



Uscom

ASX MEDIA RELEASE

Uscom Limited and its controlled entity

ABN 35 091 028 090

ASX Preliminary final report – 30 June 2022

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Uscom

ASX MEDIA RELEASE

Reporting period:

Financial year ended 30 June 2022

Previous corresponding reporting period:

Financial year ended 30 June 2021

Results for announcement to the market

| | | | | |
|--|------|------|----|-------------|
| Revenues from ordinary activities | down | 29% | to | \$3,253,578 |
| Loss from ordinary activities after tax attributable to members | up | 113% | to | \$1,972,313 |
| Net Loss for the period attributable to members | up | 113% | to | \$1,972,313 |

Dividends per Share

It is not proposed to pay a dividend.

Net Tangible Asset per Ordinary Share

| | 30 June 2022 | 30 June 2021 |
|-------------|--------------|--------------|
| NTA backing | c0.032 | c0.009 |

Status of audit

The accounts have been audited. The annual report, including the unqualified audit report is attached.

Commentary

Refer to Chairman's Letter in 2022 Annual Report.

Financial highlights

| | |
|--------------------------------------|-------------|
| Revenues from ordinary activities | \$3,253,578 |
| Loss from ordinary activities | \$1,972,313 |
| Sales Revenue | \$2,509,683 |
| Net operating cash inflow | \$967,515 |
| Net increase/(decrease) in cash held | 2,966,072 |
| Cash held at end of the year | \$4,704,185 |



Uscom

ANNUAL REPORT

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Uscom – Transformational Partnership
Positions Uscom for Growth Rebound

FY2022

www.uscom.com.au

WELCOME TO OUR FY2022 ANNUAL REPORT

About Us

Uscom has a mission to demonstrate leadership in science and create non-invasive devices that guide clinicians to improved clinical care and patient outcomes. Uscom is an emerging global leader in non-invasive cardiovascular and pulmonary medical devices, developing innovative technologies to solve the challenges of global disease and health care.



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CHAIRMAN'S LETTER

"TRANSFORMATIONAL PARTNERSHIP POSITIONS USCOM FOR GROWTH"





Associate Professor Rob Phillips

Chairman and Executive Director

While business as usual has been impossible in FY22 with markets frozen and sales down, Uscom has had an excellent year. Uscom developed new products, expanded operations and distribution, registered new IP, advancing regulatory approvals, and established a new transformational manufacturing and R&D partnership that will underwrite future growth.

Uscom has founded its business on maintaining a fixed strategy of long-term growth driven by a strong focus on fundamental management. In FY22, in response to the evolving challenges of the year, we developed a two-step growth strategy focused on building the fundamentals of our core business while coupling sales to the opportunities of rebounding global economies, thus positioning Uscom to leverage operational and strategic growth in both the short and long term.

Management now believes that our two-step strategy has us well prepared for the resumption of our long-term compound annual growth rate of 24%, which is core to the culture of Uscom. We have used the last two years to invest in expansion, restructuring, and consolidation while remaining firmly focused on our strategy, and coupling our global health growth platform to the inevitable international economic recovery. Further, as our growth vectors align and our transformational Foxconn partnership evolves, we believe Uscom is poised to exceed these growth trends going forward.

The last two and a half years of the global pandemic, China lockdown, regulatory changes, the Russian war, and predictions of a recession, have posed challenges to which Uscom management have responded. While the world has been suspended, Uscom has actively invested in the future and has had two very constructive years.



Uscom's FY22 Growth Achievements

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01

Foxconn - Completing a manufacturing and R&D partnership with the world's largest precision electronics manufacturer, device distributor, and IP investor.

02

Continuing development of new products and regulatory submissions despite regional lockdowns making international operations difficult.

03

Establishing Regional HQ and regional sales marketing and BD manager appointed in Singapore to service the world's largest and fastest growing markets.

04

Expanding distribution in China, Europe and the US. Established integrated global accounting and reporting for international HQs.

05

Developed new IP as a foundation for future products.

06

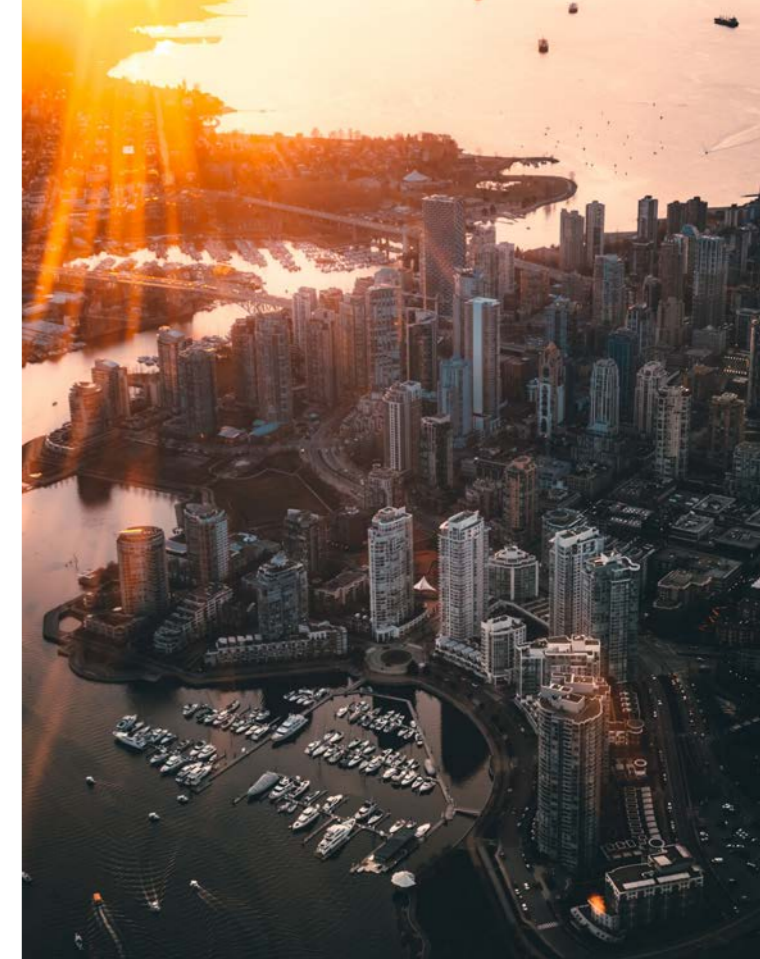
Raised growth capital from the Board, Management, and shareholders to fund international expansion.

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Medtech is a sophisticated and prestigious industry and a foundation of global capital markets. Uscom has developed novel IP and technologies that lead global medical science having created life-saving cardiovascular and pulmonary devices that address diseases responsible for approximately 75% of all global deaths. These innovative technologies add great social and commercial value to communities around the world improving the quality and length of life for their citizens. Uscom's increasingly recognised devices have established an enduring value, with additional new products and IP in the pipeline and ready for development by the Foxconn system. Uscom remains firmly committed to growing a strong global company while negotiating the vicissitudes of geopolitics, capital markets, regulations, and contagions; this is the role of a global enterprise.

Uscom now has staff across the globe in Sydney, Singapore, Beijing, Budapest, and the US, and it is these people who over the last 2 years have driven our continued achievements despite an on-again, off-again world and an infection that has affected us all directly and indirectly. These disruptions have made management and coordinated operations across the globe difficult, but our achievements have been excellent, thanks to the adaptability of our team. For our European HQ in Budapest, it has been particularly challenging with two years of pandemic followed by the Russian war; Ukraine borders with Hungary, our thoughts are with our colleagues in Budapest. On behalf of management and investors, I would like to thank all in our Uscom team for the contributions they have made to support Uscom in unprecedented times.



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During times of challenge, the experience of a focused Board is invaluable and I'd also like to thank Christian Bernecker, Brett Crowley and Meng Xianhui for their generous and informed contributions to assist us develop strategies we believe will further build out our strong fundamentals.

For investors this year has been challenging with the S&P 500 posting its worst half since 1970, and I thank you all for your perseverance. For investors, watching Uscom's intrinsic value continue to grow as we achieve our strategic goals and tick our milestones is a comfort in a stressed market. It remains our belief that sound, stable strategies, combined with deliberate and confident execution generate strong growth, evolving fundamentals, and ultimately market recognition. In addition to developing fundamentals, Uscom continues to explore innovative corporate strategies that generate incremental value steps and we look forward to delivering this growth to investors.

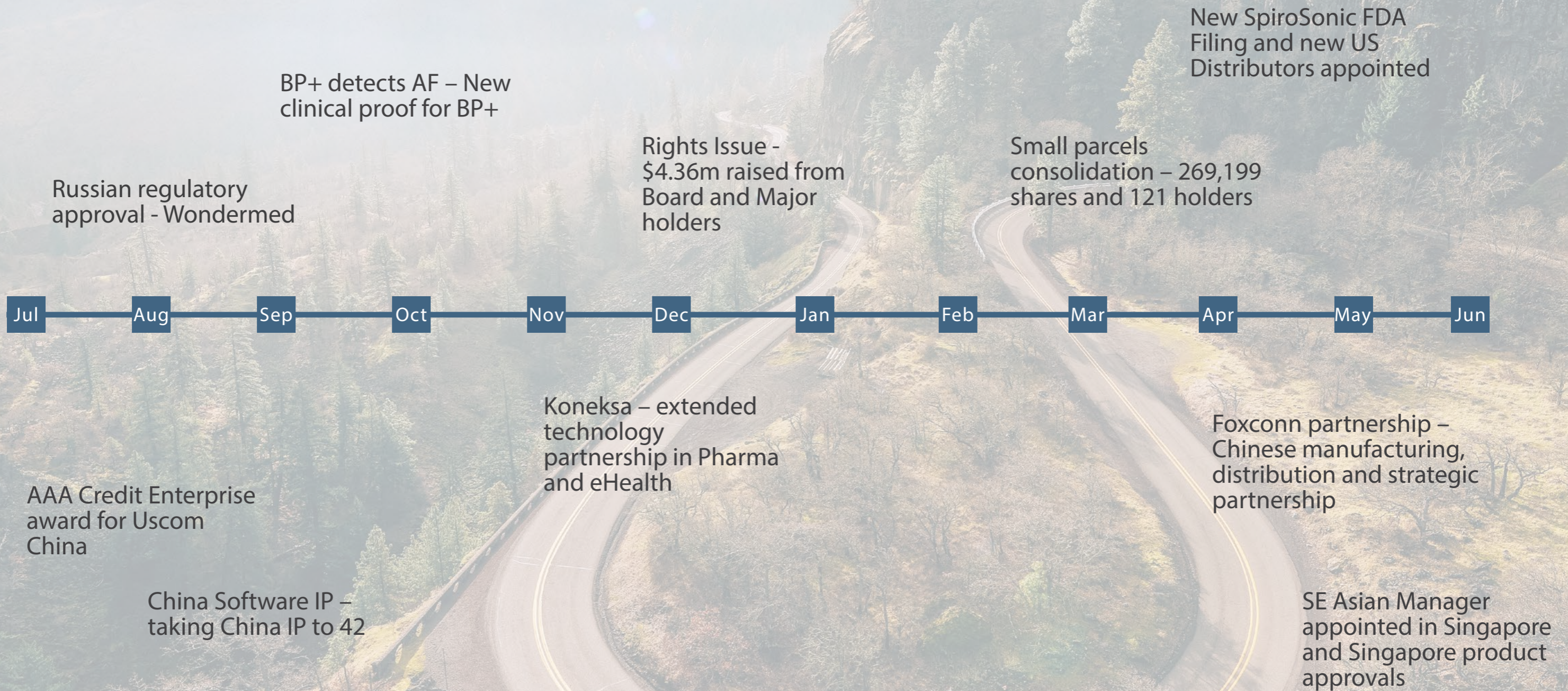
The current market price demonstrates a disconnect with the consistent growth in company value. This year saw the raising of \$4.36m in a rights issue to current shareholders; the lead investors were the Board, management, and top shareholders. Famed investor Peter Lynch observed, "Insiders might sell their shares for any number of reasons, but they buy them for only one: they think the price will rise." Thanks to all Uscom shareholders for their ongoing support, and we look forward to our value investment shifting market price in the year ahead as we execute our evolving global growth strategies.

In summary, Uscom achieved excellent growth in the most difficult of times and importantly has positioned itself for conversion of this growth into revenue in all markets as world economies recover. We have used the last 2 years to globally diversify and fortify the company with new products, new IP, new distribution, a transformational strategic partnership, and have cash on hand. With all our markets positioned for sales growth, I am confident that the coming year will resume our historical strong trend growth as we move into a strategic new age as the Foxconn partnership evolves. Despite two difficult years, Uscom, at the end of FY22, has never been in such a good position, with established growth fundamentals and healthy cash reserves as global markets shift gears to recovery and Uscom's outstanding medical technologies continue to consolidate leadership in global health. For the year ahead Uscom will continue to pursue its strategy of expanding global operations, growing strong fundamentals, increasing and improving products and IP, and increasing shareholder value.



