company securing signed trial or commercial agreements with ten (10) Football Bowl Subdivision (FBS) teams from either the Power 5 Conferences or NCAA Division I FBS independent schools; Notre Dame University and Brigham Young University by 27 February 2020.	n/a, Cancelled	$-	n/a Cancelled
Benjamin Edwin, Nizette and Aimee Elizabeth Nizette as trustee for the Nizette Investment Trust	100,000	$0.12	23/01/2019	3 years from date of issue	Vest upon achieving both linear and rotational acceleration under 10% error across full range up to 100g and 6000 rad/s certified by an external validation by 1 September 2019; or 50,000 rights by the same criteria if performed after that date		$-	n/a Cancelled
	100,000	$0.12	23/01/2019	3 years from date of issue	Vest upon delivering 500 mouth guards under 8% failure rate for a minimum of 12-month period		$-	n/a Cancelled
	50,000	$0.12	23/01/2019	3 years from date of issue	Vest upon delivering the first 500 mouth guards with fewer than 10% of players experiencing in-field failure as at 01 October 2019 or 25,000 performance rights upon delivering the first 500 mouth guards with fewer than 20% of players experiencing in-field failure as at 01 October 2019		$-	n/a Cancelled

	Number	Share price at grant date	Grant Date	Term	Vesting Condition	Probability	Fair value recognised	Performance condition satisfied
	75,000	$0.15	20/12/2019	3 years from date of issue	Vest upon achieving both peak linear and rotational acceleration under 10% mean-absolute error across full range up to 100g and 6000 rad/s/s for correctly acquired impacts, certified by an external validation by 1 April 2020	n/a Exercised	$11,250	Met Exercised
	125,000	$0.15	20/12/2019	3 years from date of issue	Vest upon the company achieving AUD $1.4m in revenue by 31 December 2020	n/a Cancelled	$-	n/a Cancelled
	75,000	$0.15	20/12/2019	3 years from date of issue	Vest upon continuing re-location to Melbourne HQ through June 30 2021	n/a Cancelled	$-	n/a Cancelled
Thomas Laudenbach	125,000	$0.15	8/10/2019	5 years from date of issue	Vest upon the employee being continually employed by the company for 24 months from commencement date (5 March 2018)	n/a Exercised	$18,750	Met Exercised
Director performance rights	375,000	$0.20	19/03/2021	3 years from date of issue	Vest upon successful listing on the ASX	n/a Exercised	$75,000	Met Exercised
	500,000	$0.20	19/03/2021	3 years from date of issue	Vest upon contract signing and formalisation of an NRL deal with minimum revenue of $200,000 p.a. excluding GST by 31 March 2022	70%	$70,000	Met Exercised
	125,000	$0.20	19/03/2021	3 years from date of issue	Vest upon reaching agreement with the National Rugby League (NRL) for the 2021 season, with an acceptable promotional deal to benefit HITIQ by 30 June 2021	n/a Lapsed	$25,000	n/a Lapsed
Related parties (Damien Peter Hawes, Thomas Laudenbach, David Erikson)	100,000	$0.20	25/03/2021	3 years from date of issue	Vest upon successful listing on the ASX	n/a Exercised	$20,000	Met Exercised
	100,000	$0.20	25/03/2021	3 years from date of issue	Vest upon successful listing on the ASX	n/a Exercised	$20,000	Met Exercised
	100,000	$0.20	25/03/2021	3 years from date of issue	Vest upon successful listing on the ASX	n/a Exercised	$20,000	Met Exercised

Movements in performance rights during the year

	30 June 2021	30 June 2020
	Number	Number
Outstanding at the beginning of year	1,516,667	1,500,000
Granted during the year	1,300,000	650,000
Forfeited during the year	–	–
Exercised during the year	(1,341,667)	(633,333)
Expired during the year	–	–
Lapsed during the year	(975,000)	–
Outstanding at the end of year	500,000	1,516,667
Exercisable at the end of year	500,000	1,516,667

Performance rights exercised during the year

	30 June 2021			30 June 2020		
	Exercised Number	Exercise date	Share price at exercise date	Exercised Number	Exercise date	Share price at exercise date
Related parties	100,000	15/06/2021	$0.20	–	–	–
Related parties	100,000	15/06/2021	$0.20	–	–	–
Related parties	100,000	15/06/2021	$0.20	–	–	–
Director performance rights	375,000	15/06/2021	$0.20	–	–	–
Berry Enterprises Pty Ltd ATF the Berry Trust	666,667	25/03/2021	$0.20	333,333	10/09/19	n/a, not listed
Benjamin Edwin, Nizette and Aimee Elizabeth Nizette as trustee for the Nizette Investment Trust	–	–	–	175,000	20/12/19	n/a, not listed
Thomas Laudenbach	–	–	–	125,000	08/10/19	n/a, not listed
	1,341,667			633,333		

Note 15c. Share Based Payments – Share-based payment expense

The expense recognised in the statement of profit or loss and other comprehensive income comprises:

	2021	2020
	$	$
Options expense	718,286	105,199
Performance rights expense	262,000	6,900
Settlement shares	176,000	–
Unpaid Directors' fees	55,000	–
Director shares	100,000	–
Company secretary shares	20,000	17,400
Employee shares		7,500
	1,331,286	136,999

Note 16. Cash flow information

a) Reconciliation of cash flow from operations to loss after income tax

	2021	2020
	$	$
Loss before Income Tax Expense	(5,062,846)	(2,618,825)
Adjustments for:		
Depreciation and amortisation	217,857	207,413
Share Based Payments	1,331,286	112,699
Performance Rights	–	6,900
Consultancy Fee – Share Based Payments	–	17,400
Changes in Operating Assets and Liabilities:		
(Increase)/Decrease in trade and other receivables	958,085	(240,592)
Increase/(Decrease) in trade and other payables	276,007	219,732
Increase/(Decrease) in employee entitlements	153,257	(13,804)
Net Cash Deficit from Operating Activities	(2,126,354)	(2,309,077)

b) Reconciliation of liabilities arising from financing activities

Finance Source	2020	Repayments of Borrowings	Proceeds from Borrowings	Interest	Other	2021
	$	$	$	$	$	$
Credit Cards	35,136	(247,829)	233,342	–	–	20,649
Loan - Radium	754,262	(769,712)	546,811	31,569	764	563,694
Loan - Fifo Capital	50,414	(127,406)	75,000	1,992	–	–
Insurance Premium	26,257	(27,602)	–	1,345	–	–
Total	866,069	(1,172,549)	855,153	34,906	764	584,343

Note 17. Financial instruments

The Company's principal financial instruments comprise receivables, payables, borrowings, cash and short-term deposits.

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2020.

The capital structure of the Company consists of cash and cash equivalents, borrowings and equity comprising issued capital, reserves and accumulated losses.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Financial risk management objectives

The Company is exposed to, (i) market risk (which includes interest rate risk and share price risk), (ii) credit risk and (iii) liquidity risk.

The Board of Directors has overall responsibility for the oversight and management of the Company's exposure to a variety of financial risks (including fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk).

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Market risk

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest-bearing financial assets and liabilities that the Company uses.

Interest-bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets.

The Company's exposure to market interest rates relates to borrowings held at both fixed and variable rates. The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions.

Interest rate risk sensitivity

The sensitivity has been determined based on the exposure to interest rates for non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A point five basis point increase or decrease is used when reporting interest rate risk internally to management and represents management's assessment of the change in interest rates.

At balance date, if interest rates had been three basis points higher or lower and all other variables were held constant, the impact on the Company is not material.

Price risk

The Company is not exposed to any significant price risk.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The credit risk is managed on a group basis based on the Company's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed by only dealing with major reputable financial institutions.

The Company monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Company's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 60 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Liquidity risk

The responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short-term investments.

30 June 2021	Current		Non-Current	
	Within 6 months	6 – 12 months	1 – 5 years	5+ years
	$	$	$	$
Trade and other payables	628,870	–	–	–
Borrowings	20,649	563,694	–	–

30 June 2020	Current		Non-Current	
	Within 6 months	6 – 12 months	1 – 5 years	5+ years
	$	$	$	$
Trade and other payables	464,866	–	–	–
Borrowings	866,049	–	–	–

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 18. Contingent liabilities

There were no contingent liabilities as at 30 June 2021 and 30 June 2020.