Milestones FY2022

A number of key milestones were announced to the ASX over the year. These include:



While FY22 was unpredictable and sales were down, Uscom invested in growth, expanding operations and distribution, increasing IP and products, advancing regulatory approvals, and executing transformational manufacturing and R&D partnerships in preparation for an impending global recovery. The key drivers for FY23's new growth are substantially executed and have relatively immediate pathways to revenue and include:



Foxconn partnership

Uscom has signed a partnership deal with Foxconn to manufacture Uscom products in Foxconn's Beijing High Tech facilities in Daxing, Beijing. The partnership discussion includes potential distribution and strategic opportunities nationally and internationally. The transition to our new premises is progressing rapidly with the fit-out and furnished near completion, key employees have been engaged, and the application documents for the NMPA approvals for our three new devices are advanced. As part of our expanded manufacturing function, Uscom is taking on board its own regulatory team and sharing some roles with Foxconn. We are now furthering Foxconn discussions with regard to the growth of new distribution while activating our current distributors to ensure our open orders are advanced for delivery once the domestic manufactured products are rolled off the manufacturing lines for the Chinese market.



SE Asian Expansion

With the appointment of Mr. Kelvin Ng as SE Asian Sales and BD Manager we are expecting a rapid expansion of SE Asian activities as new distributors are appointed and current distributors re-activated. SE Asia remains the fastest growing region globally with an anticipated 6-7% growth rate and a ~670m population. Mr. Ng has nearly 25 years of medical device sales experience in the region including with GE and Philips. Mr. Ng's appointment is to build out Uscom's new Singaporean distribution hub which is conceived as a geopolitical intermediary between Australia and China. Complimenting this appointment the Singapore Health Sciences Authority recently approved the listing of all Uscom products on the Singapore Medical Device Register (SDMR) and following review over the next month, should receive full approval.



SprioSonic NMPA/FDA

The SpiroSonic AIR, FLO, and SMART have just been accepted for NMPA approval and the FDA should be accepted within weeks, allowing new Chinese and US distributors and current partners to activate sales and distribution. FDA submission has been made and response to examiners completed, so we anticipate an early reply.



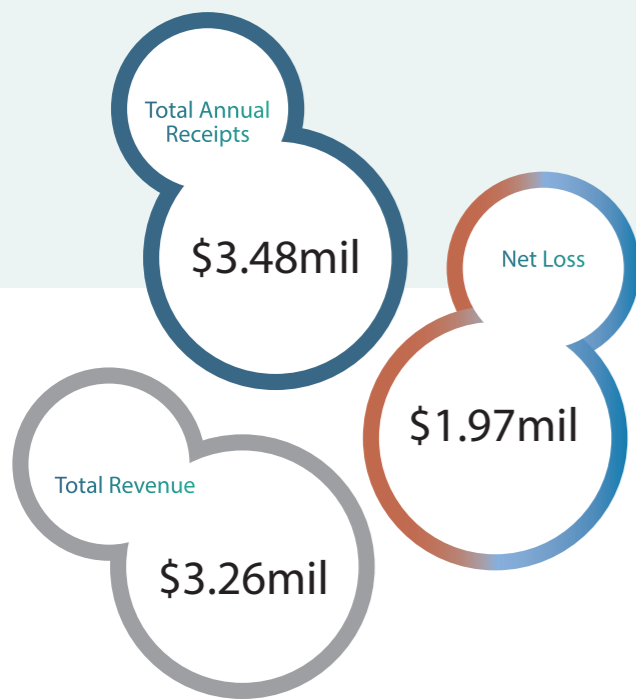
US East Coast Distribution

The appointment of Sovereign Medical to distribute products on the East Coast of the US from NY to Florida has doubled Uscom's sales footprint in the US. Sovereign covers 11 previously unserved states with 12 sales staff, and Uscom US is busy inducting and training these new sales people on the technical and clinical features of the Uscom suite of products.



Finances

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Mid-year saw the rights issue to Uscom Board, management, and shareholders who invested \$4.36m cash into the company, resulting in a balance of \$4.70m at the end of FY22, being an estimated 10.2 months of funding, disregarding any income growth for the next 2.5 years.

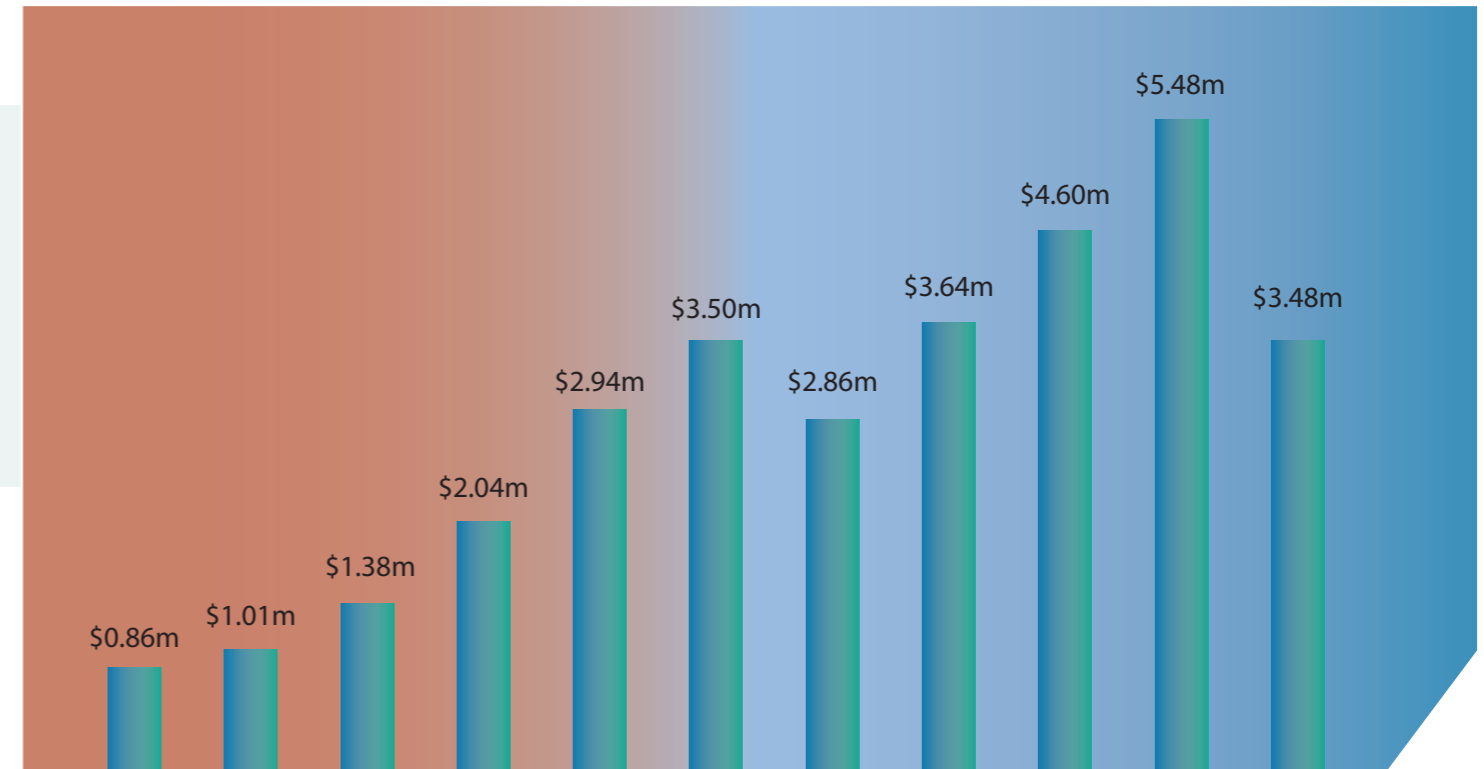
- The War in Europe: The European market has been complicated by 2 years of the pandemic, complex regulatory changes, and now the Russian war, and the fear of a potential global economic ringdown of inflation and recession.

In FY2022, multiple factors have combined to restrict sales and commerce, resulting in the impaired results of FY22.

- Global Pandemic: All Uscom markets were interrupted for two years with global intermittent lockdowns in response to the pandemic waves of COVID 19, Delta, and finally multiple Omicron variants.
- China Local Manufacture and Pandemic: In China, Uscom's major market, the first half of FY22 saw new manufacturing regulations and deteriorating Australian geopolitics effectively excluding Uscom products from the Chinese market. This was compounded in the second half with strict regional COVID lockdowns, further limiting our China market access.

Future Growth

FY 22 was a growth aberration for Uscom explained by a cluster of unprecedented events, and we anticipate the resumption of long-term trends as Foxconn activities accelerate and the Chinese market is restored. Uscom's new distribution partners in SE Asia, Europe, and the US are also expected to gain traction as global economies begin a post pandemic resurgence. This optimism is further supported by the impending approval of a number of new device regulatory applications currently in the final phases of review.



Cash on Hand \$4.70m

- Total Annual Receipts is \$3.48mil, down 38%
- Total Revenue is \$3.26mil down 28%
- Net Loss is \$1.97mil (after interest and tax)
- Cash on Hand = \$4.70mil, up 175%

Annual total income trend since 2012, showing a 36% decrease in 2022, and a return to the prepandemic income of 2019. Until last year the CAGR was >24%, but with 2 years of pandemic and wars the 10 year CAGR was 15%.

Share Market

Uscom has invested in growth in a period of the most difficult global trading environments in modern history. While global headwinds have created challenges for the Medtech sector, Uscom has delivered on fundamentals, investing in a continuing growth strategy in preparation for the pandemic recovery. Uscom is financially sound, with excellent products, an evolving global structure, and with the transformational Foxconn partnership yet to convert to sales. Uscom's activities remain unrecognised on the Australian exchange, and it remains a unique investment opportunity in one of the most reliable and high-growth sectors of the market.

Foxconn Partnership

Changes in Chinese domestic manufacturing requirements significantly impacted sales in FY22. However, management acted decisively to enact a transformational partnership in Beijing that will comply with domestic manufacturing requirements so that Uscom devices can again be freely sold in the Chinese market.

FOXCONN

The agreement includes a manufacturing and R&D partnership with the world's largest precision electronics manufacturer, Foxconn, via its Beijing subsidiary Futaijing Precision Electronics. This partnership will provide global manufacturing capacity, decrease manufacturing costs, accelerate and simplify regulatory times, increase global market access and deliver world-leading supply chain management at a time when supply chain has never been more critical. The agreement includes the manufacture of USCOM 1A and three new Uscom devices to market under the new local manufacturing requirements of China, with further devices being planned. Uscom currently has the order of 36 active IP approvals or submissions covering novel devices and concepts for new products, and Foxconn has the experience and personnel to rapidly deliver these devices to market.

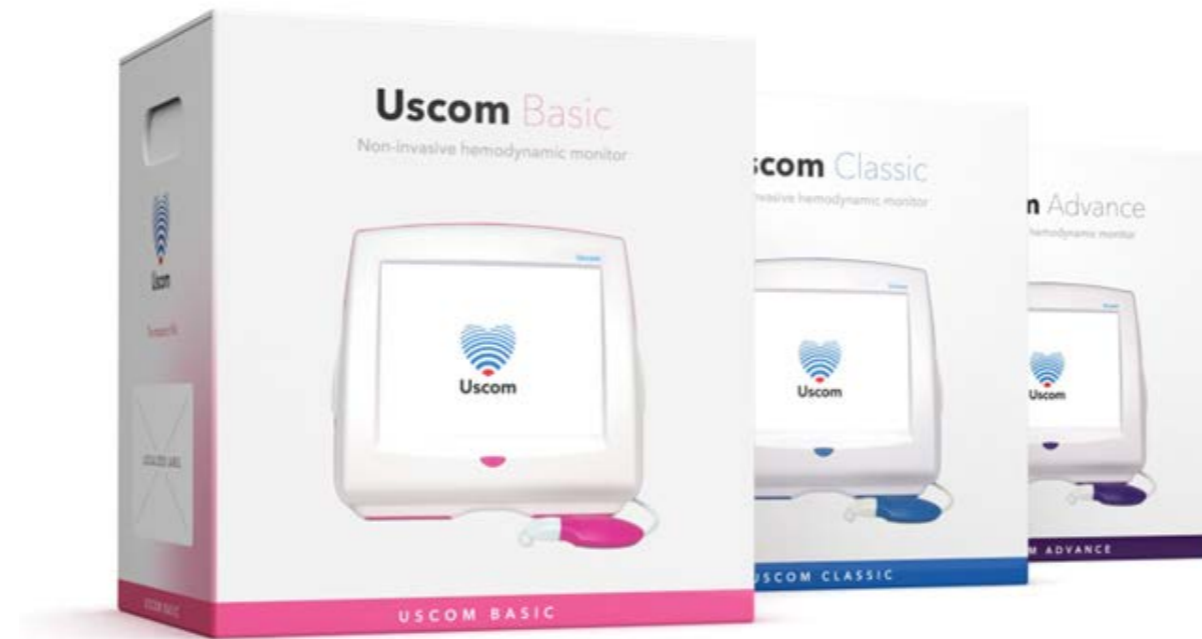
Expansion

The new Uscom facilities, in the Foxconn Technology Industry Zone in Beijing, will become the global manufacturing headquarters for Uscom Limited. Combined with our current Chaoyang administration and sales centre, this Foxconn partnership locates Uscom firmly in Beijing, a preferred center for high technology development by the Chinese Government. Foxconn is expanding its activities in high-level medical technology, and Uscom is designated as a National High Technology Enterprise by the High Torch arm of the Chinese Ministry of Science and Technology.



Benefits of Foxconn Partnership

- Partner of scale
- Chinese local manufacturing solution – access to Chinese markets
- Rapid new product development of Uscoms multiple patents
- Accelerated and simplified regulatory pathway
- Supply chain optimisation and manufacturing cost minimisation
- Partnership for manufacturing and R&D
- Increased national and global market access
- International connections
- Strategic opportunities for distribution and investment



The measure of life.

Foxconn is one of the world's largest technology companies with annual revenue of ~\$300B and approximately 1.5m employees. They manufacture for Apple, Huawei, Xiaomi, Amazon, Sharp, Sony, Toshiba, Google, Microsoft, and Intel plus many others, and manufacture approximately 40% of all consumer electronic sales worldwide.

For Uscom this is a transformational partnership with the potential to consolidate and transform global operations providing manufacturing scale and an efficient path to global markets for current and new products, and ensuring reliable supply for expanding distributors. Uscom has sector-leading products, and now needs scale and connections to transition into an international force; the Foxconn partnership is planned to deliver this.

Operations

Uscom is transitioning into a global manufacturing and distribution company and market activities have been partitioned into SE Asia, China, Europe, the US, and the Rest of the World (ROW). Each of these regions has unique regulatory and social requirements and expectations, and Uscom plans to build each jurisdiction into stand-alone operational units specifically targeting independent profitability. The power and value of a global operational network cannot be overestimated, and provides the opportunity to Here is a summary of activities for FY22.



China

China sales have remained constrained by the Made-in-China 25 manufacturing regulations, the zero COVID pandemic strategy limiting Hospital access and internal travel, and the Australian Government trade war. Despite these challenges, Foxconn partnership will transform our Chinese business as we prepare to relocate to our new manufacturing and R&D space in Daxing, Beijing. Foxconn's choice of Uscom as a partner was based on the genuinely innovative nature of the products and Uscom's bulging IP portfolio, combined with Uscom's impressive professional global footprint. Foxconn management has also expressed an interest in advancing the relationship to include distribution and commercial collaboration. Uscom is planning to have three new versions of the USCOM 1A approved for local manufacture within the next 6 months – The USCOM Basic, USCOM Classic, and the USCOM Advance. Each has different specifications and price points allowing distributors to more accurately tender against lower-priced devices without undermining our high-specification Classic (1A).



South East Asia

With a population of ~670m, SE Asia is now the fastest economic growth region in the world and includes the main countries of Singapore, Vietnam, Thailand, Philippines, and Indonesia. This year Uscom established its Regional HQ in Singapore and recently appointed Mr. Kelvin Ng of Singapore as our regional Sales and Business Development Manager for the region.



While we have previously had scattered distribution in SE Asia, we now have local experience and connections to larger partners as a platform for regional market penetration. Kelvin is based in Singapore and has ~25 years of Asian medical technology sales and BD experience, having worked with GE, Leica, Philips, Electron Healthcare, and Eckert and Ziegler in ASEAN territories plus Japan, South Korea, China, Pakistan, and India; territories in which Uscom is now focused, but has no presence.



Kelvin will spearhead our SE Asian Business Development, and Uscom is targeting a strategy to rapidly grow regional sales. Strategically Singapore bridges the geopolitical gulf between Australia and China, and is an established transport hub for imports and exports into and out of Asia, creating another potentially lucrative business expansion opportunity.

Europe



Dr. Antonio Ferrario leads our European sales team and is coordinating our expanding network of European distributors. This year saw the appointment of Aria from France and they are now inducted and getting into the market with USCOM 1A, BP+, and SpiroSonic devices. Antonio is also expanding our Italian and Spanish distribution and is in discussions with distributors from Scandinavia.

We are also developing some excellent pharmacy-based community health projects for BP+ in Italy and the UK. While much of the year was restricted with limited travel and hospital visits, Europe is now transitioning to recovery, and despite the uncertainties created by the Russian war, there is a clear increase in sales opportunities and pipelines.



The US

The recent appointment of Sovereign Medical has significantly increased our US sales coverage with their distribution territory covering the east coast from NY to Florida, including 11 states, and doubling the number of US national sales staff to more than 20. This appointment comes at a time when the USCOM 1A is emerging as the leading global technology for the diagnosis and management of preeclampsia, with a number of 1A units entering current purchasing cycles. We are also approaching the SpiroSonic FDA approval as we await the final review of our responses by the examiners. Once the FDA is received we will be able to sell our new AIR and other SpiroSonic devices into national distribution organisations and initiate our US SpiroSonic marketing plan. Our Koneksa digital health partnership continues to develop with a number of very exciting pharma projects anticipated to proceed following FDA approval.



Products

The measure of life.

Uscom Technology

Uscom has an outstanding reputation for the development of world-leading products and during FY22 the Company continued to develop new IPs for new devices, develop new products, and improve our current stable of specialised cardiovascular pulmonary monitoring technologies.

Uscom's main focus remains on the high-end critical care, hospital, and research market sectors with our USCOM 1A cardiovascular monitor, the BP+ suprasystolic oscillometric blood pressure and vascular health devices, and SpiroSonic lung function technologies.

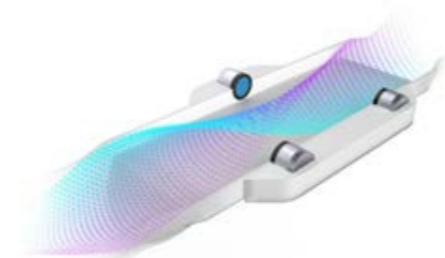
However, Uscom is increasingly developing the digital capabilities of these devices so they can more simply interface with global digital health systems, and become foundation technologies for the expanding markets of eHealth and home care.

This year our international engineering team focused on the development of the Uscom SpiroSonic AIR technology developing its specialised application in pulmonary research in Pharma and Long COVID while finalising reviewers' questions for the FDA submission. The SpiroSonic AIR is a digital, multipath ultrasonic spirometer with a high-level viral disinfection system for the elimination of COVID and Tuberculosis, both critical and emerging transmissible pulmonary infections. The AIR, myAPP, and SpiroReporter can now display 46 advanced parameters of lung function using 48 different performance algorithms and has onboard precision diagnostics and interactive user voice guidance. AIR's ultrasonic accuracy, software complexity, and simplicity of use make the technology the world leader in spirometry and research-grade lung function testing. The AIR solution is currently approved in Europe and in regulatory process for FDA (US), NMPA (China), and a number of SE Asian countries.

SpiroSonic AIR

The AIR can wirelessly interface with Uscom SpiroSonic APPs to cloud-based or clinic-installed SpiroReporter software for remote archiving, analysis, trend analysis, and reporting with oversight from international expert diagnosticians.

The combined SpiroSonic AIR, SpiroSonic APPs, and SpiroReporter software combine to be a world-leading research-grade pulmonary testing solution for hospitals, clinics, home care, and eHealth. This SpiroSonic technologies are specialised for precision diagnosis and management of asthma, COPD, and long COVID. The SpiroSonic technology is patent protected and currently approved in Europe, and in regulatory cycles in the US, China, and a number of jurisdictions in SE Asia.



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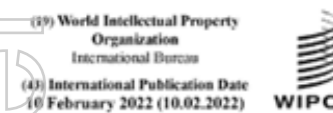
IP and Science

Uscom Patents

Uscom has three new patents progressing through PCT phase to the grant phase, which will provide strong commercial protection for major medical and technical conditions:

- Thermometric normalisation of blood pressure: Blood pressure measurement and management are substantially ineffective and while BP+ supra-oscillometric monitoring of central BP is changing practice this patent provides commercial protection for a method that improves further the current methods and has universal application in hypertension measurement and monitoring.
- SpiroSonometry: This is a patent covering a variety of new signal methods and feedback incentives and new patient guidance in spirometry. The patent has applications in asthma, COPD, and COVID.
- Ventilator calibration technology (Ventitest): This patent covers a simplified and improved method for accurate ultrasonic calibration of ventilator function and can be a modular addition to any ventilator.

These patents will join our current patent portfolio of >150 IP submissions worldwide, which can be rapidly converted into new and current products by our new manufacturing partner Foxconn.



International (PCT) Patent Application No. PCT/AU2021/050853
USCOM Limited
A System And Method For Thermometric Normalisation Of Blood Pressure Measurements

Science

Uscom is a scientific leader, and in FY22 Uscom maintained its leadership in global science with the publication of 56 peer-reviewed journal articles, 2 blogs and podcasts, and 135 news items and company profiles. China led the publications list while applications in paediatrics, ICU, and maternal health were the most common. This continuing high number of publications indicates that the clinical utility and value of USCOM1A remain current across a wide variety of applications.

Commercial Value

Uscom has maintained its operational expansion as it pursues its long-term growth goals; raising capital and implementing an evolving global strategy to ensure future growth during one of the most difficult global environments in history. However share markets have struggled, and the disconnect between value and price has become clear, particularly in the Australian Medtech sector.

The commercial value of Uscom centres on:

- Multiple products in the high-value cardiovascular medical technology sector
- Its substantial IP portfolio (~150)
- Global regional operations and revenue
- An integrated global transfer pricing and accounting system
- Established enterprise and operations in China
- A new strategic manufacturing and R&D partnership with the world's largest precision electronics manufacturer Foxconn
- Multiple growth drivers positioned to ignite global expansion
- Cash in the bank



Journal of Medical Ultrasonics
<https://doi.org/10.1007/s10396-022-01225-3>

REVIEW ARTICLE-OBSTETRICS & GYNECOLOGY

Hypertensive disorders and maternal hemodynamic changes in pregnancy: monitoring by USCOM® device

Elisa Montaguti¹ · Gaetana Di Donna¹ · Aly Youssef¹ · Gianluigi Pilu¹



Uscom has invested in change during this difficult year in preparation for the global pandemic recovery. Uscom is financially sound with expanding global prospects as the transformational Foxconn partnership converts to revenue, new devices are approved, new distribution becomes effective, and global markets begin to rebound. The Board and management believe that as this year's unprecedented constellation of challenges resolves, Uscom is extremely well positioned to exceed its long-term trend growth, and deliver investors growth and value, and a rare opportunity.



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Risks

The Pandemic

The pandemic has reduced Uscom's business by approximately 50%, and, as the world markets recover, we anticipate our prior high growth trends to return. However, there is the possibility that new variants of COVID or entirely new diseases may arise and Governments introduce further constraints on social and commercial activities. Uscom has cash on hand and is well positioned to maintain global operational growth if further restrictions of market access are implemented.

Global Markets

Trade wars, Russian wars, and pandemics are all risks for a global enterprise, so multiple markets, multiple products, and multiple partners are an important part of risk mitigation. Uscom's transition to a global entity and the transformational partnership with global leading precision electronics manufacturer Foxconn all contribute to limiting risk in the event of unpredictable changes in global markets.



China

China is our major market generating approximately 70% of our global sales, and the current zero COVID policy and Made In China 2025 policy are having significant impacts on our sales and receipts. China is now promoting a return to commercial activities and the market is poised to grow quickly as normal demand returns to medical markets and the targets for improved medical care are restored. Uscom has signed transformational manufacturing and R&D partnership with Foxconn to address the local manufacturing restrictions that have limited sales in the last 12 months. This agreement is also anticipated to provide a number of new opportunities to distribute and sell current and new devices in China and internationally.