Note 19. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below

	2021	2020
	$	$
Short-term employee benefits	645,633	380,823
Post-employment benefits	52,524	34,753
Share based payments	1,001,294	–
Total	1,699,451	415,576

Transactions with related parties

The following transactions occurred with related parties:

	2021	2020
	$	$
Payments for goods and services:		
Payments to Optima Financial Group Pty Ltd (director related entity of Philip Carulli)		
Bookkeeping services	12,800	6,963
Accounting services	24,770	12,546
	37,570	19,509

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

Note 20. Remuneration of auditors

	2021	2020
	$	$
Audit services – Hall Chadwick WA Audit Pty Ltd (formerly known as Bentleys)		
Audit or review of the financial statements	20,500	10,519
Other services	6,000	–
	26,500	10,519

Note 22. Events after the reporting period

The Board resolved to issue Unlisted Options to all employees under its existing Incentive Performance Rights and Option Plan (Plan) as disclosed as part of the Company's Pre-IPO disclosures. The Company has issued 4,642,250 Unlisted Options exercisable at $0.30 per share expiring 31 July 2024 vesting upon 12 months continued service with the Company and satisfaction of performance criteria based on key performance indicators applicable to each recipient to all HITIQ employees. In addition, the Board has separately resolved to propose the issue of Unlisted Options to non-executive directors of the Company, which will be put to members of the Company for approval at the 2021 Annual General Meeting. The proposed issue to non-executive directors will consist of a total amongst all directors of 1,500,000 Unlisted Options exercisable at $0.30 per share expiring 31 July 2024 and subject to the following proposed vesting conditions:

- 12 months continued service from date of appointment as a director
- Company achieving $2m in annual recurring revenue within 2 years
- Company achieving $3m in annual recurring revenue within 3 years.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Directors' Declaration

1. In the opinion of the Directors of HITIQ Limited (the 'Company'):
    a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
        i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year then ended; and
        ii. complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.
    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
    c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

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

Michael Vegar
Managing Director

Dated at Perth on 29 September 2021

HALL CHADWICK

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HITIQ LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of HITIQ Limited ("the Company"), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 Company 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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.

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition (Note 3)	
During the year the Company generated revenues from customers of $406,682. We focused on this area as recognition of revenue under AASB 15 *Revenue from Contracts with Customers* ('AASB 15') requires significant judgement by management in identifying performance obligations, allocation of the transaction price and satisfaction of performance obligations over time or at a point in time. We consider this to be a key audit matter due to the judgement and estimates involved in determining when the performance obligations are met, and revenue is recognised.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to revenue processing and recognition; • Reviewing the revenue recognition policy for compliance with AASB 15; • Reviewing a sample of revenue to supporting contracts to ensure revenue was recognized in line with the revenue recognition policy; • Assessing cut-off of revenue at year end and ensuring revenue has been recorded in the correct reporting period or deferred as unearned revenue; and • Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 Note 2(a), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company's ability 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

HALL CHADWICK

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

CHRIS NICOLOFF CA
Partner

Dated this 29th day of September 2021

Shareholder Information

30 June 2021

The shareholder information set out below was applicable as at 21 September 2021:

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	15
1,001 to 5,000	392
5,001 to 10,000	280
10,001 to 100,000	711
100,001 and over	241
Total	1,639

There were 251 shareholders holding less than a marketable parcel (less than 3,333 shares at $0.15) at 21 September, a total of 649,554 shares.

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
MICHAEL DEAN VEGAR <M VEGAR INVESTMENT A/C>	6,666,666	5.03%
MACH INDUSTRIES PTY LTD <LANG FAMILY A/C>	5,000,000	3.78%
WEBINVEST PTY LTD <OLSB UNIT A/C>	3,166,667	2.39%
VT INVESTMENTS PTY LTD <A & M TADDEI FAMILY A/C>	3,106,106	2.35%
JASKAN INVESTMENTS PTY LTD <LYNIA SUPER FUND A/C>	2,861,939	2.16%
MURRAY EDWARD BLEACH & NORMA LEIGH EDWARDS <THE BLEACH SUPER FUND A/C>	2,083,333	1.57%
EQUITAS NOMINEES PTY LIMITED <PB-600098 A/C>	2,083,333	1.57%
DAFI INVESTMENTS PTY LTD <BORRELLI FAMILY A/C>	2,007,000	1.52%
PROKAM PTY LTD	1,937,500	1.46%
MRS JUDITH SUZANNE PIGGIN & MR DAMIEN JAYE PIGGIN & MR GLENN ADAM PIGGIN <PIGGIN FAMILY S/F A/C>	1,750,000	1.32%
MR ROBERT JOHN WITTENOOM	1,566,667	1.18%
BOTSIS HOLDINGS PTY LTD	1,506,250	1.14%
TIPELA INVESTMENTS PTY LTD <CARULLI INVESTMENT A/C>	1,410,000	1.06%
COLLINGWOOD FOOTBALL CLUB LIMITED	1,333,334	1.01%
LDU PTY LTD <VESTY SUPER FUND A/C>	1,250,000	0.94%