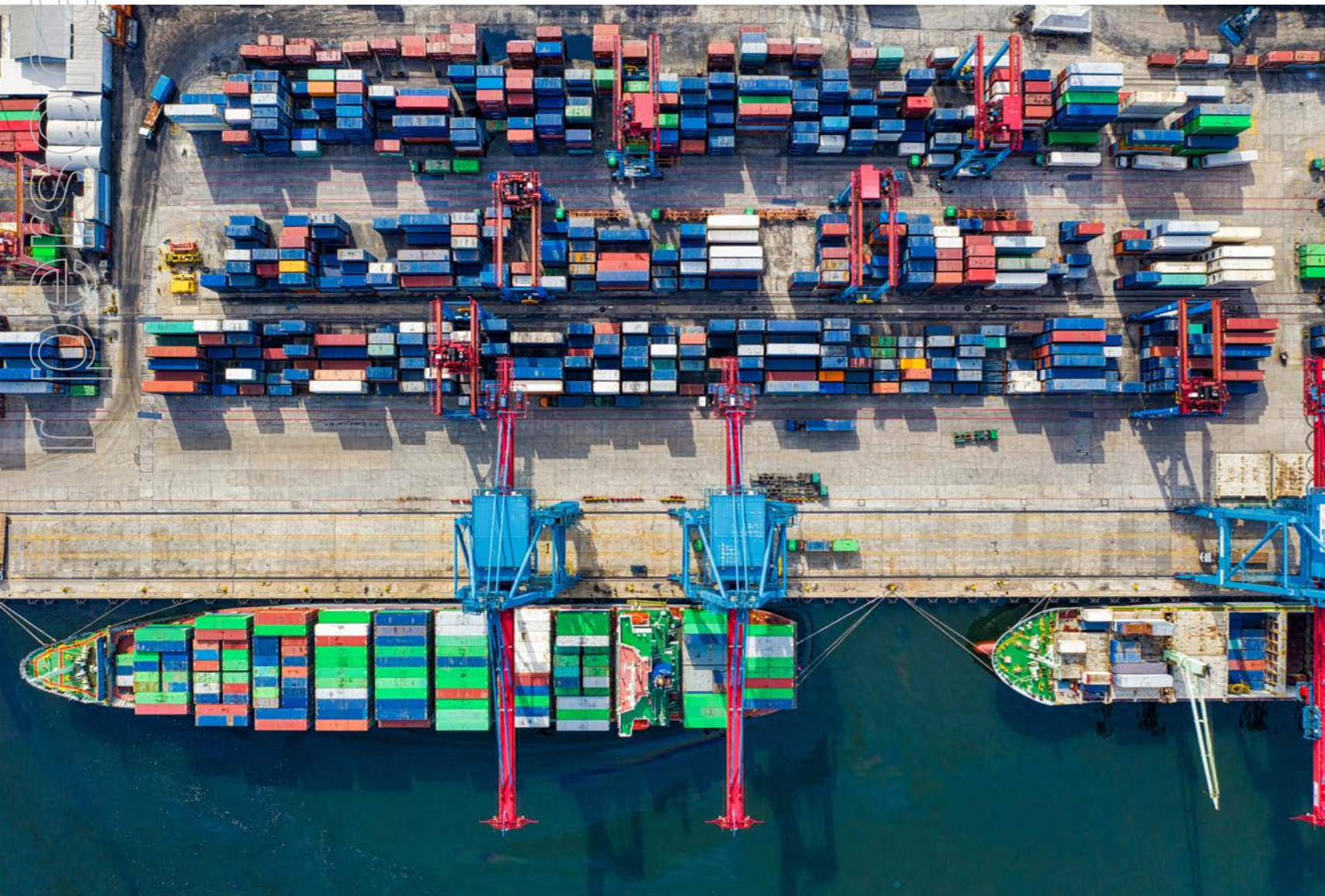
Distributors

Distributors deliver Uscom's products to market, and we depend on them for revenue as our direct sales activities remain small. We are however increasingly appointing and structuring operations so that we have more and stronger regional management of distributors, which we believe will result in increased sales. More distributors worldwide act as a revenue hedge and will result in a reduced risk to global sales revenues, particularly if regional markets are threatened in any way.



Regulatory

Regulatory certification is increasingly complex, expensive, and time-consuming in all jurisdictions. Uscom is increasingly taking on board its won regulatory management. At this stage, we are experiencing increased costs, but are anticipating that longer term, as regulations continue to evolve in complexity, in-house management will result in quicker and less expensive regulatory pathways. The partnership with Foxconn and their large team of regulatory experts is also support for our own operations, and as the relationship progresses we anticipate their contacts and experience will be very valuable for Uscom and accelerate regulatory compliance.



Key Personnel

Uscom is dependent on a small, skilled, and vital team working to ensure and manage ongoing rapid growth, and the loss of key people from the organisation may adversely impact operations. As the Company expands in current and new jurisdictions, and our employee base increases this risk is mitigated. Previously outsourced roles are also being in-housed in Uscom China and Uscom Europe, further hedging these risks.



Other Risks

Competitive risks, patent breaches, and scale-up stress are potential threats to our growth expectations and may challenge cash flow management and equity adequacy, and require the focused attention of management.

Corporate Social Responsibility



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One of the world's greatest birds, the Gouldian Finch (*Erythrura Gouldiae*), is another endangered Australian species benefiting from AWC intervention. AWC are using traditional indigenous seasonal grass burning techniques to revitalise the grasslands and selective removal of feral predators, and are achieving early success as the population of the Gouldian finches has begun to increase. The wild populations used to number in the millions across Central and Northern Australia, but now are in the order of 2,500 mature individuals in total. AWC are proactively and scientifically restoring the Australian landscape for the benefit of us all.

Uscom supports the vital national activities of the AWC - www.australianwildlife.org

Rob Phillips personally supports AWC on behalf of Uscom Limited





Summary

Uscom finished FY22 in a strong position, and management is optimistic that our achievements have positioned the company for resurgent success in the coming years. Our two-step growth strategy has allowed us to report cash on hand, multiple new investments in future growth, pipelined new approvals and new products, and a transformational partnership as we enter FY23. As the world recovers momentum and markets revitalise, we anticipate that the structural investment in Uscom's global operations that have been implemented over the last two years will leverage the Company into accelerating global growth and rapidly convert our strategy to revenue, and exceeding Uscom's historical growth trend.

Uscom has never been in such a positive position as global economies begin the upswing of the post-pandemic recovery. Uscom is looking forward to converting the investments of FY22 into hard revenue as we gear our operations to the growing global opportunities of FY23, and look forward to the value this will deliver to shareholders.

Professor Rob Phillips
Uscom Chairman and CEO

DIRECTORS REPORT

The Directors present their report on Uscom Ltd and its Controlled Entities for the financial year ended 30 June 2022. The following persons were Directors of Uscom Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated.



Associate Professor Rob Phillips
Chairman and Executive Director

Rob Phillips is the founder of Uscom Ltd, and the Chief Executive Officer, Chairman and Chief Scientist of the Company. Rob has 20 years experience in corporate management since taking Uscom public in 2003, and has taken the company global with regional head quarters in Singapore, Beijing and Budapest with offices in Delaware. Rob has a PhD and MPhil in Cardiovascular Medicine from The University of Queensland where he is an Adjunct Associate Professor of Medicine.



Mr Christian Bernecker
Non-executive Director

Mr Christian Bernecker is a Non-Executive Director of Uscom Ltd since November 2011. Christian has more than 10 years of broad investment experience across capital raising, acquisitions and divestments. Christian qualified as a Chartered Accountant in Australia and holds a Bachelor of Commerce from Ballarat University.



Mr Brett Crowley
Non-executive Director and Company Secretary

Brett Crowley was appointed as a Non-Executive Director of Uscom Ltd on 23 August 2018. He is a practicing solicitor and a former Partner of Ernst & Young in Hong Kong and Australia, and of KPMG in Hong Kong, and has worked in China establishing and managing JV companies there. Mr Crowley is an experienced chairman, finance director and company secretary of ASX-listed companies, and is a former Senior Legal Member of the NSW Civil and Administrative Tribunal.



Mr Xianhui Meng
Non-executive Director

Xianhui Meng is an experienced international value investor, with qualifications in economics, engineering management and business administration. Mr Meng has 10 years experience as a China government departmental head, and 20 years experience as the Executive Manager and Executive Director of a HK Listed Chinese Pharma specialising in sales and distribution. Mr Meng brings both his international corporate management and strategic skills to the Uscom Board.

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Company secretary

Brett Crowley

Meetings of Directors

| Directors | Board of Directors | |
|--------------|--------------------------------|--------------------------|
| | Meetings held while a Director | No. of meetings attended |
| R A Phillips | 5 | 5 |
| C Bernecker | 5 | 5 |
| B Crowley | 5 | 5 |
| X Meng | 5 | 5 |

Principal activities

Uscom Ltd is engaged in the development, design, manufacture and marketing of premium non-invasive cardiovascular and pulmonary medical devices. Uscom Ltd owns a portfolio of intellectual property relating to the technology and techniques associated with these devices and manages a worldwide network of regional head quarters and distribution partners for the sale of its equipment to hospitals and other medical care locations. Uscom Ltd owns 100% of Uscom Inc, a company engaged in the sale and promotion of Uscom products primarily in the United States, and owns 100% of Uscom Kft, a company that manufactures respiratory devices based in Hungary. Uscom Ltd owns 100% of Beijing Uscom Consulting Co. Ltd, a company that manages and sells Uscom products in China.

Operating result

The loss of the Consolidated Entity after providing for income tax amounted to \$1,972,313 (2021: \$924,243).

Dividends

No dividends were declared or recommended for the financial year ended 30 June 2022 (2021: nil).

Significant changes in state of affairs

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

Corporate Governance Statement

Refer to the investor page of Uscom Limited's website www.uscom.com.au/for-investors.

Operating and financial review

The operating and financial review is stated per the Chairman's letter on pages 1-30.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year to the date of this report, that has significantly affected or may significantly affect the activities of the Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

Future developments

Other than the business activities described in the annual report and, in particular, those matters discussed in the Operating and Financial Review, the Board is not aware of any likely developments in the foreseeable future which may materially impact on the financial outlook of the Consolidated Entity.

Environmental regulations

The Consolidated Entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

Indemnifying officers

The Consolidated Entity has paid premiums to insure all Directors and Executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Indemnity of auditors

To the extent permitted by law, the Company has not agreed to indemnify its auditors, BDO Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit [for an unspecified amount]. No payment has been made to indemnify BDO Audit Pty Ltd during or since the financial year.

Proceedings on behalf of the Consolidated Entity

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

No proceedings have been brought or intervened in on behalf of the Consolidated Entity with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Consolidated Entity may decide to employ the auditor on assignments additional to their audit duties where the auditor's expertise and experience with the Consolidated Entity are important.

The Directors are of the opinion that the provision of non-audit services as disclosed in Note 25 in the financial report does not compromise the external auditor's independence as outlined in 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 the Code of Conduct APES110 Code of Ethics of Professional Accountants issued by the Accounting.
- Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in management decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Refer to Note 25 of the financial statements on page 60 for details of auditors' remuneration.

The auditor's independence declaration as required under section 307C of the Corporation Act is set out on page 39.

BDO Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

Remuneration report (Audited)

This remuneration report has been prepared by the Directors of Uscom Ltd to comply with the Corporations Act 2001 and the key management personnel (KMP) disclosures required under Australian Accounting Standards AASB 124 – Related Party Disclosures.

Key management personnel

The following were key management personnel of the Entity at the start of the financial year to the date of this report unless otherwise stated:

Non-Executive Directors

Christian Bernecker, Non-Executive Director
Brett Crowley, Non-Executive Director
Xianhui Meng, Non-Executive Director

Executive Directors

Rob Phillips, Executive Director, Chairman, Chief Executive Officer

Senior Executives

Nick Schicht, General Manager

In the Directors' opinion, there are no other Executives of the Entity.

Remuneration policies

The Board is responsible for reviewing the remuneration policies and practices of the Consolidated Entity, including the compensation arrangements of Executive Directors, Non-Executive Directors and Senior Executives.

The Consolidated Entity has adopted remuneration policies based on performance and contribution for determining the nature and amount of emoluments of Board Members and Senior Executives. The objective of these policies is to:

- Make Uscom Ltd and its Controlled Entities an employer of choice

- Attract and retain the highest calibre personnel
- Encourage a culture of reward for effort and contribution
- Set incentives that reward short and medium term performance for the Uscom Ltd and its Controlled Entities
- Encourage professional and personal development

In the case of Senior Executives, a recommendation for compensation review will be made by the Chairman to the Board, which will conduct performance reviews.

Non-Executive Directors

The Board determines the Non-Executive Director remuneration by independent market data for comparative Companies.

As at the date of this report the maximum aggregate remuneration payable out of the funds of the Entity to Non-Executive Directors of the Consolidated Entity for their services as Directors including their service on a committee of Directors is \$155,000 per annum.

Non-Executive Directors do not receive any performance related remuneration, therefore they do not receive bonuses or non-cash benefits.

Non-Executive Directors' retirement payments are limited to compulsory employer superannuation.

Executive Directors and Senior Executives remuneration

The Consolidated Entity's remuneration policy directs that the remuneration package appropriately reflects the Executives' duties and responsibilities and that remuneration levels attract and retain high calibre Executives with the skills necessary to successfully manage the Consolidated Entity's operations and achieve its strategic and financial objectives.

The total remuneration packages of Executive Directors and Senior Executives are on a salary basis. In addition to base salary, the Company has a policy of rewarding extraordinary contribution to the growth of the Company with the grant of an annual discretionary cash bonus and options under the Consolidated Entity's Employee Share Option Plan.

Executives are also entitled to be paid for their reasonable travel, accommodation and other expenses incurred in consequence on the execution of duties.

Other than the Uscom Ltd Employee Share Option Plan, the Consolidated Entity does not provide any other non-cash benefits in lieu of base salary to Executives.

Remuneration packages for Executive Directors and Senior Executives generally consist of three components:

- Fixed remuneration which is made up of cash salary, salary sacrifice components and superannuation
- Short term incentives
- Long term incentives which include issuing options pursuant to the Uscom Ltd Employee Share Option Plan.

Fixed remuneration

Senior Executives who possess a high level of skill and experience are offered a competitive base salary. The performance of each Executive will be reviewed annually. Following the review, the Consolidated Entity may in its sole discretion increase the salary based on that Executive's performance, productivity and such other matters as the Board considers relevant. Superannuation contribution by the Consolidated Entity is limited to the statutory level of wages and salaries.

Short-term incentives

The remuneration of Uscom Ltd Senior Executives does not include any short-term incentive bonuses as part of their employment conditions. The Board may however approve discretionary bonuses to Executives in relation to certain milestones being achieved.

Long-term incentives

The Consolidated Entity has adopted an Equity Incentive Plan for the benefit of the Executive Director, an employee, contractor, consultant or any other person whom the Board determines to be eligible to participate in the Plans.

The Board, at its discretion, may approve the issue of options and rights under the Equity Incentive Plan to the Senior Executives. The vesting of options and rights issued may be conditional upon the achievement of performance hurdles determined by the Board from time to time. The Board may propose the issue of options and rights to Directors, however this will be subject to shareholder approval at the Annual General Meeting.

Independent data from applicable sources may be requested by the Board to assess whether the performance hurdles have been met.

Service agreements

The Consolidated Entity has entered into an employment agreement with the Executives that

- Outlines the components of remuneration payable; and
- Specifies termination conditions.

Details of the employment agreement are as follows:

Each Executive may not, during the term of the employment agreement, perform work for any other person, corporation or business without the prior written consent of the Consolidated Entity.

The employment terms do not prescribe the duration of employment for executives.

Due to the small number of Executives the remuneration committee comprises the Board of Directors which is made up of three Non-Executive Directors. Reference is made to external market information in order to retain the most suitable Executives for meeting the entity's goals. Executive Directors are excluded from discussions on their remuneration. The remuneration of key Executives are not linked with the Consolidated Entity's performance as the focus is on retention of key Executives to ensure growth and traction in what is a new market. The Board of Directors will consider linking executive remuneration to the Consolidated Entity's performance once the Consolidated Entity has sufficient market traction.

Termination

Despite anything to the contrary in the agreement, the Consolidated Entity or the Executive may terminate the employment at any time by giving the other party 3 months' notice in writing.

If either the Consolidated Entity or the Executive gives notice of termination, the Consolidated Entity may, at its discretion, choose to terminate the Executive's employment immediately or at any time during the notice period and pay the Executive an amount equal to the salary due to them for the residual period of notice at the time of termination.

Where the Executive gives less than 3 months' written notice, the Consolidated Entity may withhold from the Executive's final payment an amount equal to the shortfall in the notice period.

The employment of each Executive may be terminated immediately without notice or payment in lieu in the event of any serious or persistent breach of the agreement, any serious misconduct or wilful neglect of duties, in the event of bankruptcy or any arrangement or compensation being made with creditors, on conviction of a criminal offence, permanent incapacity of the Executive or a consistent failure to carry out duties in a manner satisfactory to the Consolidated Entity.

Service contracts have been entered into by the Consolidated Entity with non-executive directors, describing the components and amounts of remuneration applicable on their initial appointment. These contracts are at fixed fees for their service.

Service contracts have been entered into by the Consolidated Entity with key management personnel, describing the components and amounts applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Board of Directors to align with changes in job responsibilities and market salary expectations. All contracts are for an ongoing period.

Key management personnel remuneration

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2022.

| | Short term benefits | | | | Post-employment benefits | Long term benefits | Equity | Total remuneration | Performance related |
|-------------------------------|---------------------------|-------------------|-----------------------------|----------------------------|--------------------------|--------------------------|---------------------------|--------------------|---------------------|
| | Directors' Base Fee \$ | Base salary \$ | Annual leave cash out \$ | Annual leave accrued \$ | Superannuation \$ | Long service leave \$ | Share-based payment \$ | \$ | % |
| Non-Executive Director | | | | | | | | | |
| C Bernecker | 38,325 | - | - | - | - | - | - | 38,325 | - |
| B Crowley | 34,959 | - | - | - | 3,495 | - | - | 38,454 | - |
| X Meng | - | - | - | - | - | - | - | - | - |
| Executive Director | | | | | | | | | |
| R Phillips | - | 250,755 | 56,407 | - | - | 15,687 | 220,966 | 543,815 | 40.6% |
| Senior Executive | | | | | | | | | |
| N Schicht | - | 210,000 | - | 52,257 | 21,000 | 8,640 | 49,600 | 341,497 | 14.5% |
| Total | 73,284 | 460,755 | 56,407 | 52,257 | 24,495 | 24,327 | 270,566 | 962,091 | 28.1% |

Remuneration includes salaries, benefits and superannuation contributions in respect of the financial year 2021.

| | Short term benefits | | | | Post-employment benefits | Long term benefits | Equity | Total remuneration | Performance related |
|-------------------------------|---------------------|----------------|-----------------------|----------------------|--------------------------|--------------------|---------------------|--------------------|---------------------|
| | Directors' Base Fee | Base salary | Annual leave cash out | Annual leave accrued | Superannuation | Long service leave | Share-based payment | \$ | % |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non-Executive Director | | | | | | | | | |
| C Bernecker | 38,325 | - | - | - | - | - | - | 38,250 | - |
| B Crowley | 34,959 | - | - | - | 3,321 | - | - | 38,280 | - |
| X Meng | - | - | - | - | - | - | - | - | - |
| Executive Director | | | | | | | | | |
| R Phillips | - | 250,755 | 60,366 | 37,117 | - | 13,580 | 361,176 | 722,994 | 50.0% |
| Senior Executive | | | | | | | | | |
| N Schicht | - | 196,000 | - | 44,988 | 18,620 | 10,390 | 20,000 | 289,998 | 6.9% |
| Total | 73,284 | 446,755 | 60,366 | 82,105 | 21,941 | 23,970 | 381,176 | 1,089,597 | 35.0% |

Equity Incentive Plan

The Consolidated Entity has adopted an Equity Incentive Plan for the benefit of an employee, contractor, consultant or executive director of the Group or any other person whom the Board determines to be eligible to participate in the Plans. The objective of the EIP is to provide reward and incentive to valuable personnel while preserving cash.

The purpose of the Plan is to:

- provide Eligible Persons with an incentive plan which rewards ongoing contribution to the achievement by the Company of its strategic goals thereby encouraging the mutual interdependence of Participants and the Company;
- align the interests of Participants with shareholders of the Company through the sharing of a personal interest in the future growth and development of the Company as represented in the price of the Company's ordinary fully paid shares;
- encourage Eligible Persons to improve the performance of the Company and its total return to Shareholders; and
- provide a means of attracting and retaining skilled and experienced employees.

Under the Plan, the Consolidated Entity will be able to grant short-term incentive and long-term incentive awards to Eligible Employees (including Executive Directors). The Plan will provide the Board with the flexibility to grant equity incentives to Eligible Persons in the form of Plan Shares, rights or Options, will only vest on the satisfaction of appropriate hurdles.

Number of rights over ordinary shares held by Directors and Senior Executives

| | Balance | Granted | Exercised | Lapsed / Cancelled | Balance | Total Vested | Total Unexercisable |
|-------------------------------|------------------|------------------|------------------|--------------------|------------------|----------------|---------------------|
| | 1 July 2021 | During FY2022 | During FY2022 | During FY2022 | 30 June 2022 | 30 June 2022 | 30 June 2022 |
| | No. | No. | No. | No. | No. | No. | No. |
| Non-Executive Director | | | | | | | |
| C Bernecker | - | - | - | - | - | - | - |
| B Crowley | - | - | - | - | - | - | - |
| X Meng | - | - | - | - | - | - | - |
| Executive Director | | | | | | | |
| R Phillips (a) | 1,436,782 | 1,636,782 | 1,436,782 | - | 1,636,782 | - | 1,636,782 |
| Senior Executive | | | | | | | |
| N Schicht (b) | 150,000 | 400,000 | - | - | 550,000 | 150,000 | 400,000 |
| Total | 1,586,782 | 2,036,782 | 1,436,782 | - | 2,186,782 | 150,000 | 2,036,782 |

Further details of the options and rights are disclosed in Note 19 of the financial statements.

Details of rights outstanding as at end of year

| Holders No. | Grant date | Exercisable at 30 June 2022 % | Vesting date | 30 June 2022 Outstanding Right No. | Exercise Price \$ | Issued date fair value \$ |
|---------------|------------|-------------------------------|--------------|------------------------------------|-------------------|---------------------------|
| 1 (Executive) | 26-Nov-14 | 100% | 1 July 2020 | 150,000 | 0.00 | 0.19 |
| Total | | | | 150,000 | | |

(a) 1,636,782 Indeterminate rights were issued to Rob Phillips on the terms and conditions approved by shareholders at the AGM on 14 October 2021 under the Equity Incentive Plan, vesting dependent on performance hurdles on 1 July 2022. Consideration payable upon vesting is \$nil. The Board exercised its discretion to pay cash in lieu of issue of ordinary shares. Upon meeting the performance hurdles, total of 1,636,782 were exercised on 5 July 2022 after the reporting date.

(b) 450,000 Performance rights were issued to Nick Schicht on 26 November 2014 under the Equity Incentive Plan, vesting dependent on performance hurdles on 1 July 2018, 1 July 2019 and 1 July 2020. 300,000 were exercised on 28 August 2020 and remaining balance is 150,000 as the reporting date. 200,000 performance rights were granted to Nick Schicht on 24 August 2021 and 200,000 on 1 April 2022 under the Equity Incentive Plan, vesting dependent on performance hurdles on 1 July 2022, and 1 July 2023. Consideration payable upon vesting is \$nil.

Number ordinary shares held by Directors and Senior Executives

| | Balance | Received as | Options/Rights | Subscribed as | | Balance |
|-------------------------------|-------------------|--------------|------------------|-------------------------------|---------------------|---------------------------|
| | 01 July 2021 | Remuneration | Exercised | Non-Renounceable Rights Issue | Purchased on market | 30 June 2022 |
| | No. | No. | No. | No. | No. | No. |
| Non-Executive Director | | | | | | |
| C Bernecker | - | - | - | - | - | - |
| B Crowley | 200,000 | - | - | - | - | 200,000 |
| X Meng | 32,860,500 | - | - | 9,884,550 | - | 42,745,050 ⁽¹⁾ |
| Executive Director | | | | | | |
| R Phillips | 30,600,174 | - | 1,436,782 | 9,660,761 | 165,579 | 41,863,296 ⁽²⁾ |
| Senior Executive | | | | | | |
| N Schicht | 728,143 | - | - | - | (7,680) | 720,463 ⁽³⁾ |
| Total | 64,388,817 | | 1,436,782 | 19,545,311 | 157,899 | 85,528,809 |

*Net change other refers to share purchased or sold during the financial year, or cessation of categorisation as a Director or Senior Executive.

(1) All these ordinary shares are held by Smart Top Overseas Limited managed by Citicorp Nominees Pty Limited, 9,884,550 ordinary shares were subscribed on 16 December 2021 under non renounceable right issue.