	Ordinary Shares	
	Number held	% of total shares issued
NEWFOUND INVESTMENTS PTY LTD <NEWFOUND SUPER FUND A/C>	1,241,667	0.94%
ROCK THE POLO PTY LTD	1,237,500	0.93%
DAVFT PTY LTD <DAVENPORT FAMILY A/C>	1,125,000	0.85%
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,100,000	0.83%
BENONI PTY LTD <THE MKJ SUPER FUND A/C>	1,000,000	0.76%
ROCK THE POLO PTY LTD <ROCK THE POLO A/C>	1,000,000	0.76%
STA INVESTMENTS PTY LTD <STA INVESTMENT A/C>	1,000,000	0.76%
MR ROGER BLAKE & MRS ERICA LYNETTE BLAKE <THE MANDY SUPER FUND A/C>	1,000,000	0.76%
DJ CARMICHAEL PTY LTD	1,000,000	0.76%
MR PAK LIM KONG	950,000	0.72%
NINETY THREE PTY LTD <ONE MILE S/F A/C>	950,000	0.72%
Totals	**49,332,962**	**37.26%**
Total Issued Capital	**132,419,018**	**100.00%**

Unquoted equity securities

	Number on issue	Number of holders
HILUPER PERFORMANCE RIGHTS ESC 24M	500,000	1
HILUOPT1 UNL OPT EXP 10/12/2023 @ $0.20	900,000	4
HILUOPT 5 UNLISTED OPTIONS EXP 18/12/2023 @ $0.30	1,333,334	1
HILUOPT 6 UNLISTED OPTIONS EXP 30/06/2022 @ $0.30	758,330	5
HIQEOPT1 OPT EXP 10/12/2023 @ $0.20 ESC24M	2,100,000	3
HIQEOPT2 OPT EXP 15/11/2022 @ $0.30 ESC24M	2,500,000	1
HIQEOPT3 OPT EXP 18/12/2023 @ $0.30 ESC 24M	2,000,000	2
HIQEOPT4 OPT EXP 01/11/2021 @ $0.20 ESC24M	600,002	3
HIQEOPT5 OPT EXP 17/12/2023 @ $0.20 ESC24M	599,999	3
HIQEOPT6 OPT EXP 19/03/2024 @ $0.20 ESC24M	599,999	3
HIQEOPT7 OPT EXP 25/03/2024 @ $0.30 ESC24M	4,500,000	1
HIQEOPT8 OPT EXP 25/03/2025 @ $0.30 ESC24M	1,500,000	1
HIQOPTB BROKER OPT EXP 18/12/23 @ $0.30 esc 24m	6,000,000	22
HIQEOPT9 UNL OPT EXP 31/07/2024 @ $0.30	4,642,250	25
Total	**28,533,914**	**75**

Substantial holders

Substantial holders in the company are set out below:

	Ordinary Shares	
	Number held	% of total shares issued
MICHAEL DEAN VEGAR <M VEGAR INVESTMENT A/C>	6,666,666	5.03%

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.

Option holders and Performance Right Holders have the right to attend meetings but have no voting rights until the options are exercised.

Restricted listed securities

Class	Expiry date	Number of shares
ORDINARY SHARES	25/03/22	100,000
ORDINARY SHARES	16/06/23	19,262,835
Total		**19,362,835**

Use of Funds

In accordance with ASX Listing Rule 4.10.9, the Company confirms that it has used its cash and assets in a form readily convertible to cash that it had at the time of admission in a way that is consistent with its business objectives.

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3, the Company's Corporate Governance Statement can be found on its website at www.hitiq.com

HIT·IQ

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