(2) R Phillips subscribed 9,660,761 ordinary shares on 16 December 2021 under non renounceable right issue. 165,579 ordinary shares were purchased on market.

(3) 5,000 of these ordinary shares are held by a family associate.

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

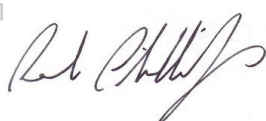
| | 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------------|-------------|-----------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Sales Revenue | 2,509,684 | 3,858,081 | 3,479,758 | 2,844,138 | 2,158,051 |
| Loss after income tax | (1,972,313) | (924,243) | (1,331,335) | (1,389,398) | (1,950,923) |

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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------|-------|-------|-------|-------|
| Share Price at financial year end (\$) | 0.07 | 0.16 | 0.22 | 0.14 | 0.17 |
| Total dividends declared (cents per share) | - | - | - | - | - |
| Basic earnings declared (cents per share) | (1.1) | (0.6) | (0.9) | (1.0) | (1.6) |

This concludes the remuneration report, which has been audited.

This Directors' report is signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.



Professor Rob Phillips
Chairman
18 August 2022

FINANCIAL REPORT

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AUDITOR'S INDEPENDENCE DECLARATION



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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF USCOM LIMITED

As lead auditor of Uscom Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



John Bresolin
Director

BDO Audit Pty Ltd

Sydney

18 August 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--|------|--------------------|------------------|
| Revenue | 3 | 2,509,683 | 3,858,081 |
| Other Income | 3 | 743,895 | 696,728 |
| Raw materials and consumables used | | (344,474) | (485,073) |
| Expenses from continuing activities | 4 | (4,848,973) | (4,951,940) |
| Loss before income tax | | (1,939,869) | (882,203) |
| Income tax expense/(benefit) | 5 | 32,444 | 42,040 |
| Loss after income tax | 6 | (1,972,313) | (924,243) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Foreign currency translation difference for foreign operations, net of tax | | (11,354) | 50,189 |
| Other comprehensive income for the year, net of tax | | (11,354) | 50,189 |
| Total comprehensive (loss) for the year | | (1,983,667) | (874,054) |
| Attributable to: | | | |
| Owners of the Company | | (1,983,667) | (874,054) |
| Total comprehensive (loss) for the year | | (1,983,667) | (874,054) |
| Earnings per share attributable to the owners of the Company | | | |
| Earnings per share (EPS) | | | |
| Basic earnings per share (cents per share) | 7 | (1.1) | (0.6) |
| Diluted earnings per share (cents per share) | 7 | (1.1) | (0.6) |

This Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the attached Notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--------------------------------------|------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | 8 | 4,704,185 | 1,710,554 |
| Trade and other receivables | 9 | 340,075 | 404,366 |
| Inventories | 10 | 872,117 | 894,877 |
| Tax asset | 11 | 395,709 | 441,283 |
| Total current assets | | 6,312,086 | 3,451,080 |
| Non-current assets | | | |
| Other assets | 12 | 83,456 | 83,456 |
| Plant and equipment | 13 | 46,748 | 99,310 |
| Intangible assets | 14 | 477,010 | 469,684 |
| Right-of-use assets | 15 | 1,073,640 | 1,231,438 |
| Total non-current assets | | 1,680,853 | 1,883,889 |
| Total assets | | 7,992,940 | 5,334,969 |
| Current liabilities | | | |
| Trade and other payables | 16 | 478,164 | 556,020 |
| Provisions | 17 | 197,368 | 203,765 |
| Lease liabilities | 15 | 220,466 | 189,050 |
| Total current liabilities | | 895,998 | 948,835 |
| Non-current liabilities | | | |
| Provisions | 17 | 70,100 | 67,652 |
| Lease liabilities | 15 | 1,091,586 | 1,240,884 |
| Total non-current liabilities | | 1,161,686 | 1,308,536 |
| Total liabilities | | 2,057,684 | 2,257,371 |
| Net assets | | 5,935,256 | 3,077,598 |
| Equity | | | |
| Issued capital | 18 | 39,136,673 | 34,665,560 |
| Reserves | 19 | 3,711,264 | 3,352,406 |
| Accumulated losses | 6 | (36,912,681) | (34,940,368) |
| Total equity | | 5,935,256 | 3,077,598 |

This Statement of Financial Position is to be read in conjunction with the attached Notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2022

| | Issued Capital \$ | Options and rights Reserve \$ | Other reserves \$ | Accumulated Losses \$ | Foreign Currency Translation Reserve \$ | Total \$ |
|--|-------------------------|-------------------------------------|-------------------------|-----------------------------|--|------------------|
| Balance at 30 June 2020 | 34,197,430 | 2,907,072 | 300,000 | (34,016,125) | 33,968 | 3,422,345 |
| Loss for the year | - | - | - | (924,243) | - | (924,243) |
| Other comprehensive income | - | - | - | - | 50,189 | 50,189 |
| Total Comprehensive Income for the year | - | - | - | (924,243) | 50,189 | (874,054) |
| Transactions with Owners in their capacity as owners: | | | | | | |
| Shares issued (Note 18) | 309,000 | - | - | - | - | 309,000 |
| Transaction costs on shares issued (Note 18) | (10,870) | - | - | - | - | (10,870) |
| Share-based payments (Note 18) (Note 19) | 170,000 | 361,177 | - | - | - | 531,177 |
| Unissued equity | - | - | (300,000) | - | - | (300,000) |
| Balance at 30 June 2021 | 34,665,560 | 3,268,249 | - | (34,940,368) | 84,157 | 3,077,598 |
| Loss for the year | - | - | - | (1,972,313) | - | (1,972,313) |
| Other comprehensive income | - | - | - | - | (11,354) | (11,354) |
| Total Comprehensive Income for the year | - | - | - | (1,972,313) | (11,354) | (1,983,667) |
| Transactions with Owners in their capacity as owners: | | | | | | |
| Shares issued (Note 18) | 4,359,074 | - | - | - | - | 4,359,074 |
| Transaction costs on shares issued (Note 18) | (54,862) | - | - | - | - | (54,862) |
| Share-based payments (Note 18) (Note 19) | 166,900 | 370,212 | - | - | - | 537,112 |
| Balance at 30 June 2022 | 39,136,673 | 3,638,461 | - | (36,912,681) | 72,804 | 5,935,256 |

This Statement of Changes in Equity is to be read in conjunction with the attached Notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2022

| | Note | 2022 \$ | 2021 \$ |
|--|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 2,765,275 | 4,845,102 |
| Interest received | | 21,239 | 32,144 |
| Interest expense (lease) | 15 | (74,054) | (83,688) |
| Interest expenses (other) | | (4,670) | (11,824) |
| Payments to suppliers and employees (inclusive of GST) | | (4,365,953) | (5,426,761) |
| Grant and other income received | | 690,648 | 700,005 |
| Net cash from/ (used in) operating activities | 21 | (967,515) | 54,978 |
| Cash flows from investing activities | | | |
| Purchase of patents and trademarks | 14 | (109,487) | (27,841) |
| Purchase of plant and equipment | 13 | (5,826) | (5,510) |
| Net cash used in investing activities | | (115,313) | (33,351) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares and options | 18 | 4,359,075 | - |
| Payment of lease (Principal) | 15 | (255,313) | (270,998) |
| Share issue costs | 18 | (54,862) | (10,870) |
| Net cash provided by/(used in) financing activities | | 4,048,900 | (281,868) |
| Net increase/(decrease) in cash held | | 2,966,072 | (260,241) |
| Cash and cash equivalents at the beginning of the year | | 1,710,554 | 1,920,657 |
| Exchange rate adjustment for opening balance | | 27,559 | 50,138 |
| Cash and cash equivalents at the end of the year | 8 | 4,704,185 | 1,710,554 |

This Statement of Cash Flows is to be read in conjunction with the attached Notes.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended 30 June 2022

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the Consolidated Entity of Uscom Ltd and its Controlled Entities. Uscom Ltd is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ["AASB"] and the Corporations Act 2001, as appropriate for-profit oriented entities.

(i) Statement of compliance

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ["IASB"].

(ii) Historical cost convention

- The financial report has been prepared on an accrual basis under the historical cost convention.
- The financial report is presented in Australian dollars, which is the Parent Company's functional and presentational currency.
- The financial statements have been approved and authorised for issue by the Board of Directors on the 18 August 2022.

Going concern

The consolidated entity incurred an operating cash outflow of \$967,515 during the year ended 30 June 2022 (2021: inflow \$54,978). The total comprehensive loss for the year ended 30 June 2022 was \$1,983,667 (2021: \$874,054) and the cash on hand as at 30 June 2022 was \$4,704,185.

The consolidated entity's forecasts and projections for the next twelve months take into account the current status, operational changes and projected future trading performance, and indicate that, in the directors' opinion, the consolidated entity will be able to operate as a going concern.

Principles of consolidation

A Controlled Entity is any entity Uscom Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of Controlled Entities is contained in Note 23 to the financial statements. All Controlled Entities have a June financial year-end.

All inter-company balances and transactions between Entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of Subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity.

On consolidation, the assets and liabilities of the Consolidated Entity's overseas operations are translated at exchange rates prevailing at the reporting dates. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and are recognised in statement of profit or loss and other comprehensive income on disposal of the foreign operation.

Goods and services tax (GST)

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

New accounting standards and interpretations

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. These standards, amendments or interpretation are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2: Critical Accounting Estimates and Judgements

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

Key estimates – valuation of intangible and other non-current assets

The impairment tests are performed at the level of operating segments. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of any identifiable intangible asset in the business objectives. If assets are considered to be impaired, impairment expenses recorded for the amount by which the carrying value of the assets exceeds their fair value. Factors that would influence the likelihood of a material change in the reported results include significant changes in the asset's ability to generate positive cash flow, a significant decline in the economic and competitive environment on which the asset depends, significant changes in the strategic business objectives, utilisation of the asset, and a significant change in the economic and/or political conditions in certain countries.

Key estimates – valuation of employee share option plan shares

At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the shares or options.

Key Judgements - research and development claim

Judgement is required in determining the amount of grant revenue relating to the research and development claim. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be subject to change. The company calculates its research and development claim based on the company's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss in the year in which such determination is made.

Note 3: Revenue and other income

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Operating revenue | | |
| Sale of products | 2,443,350 | 3,847,920 |
| Services revenue | 66,333 | 10,161 |
| | 2,509,683 | 3,858,081 |
| Other income | | |
| Grants - R&D incentive | 395,346 | 443,395 |
| Grants – Others | 91,150 | 87,190 |
| COVID-19 Government subsidies | 130,851 | 134,000 |
| Foreign exchange gain | 36,004 | - |
| Interest received | 23,417 | 31,738 |
| Sundry income | 67,127 | 405 |
| Total other income | 743,895 | 696,728 |
| Total revenues and other income from continuing operations | 3,253,578 | 4,554,810 |

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows

| | Australia \$ | Asia \$ | Americas \$ | Europe \$ | Other regions \$ | Consolidated \$ |
|--------------------------------------|-----------------|------------------|----------------|----------------|---------------------|--------------------|
| 2022 | | | | | | |
| Sales of products | 27,915 | 1,110,301 | 329,383 | 816,878 | 158,873 | 2,443,350 |
| Services revenue | 13,051 | 1,818 | 898 | 50,567 | - | 66,333 |
| Total | 40,966 | 1,112,119 | 330,280 | 867,445 | 158,873 | 2,509,684 |
| Goods transferred at a point in time | 27,915 | 1,110,301 | 329,383 | 816,878 | 158,873 | 2,443,350 |
| Services transferred over time | 13,051 | 1,818 | 898 | 50,567 | - | 66,333 |
| Total | 40,966 | 1,112,119 | 330,280 | 867,445 | 158,873 | 2,509,684 |
| 2021 | | | | | | |
| Sales of products | 87,972 | 2,445,977 | 225,532 | 991,284 | 97,155 | 3,847,920 |
| Services revenue | 8,843 | - | 201 | 1,117 | - | 10,161 |
| Total | 96,815 | 2,445,977 | 225,733 | 992,401 | 97,155 | 3,858,081 |
| Goods transferred at a point in time | 87,972 | 2,445,977 | 225,532 | 991,284 | 97,155 | 3,847,920 |
| Services transferred over time | 8,843 | - | 201 | 1,117 | - | 10,161 |
| Total | 96,815 | 2,445,977 | 225,733 | 992,401 | 97,155 | 3,858,081 |

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts are disclosed as revenue net of returns, discounts, allowances and goods and services tax (GST).

- **Sale of goods**
Revenue from the sale of goods is recognised when control of the products has transferred, being the point in time when the products are delivered to the customer's specified location, the amount of revenue can be measured reliably, and it is probable that payment will be received by the Group.
- **Revenue from rendering of services**
Rendering of services consists of training, repair and product maintenance supplied to customers. Revenue is recognised when contractual obligations are expired and services are provided.
- **Interest revenue**
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- **Government grants**
Government grants revenue is recognised at fair value when there is reasonable assurance that the grant will be received and the grant conditions will be met.
- **Research and developments tax incentive**
R&D tax incentives are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the rebates will be received. R&D tax incentives are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the rebates are intended to compensate.

Note 4: Expenses from continuing activities

| | 2022 \$ | 2021 \$ |
|---|------------------|------------------|
| Depreciation and amortisation expenses | 160,338 | 125,254 |
| Depreciation – right-of-use assets | 255,314 | 270,998 |
| Employee benefits expense (2022: combined R&D staff costs) * | 2,959,533 | 2,195,055 |
| Research and development expenses (2022: R&D staff costs in above line) * | 43,305 | 815,857 |
| Advertising and marketing expenses | 662,706 | 634,525 |
| Occupancy expenses | 6,630 | 14,802 |
| Auditors remuneration (audit and review) | 93,950 | 94,200 |
| Regulatory expenses | 188,193 | 121,222 |
| Administrative expenses | 400,281 | 533,820 |
| Exchange losses | - | 50,694 |
| Finance costs | 78,723 | 95,513 |
| Total expenses from continuing activities | 4,848,973 | 4,951,940 |

* R&D staff costs of \$587,508 in 2022 are reclassified from research and development expenses to employee benefits expenses. (2021: R&D staff costs \$633,184 was included in research and development expenses)

Employee benefits expenses

Employer contributions to defined contribution superannuation plans are recognised as an expense in the profit or loss as they are paid or payable. Refer to Note 17 for details on provisions for employee benefits. Share based expenses of \$537,112 in 2022 (2021: \$531,177) are included in employee benefits expenses above.

Research and development expenses

Research & development costs are charged to the statement of profit or loss and other comprehensive income as incurred, or deferred where it is probable that sufficient future benefits will be derived so as to recover those deferred costs.

Note 5: Income tax

| | 2022 \$ | 2021 \$ |
|---|---------------|---------------|
| Major components of income tax | | |
| Current income tax | 32,444 | 42,040 |
| Income tax expense | 32,444 | 42,040 |
| Reconciliation between income tax credit and prima facie tax on accounting loss | | |
| Accounting loss before income tax | (1,937,869) | (882,203) |
| (Tax benefit) at 25% in Australia, 28% in USA, 11% in Hungary, 25% in China (2021: 26% in Australia, 28% in USA, 11% in Hungary and 25% in China) | (463,197) | (168,924) |
| Tax effect on non-taxable income and non-deductible expenses | 482,885 | 409,773 |
| Research and development tax credit | (100,087) | (121,770) |
| Temporary differences | 32,671 | (18,427) |
| Deferred tax assets on tax losses not brought to account | 80,172 | - |
| Previously unrecognised tax losses now recouped to reduce current tax expense | - | (58,612) |
| Income tax expense | 32,444 | 42,040 |

The consolidated entity currently has carried forward losses of \$18.4m from prior years in respect to its Australian operations and approximately \$2.3m in respect to its American and Asia operations. The utilisation of these carried forward losses is conditional on the consolidated entity meeting the conditions for deductibility imposed by the law in the period in which the consolidated entity derives sufficient taxable income in order to utilise these losses. For the year ended 30 June 2022, management has reviewed the deductibility of these losses in comparison to the estimated taxable income derived by the consolidated entity and are confident that sufficient losses are available to offset the expected taxable income for the financial year ended 30 June 2022. Whilst the consolidated entity has continued to trade positively due to the COVID-19 induced demand, it is currently not known with sufficient probability how the consolidated entity's trade will transpire for the FY23 period and beyond. As a consequence, the consolidated entity has elected not to recognise any deferred tax assets or carried forward income tax losses.

The table below has summarised the tax losses estimate derived from different jurisdictions.

| | Australia \$ | USA \$ | Hungary \$ | China \$ | Singapore \$ | Total \$ |
|-------------|-----------------|-----------|---------------|-------------|-----------------|-------------|
| 2022 | | | | | | |
| Tax losses | 18,383,537 | 1,404,799 | 511,535 | (71,043) | 467,441 | 20,696,269 |
| Tax credit | 4,595,884 | 393,113 | 56,269 | (17,761) | 79,465 | 5,106,970 |
| 2021 | | | | | | |
| Tax losses | 17,780,922 | 1,625,613 | 360,068 | (217,466) | 197,520 | 19,746,657 |
| Tax credit | 4,623,040 | 454,905 | 39,608 | (54,367) | 33,578 | 5,096,764 |

Note 6: Accumulated Losses

| | 2022 \$ | 2021 \$ |
|--|---------------------|---------------------|
| Accumulated losses at the beginning of the financial year | (34,940,368) | (34,016,125) |
| Loss for the year | (1,972,313) | (924,243) |
| Accumulated losses at the end of the financial year | (36,912,681) | (34,940,368) |

Note 7: Earnings per share

| | 2022 | 2021 |
|---|-------------|-------------|
| | \$ | \$ |
| Loss after tax used in calculation of basic and diluted EPS | (1,972,313) | (924,243) |
| Weighted average number of ordinary shares during the year used in calculation of basic EPS | 171,740,712 | 148,066,517 |
| Weighted average number of options outstanding | - | - |
| Weighted average number of rights outstanding | 1,063,834 | 1,114,415 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS | 172,804,546 | 149,180,932 |
| Basic earnings per share (cents per share) | (1.1) | (0.6) |
| Diluted earnings per share (cents per share) | (1.1) | (0.6) |

The options and rights in existence have an anti-dilutive effect on EPS, therefore there is no difference between basic earnings per share and diluted earnings per share as shown above

Note 8: Cash and cash equivalents

| | 2022 | 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash on hand | - | 226 |
| Bank: Cheque accounts | 1,641,558 | 1,668,498 |
| Bank: Cash management | 47,405 | 26,615 |
| Bank: Term deposits | 3,015,222 | 15,215 |
| Total cash and cash equivalents | 4,704,185 | 1,710,554 |

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year was between 0.05% and 0.45% (2021: between 0.05% and 0.75%)

Note 9: Trade and other receivables

| | 2022 | 2021 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Trade receivables (a) | 220,654 | 225,032 |
| Other receivables (b) | 119,421 | 179,335 |
| Total current receivables | 340,075 | 404,367 |

Trade receivables and other receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts. An estimated doubtful debt is made when collection of the full amount is no longer probable.

a. Past due but not impaired and impairment of receivables

Trade receivables are non-interest bearing and on an average of 45-day terms. Customers with balances past due without provisions for impairment of receivables amount to \$Nil as at 30 June 2022 (\$Nil as at 30 June 2021). The company has recognised a loss of \$NIL (2021: \$NIL) in profit and loss in respect of impairment of receivables for the year ended 30 June 2022.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The ECL assessment completed by the Group as at 30 June 2022 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2021: \$Nil).

b. Other receivables

These amounts related to prepayments, accrued interest and net GST refunds receivable. None of these receivables are impaired or past due but not impaired.

c. Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

Information about the company's exposure to fair value and credit risk in relation to trade and other receivables is provided in Note 22.

Note 10: Inventories

| | 2022 | 2021 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| Current inventories at cost | | |
| Raw materials | 669,765 | 657,832 |
| Finished products | 202,352 | 237,045 |
| Total inventories | 872,117 | 894,877 |

Inventories are measured at the lower of cost or net realisable value. Costs are assigned on the basis of weighted average costs. Cost comprises all costs of purchase and conversion and an appropriate proportion of fixed and variable overheads, net of settlement discounts. Overheads are applied on the basis of normal operative capacity. The costs are recognised when materials are delivered to the Consolidated Entity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 11: Tax asset

| | 2022 | 2021 |
|-----------------------------|----------------|----------------|
| | \$ | \$ |
| Income tax credit/(expense) | 709 | (26,717) |
| R & D tax incentive | 395,000 | 468,000 |
| Total tax asset | 395,709 | 441,283 |

Income tax

Income taxes are accounted for using the Balance Sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expenses except to the extent that the tax relates to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

The charge for current income tax expense/credit is based on the profit or loss for the year adjusted for any non- assessable or disallowed items. It is credited using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the Balance Sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

R & D tax incentive

The Consolidated Entity is eligible for a research and development (R&D) grant which is received on an annual basis after the Australia Tax Office processes the group's tax return. The amount of R&D grant receivable is accrued based on eligible expenses incurred during the respective financial year.

Note 12: Other assets

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| | \$ | \$ |
| Non-Current | | |
| Bank guarantee | 83,456 | 83,456 |
| Total other non-current assets | 83,456 | 83,456 |

The parent entity has provided a guarantee in respect of obligations under premises lease of \$83,456 (2021: \$83,456).

Note 13: Plant and equipment

| | 2022 | 2021 |
|--|---------------|---------------|
| | \$ | \$ |
| Plant and equipment at cost | 736,781 | 747,956 |
| Accumulated depreciation – including foreign exchange impact | (708,701) | (699,625) |
| | 28,080 | 48,331 |
| Office furniture and equipment at cost | 192,537 | 175,712 |
| Accumulated depreciation – including foreign exchange impact | (179,448) | (127,825) |
| | 13,089 | 47,887 |
| Computer software at cost | 36,278 | 43,338 |
| Accumulated depreciation – including foreign exchange impact | (32,924) | (41,029) |
| | 3,354 | 2,309 |
| Low value asset pool at cost | 38,542 | 59,456 |
| Accumulated depreciation – including foreign exchange impact | (36,317) | (58,673) |
| | 2,225 | 783 |
| Total plant and equipment | 46,748 | 99,310 |

| Movements in carrying amounts | Plant and equipment | Office furniture and equipment | Computer software | Low value asset pool | Total |
|--|------------------------|-----------------------------------|----------------------|-------------------------|---------------|
| Useful life | 2-7 years | 2-7 years | 3 years | 3 years | \$ |
| | \$ | \$ | \$ | \$ | \$ |
| Consolidated Entity | | | | | |
| Carrying amount at 1 July 2021 | 48,331 | 47,887 | 2,309 | 783 | 99,310 |
| Additions | - | - | 3,135 | 2,691 | 5,826 |
| Disposals | - | - | - | - | - |
| Depreciation expense | (20,319) | (34,874) | (1,607) | (1,377) | (58,177) |
| Effects of foreign currency exchange differences | 68 | 76 | (483) | 128 | (211) |
| Carrying amount at 30 June 2022 | 28,080 | 13,089 | 3,354 | 2,225 | 46,748 |

Property, plant and equipment are included at cost. Assets in plant and equipment are depreciated on diminishing value basis over their estimated useful lives covering a period of two to seven years.

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss in the statement of profit or loss and other comprehensive income.

The depreciation rates used for each class of depreciable assets are:

| <i>Class of Fixed Asset</i> | <i>Depreciation Rate</i> |
|--------------------------------|--------------------------|
| - Plant & Equipment | 20% - 25% |
| - Office Furniture & Equipment | 20% |
| - Computer Software | 25% |
| - Low Value Pool | 37.5% |

Note 14: Intangible assets

| | 2022 \$ | 2021 \$ |
|--|----------------|----------------|
| Non-current | | |
| Patents at cost | 2,112,066 | 2,002,579 |
| Accumulated amortisation | (1,635,056) | (1,532,895) |
| Impairment | - | - |
| Carrying amount at 30 June | 477,010 | 469,684 |
| Regulatory approvals -acquisitions through business combinations | 630,730 | 630,730 |
| Accumulated amortisation | (630,730) | (630,730) |
| Carrying amount at 30 June | - | - |
| Total intangible assets | 477,010 | 469,684 |
| Movements in carrying amounts | | |
| Patents carrying amount at 1 July | 469,684 | 498,121 |
| Additions | 109,486 | 27,841 |
| Impairment | - | - |
| Amortisation | (102,160) | (56,278) |
| Patents carrying amount at 30 June | 477,010 | 469,684 |

Recognition and Measurement

Intangibles are carried at cost less accumulated amortisation and impairment losses where applicable. Intangible assets acquired separately are capitalised at cost or if arising from a business combination at fair value as at the date of acquisition.

Intangible Assets comprise Intellectual Property in the form of Patents and Regulatory approvals (NMPA, FDA and CE). Patents and Regulatory approvals have finite useful lives. The current amortisation charge in respect of Patents and Regulatory approvals is included under Expenses from Continuing Activities in the Statement of Profit or Loss and Other Comprehensive Income. Patents and Trademarks are valued in the financial statements at cost of acquisition less accumulated amortisation and are amortised on a diminishing value basis at 12.5% per annum.

Impairment of assets

Intangible assets are monitored by management at the level of the four operating segments identified in Note 26.

A segment-level summary of the intangible allocation is presented below:

| | Australia \$ | Asia \$ | Americas \$ | Europe \$ | Consolidated \$ |
|-------------------------------------|-----------------|---------------|----------------|----------------|--------------------|
| 2022 | | | | | |
| Patent from cardiovascular products | 66,733 | 64,830 | 23,114 | 322,333 | 477,010 |
| Less: Impairment provided | - | - | - | - | - |
| Total | 66,733 | 64,830 | 23,114 | 322,333 | 477,010 |
| 2021 | | | | | |
| Patent from cardiovascular products | 36,975 | 74,095 | - | 358,614 | 469,684 |
| Less: Impairment provided | - | - | - | - | - |
| Total | 36,975 | 74,095 | - | 358,614 | 469,684 |

The group tests whether intangible assets have suffered any impairment on an annual basis or any indications present that an asset may be impaired. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

No impairment identified from the assessment in 2022 (2021: Nil).

Note 15: Right-of-use assets and Lease liabilities

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Right-of-use assets | 1,073,640 | 1,231,438 |
| Lease liabilities - current | (220,466) | (189,050) |
| Lease liabilities – non current | (1,091,586) | (1,240,884) |
| | 1,312,052 | 1,429,934 |
| Reconciliation of movement in lease liabilities: | | |
| Lease liability recognise at 1 July | 1,429,934 | 1,617,244 |
| Additions | 63,378 | - |
| Interest expense | 74,054 | 83,688 |
| Repayment of lease liabilities | (255,314) | (270,998) |
| Total lease liabilities as at 30 June | 1,312,052 | 1,429,934 |

The Group leases business premises (offices and laboratories). Rental contracts are typically for a fixed period of 12 months to 60 months and may include extension options. From 1 July 2019 leases are recognised as a right of use asset and a corresponding liability at the date at which the lease is available for use by the Group. Assets and liabilities are measured on a present value basis.

Lease payments are discounted using the interest rate implicit in the lease. Where a rate cannot be readily determined from the lease (generally the case) then the lessee's incremental borrowing rate will be used, being the rate the lessee would have to pay to borrow the funds to obtain the equivalent asset. As the Group does not have any borrowings the incremental borrowing rate has been determined using a build-up approach whereby the risk-free rate is adjusted for credit risk, considering factors such as term, country, and currency. Right of use assets are depreciated on a straight-line basis over the term of the lease. The Group has no variable lease payments in its leases.

Lease payments for operating leases of low value items or for a period of less than 12 months, where substantially all the risks and benefits remain with the lessor, are charged as expense in the period in which they are incurred.

Note 16: Trade and other payables

| | 2022 | 2021 |
|--------------------------------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Trade payables | 153,690 | 135,583 |
| Sundry payables and accrued expenses | 208,672 | 245,418 |
| Employee related payables | 115,802 | 175,019 |
| Total payables | 478,164 | 556,020 |

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

The carrying amounts of the Group's trade and other payables are denominated in Australian Dollars. For an analysis of the financial risks associated with trade and other payable refer to Note 22.

Note 17: Provisions

| | 2022 | 2021 |
|--|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Provision for annual leave | 160,956 | 156,504 |
| Provision for long service leave | 36,412 | 47,261 |
| | 197,368 | 203,765 |
| Non-current | | |
| Provision for long service leave | 26,826 | 22,391 |
| Provision for warranties | 22,150 | 26,600 |
| Provision for make good | 21,124 | 18,661 |
| | 70,100 | 67,652 |
| (a) Aggregate employee benefits | 224,194 | 226,156 |
| (b) Movement in employee benefits | | |
| Balance at beginning of the year | 226,156 | 241,535 |
| Additional provision | 147,521 | 142,701 |
| Amounts used | (149,483) | (158,080) |
| Balance at end of the year | 224,194 | 226,156 |
| (c) Movement in warranties | | |
| Balance at beginning of the year | 26,600 | 21,550 |
| Additional provision | (1,940) | 8,850 |
| Amounts used | (2,510) | (3,800) |
| Balance at end of the year | 22,150 | 26,600 |
| (d) Movement in make good | | |
| Balance at beginning of the year | 18,860 | 17,604 |
| Additional provision | 2,264 | 1,256 |
| Amounts used | - | - |
| Balance at end of the year | 21,124 | 18,860 |

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, and profit sharing and bonuses payables within 12 months and non-mandatory benefits such as medical care, housing, car and service goods.

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Consolidated Entity has a present obligation to pay resulting from employee services provided up to reporting date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

Long term employee benefits

Long term employee benefits include long-service leave, long-term disability benefits, deferred compensation and profit sharing and bonuses payable 12 months or more after the end of the period in which employee services are rendered.

Warranties

Provision is made in respect of the Consolidated Entity's estimated liability on all products and services under warranty at reporting date. The provision is measured at the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Consolidated Entity's history of warranty claims.

Lease Make Good

A provision for Lease Make Good is recognised in relation to the properties held under operating lease. The Group recognises the provision for property leases which contain specific clauses to restore the property to a specific condition. The provision at balance date represents management's best estimate of the present value of the future make good costs required.

Note 18: Issued capital

| | 2022 Number | 2021 Number | 2022 \$ | 2021 \$ |
|--|--------------------|--------------------|-------------------|-------------------|
| Ordinary shares | | | | |
| Fully paid ordinary shares | 196,768,333 | 154,384,643 | 39,136,673 | 34,665,560 |
| Total contributed equity | 196,768,333 | 154,384,643 | 39,136,673 | 34,665,560 |
| Movement in issued capital | | | | |
| Shares on issue at the beginning of the year | 154,384,643 | 149,828,334 | 34,665,560 | 34,197,430 |
| Ordinary share issued for cash | 39,627,942 | 3,090,000 | 4,359,074 | 309,000 |
| Ordinary share issued for in lieu of salary | 2,755,748 | 1,466,309 | 166,900 | 170,000 |
| Share issue costs | - | - | (54,862) | (10,870) |
| Issued Equity at the end of the year | 196,768,333 | 154,384,643 | 39,136,673 | 34,665,560 |

The Company's authorised share capital amounted to 196,768,333 ordinary shares of no-par value at 30 June 2022.

Fully paid ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, or via a show of hands.

Note 19: Options and rights reserve

The Consolidated Entity has adopted an Equity Incentive Plan for the benefit of an employee, contractor, consultant, executive director of the Group or any other person whom the Board determines to be eligible to participate in the Plans. The objective of the EIP is to provide reward and incentive to valuable personnel while preserving cash. The Board may impose conditions, including performance related conditions, on the right to exercise any options and rights granted under the Equity Incentive Plan.

The purpose of the Plan is to:

- provide Eligible Persons with an incentive plan which rewards ongoing contribution to the achievement by the Company of its strategic goals thereby encouraging the mutual interdependence of Participants and the Company;
- align the interests of Participants with shareholders of the Company through the sharing of a personal interest in the future growth and development of the Company as represented in the price of the Company's ordinary fully paid shares;
- encourage Eligible Persons to improve the performance of the Company and its total return to Shareholders; and
- provide a means of attracting and retaining skilled and experienced employees.

Under the Plan, the Consolidated Entity will be able to grant short-term incentive and long-term incentive awards to Eligible Employees (including Executive Directors). The Plan will provide the Board with the flexibility to grant equity incentives to Eligible Persons in the form of Plan Shares, Rights or Options, will only vest on the satisfaction of appropriate hurdles.

| | 2022 \$ | 2021 \$ |
|---------------------------------------|------------------|------------------|
| Options and rights reserves (i) | 3,628,461 | 3,268,249 |
| Foreign currency translation reserves | 72,803 | 84,157 |
| Total reserves | 3,711,264 | 3,352,406 |

| | 2022 Number | 2021 Number | 2022 \$ | 2021 \$ |
|--|------------------|------------------|------------------|------------------|
| (i) Movement in options and rights reserves | | | | |
| Opening balance | 1,586,782 | 450,000 | 3,268,249 | 2,907,072 |
| Granted during the period (a) | 2,036,782 | 1,436,782 | - | - |
| Exercised during the period (b) | (1,436,782) | (300,000) | - | - |
| Lapsed during the period | - | - | - | - |
| Share-based payment expenses | - | - | 537,112 | 531,177 |
| Fair value of shares issued to employees | - | - | (166,900) | (170,000) |
| Rights at the end of the period | 2,186,782 | 1,586,782 | 3,638,461 | 3,268,249 |
| Total | 2,186,782 | 1,586,782 | 3,638,461 | 3,268,249 |

(a) 1,636,782 indeterminate rights were issued to Rob Phillips on the terms and conditions approved by shareholders at the AGM on 14 October 2021 under the Equity Incentive Plan, vesting dependent on performance hurdles on 1 July 2022. Consideration

payable upon vesting is \$nil. The Board exercised its discretion to issue ordinary shares in lieu of cash. Upon meeting the performance hurdles, a total of 1,636,782 rights were exercised on 5 July 2022 after the reporting date.

(b) 200,000 performance rights were granted to Nick Schicht on 24 August 2021 and 200,000 on 1 April 2022 under the Equity Incentive Plan, vesting dependent on performance hurdles on 1 July 2022, and 1 July 2023. Consideration payable upon vesting is \$nil.

Performance rights were issued during the year, pursuant to the Equity Incentive Plan. Fair values at grant date are determined using a Black-Scholes Pricing Model that takes into account the exercise price, the term of the rights, the share price at the grant date, the expected volatility of the underlying share, and risk-free interest rate for the term of the option. The model inputs for options granted during the year ended 30 June 2022 are noted below:

| Grant date | # Granted | Vesting date | Vesting period (months) | Exercise price | Share price at issue date | Fair value at issue date | Est. volatility | Expected dividend yield | Average risk-free rate |
|------------|--------------|-----------------|-------------------------------|-------------------|---------------------------------|--------------------------------|--------------------|-------------------------------|------------------------------|
| 14-Oct-21 | 1,636,782 | 01-Jul-22 | 8.5 | Nil | \$0.135 | \$0.135 | 61% | Nil | 0.61% |
| 24-Aug-21 | 200,000 | 01-Jul-22 | 10 | Nil | \$0.145 | \$0.145 | 61% | Nil | 0.22% |
| 01-Apr-22 | 200,000 | 01-Jul-23 | 14 | Nil | \$0.098 | \$0.098 | 62% | Nil | 2.50% |

Uscom Ltd has adopted an Employee Share Option Plan for the benefit of Executive Directors and full-time or part-time staff members employed by the Consolidated Entity.

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

Note 20: Foreign currency translation reserve

| | 2022 \$ | 2021 \$ |
|--|---------------|---------------|
| Opening balance | 84,157 | 33,968 |
| Translation of financial statements of foreign Controlled Entities | (11,354) | 50,189 |
| Closing balance | 72,803 | 84,157 |

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss from continuous operations as they arise.

Note 21: Cash flow information

| | 2022 | 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| (a) Reconciliation of cash | | |
| Cash at bank and on hand | 4,704,185 | 1,710,554 |
| Total cash at end of year | 4,704,185 | 1,710,554 |
| (b) Reconciliation of cash flow from operations to loss from continuing operations | | |
| after income tax | | |
| Loss from continuing operations after income tax | (1,972,313) | (924,243) |
| Non cash flows in loss from continuing operations | | |
| Depreciation | 58,177 | 68,129 |
| Amortisation | 102,160 | 56,283 |
| Depreciation on right-of-use assets | 255,314 | 270,998 |
| Share based payment expenses | 537,112 | 531,177 |
| FX Gain & Losses | (11,353) | 50,693 |
| Loss on disposal of PPE | - | 1,595 |
| (Increase)/decrease in assets | | |
| Trade debtors and other receivables | 4,378 | 46,729 |
| Other assets | 59,913 | (5,851) |
| Inventories | 22,760 | (66,025) |
| Tax credit | 45,574 | 75,868 |
| Increase/(decrease) in liabilities | | |
| Trade and other payables | (65,089) | (41,104) |
| Provision | (4,148) | (9,271) |
| Net cash from/ (used in) operating activities | (967,515) | 54,978 |

Note 22: Financial instruments

a. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria of recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

b. Capital risk management

The Consolidated Entity manages its capital to ensure that companies in the Consolidated Entity are able to continue as a going concern. The capital structure of the Entity consists of cash and cash equivalents (Note 8) and equity attributable to equity holders of the Parent Entity, comprising issued capital (Note 18), and accumulated losses (Note 6).

c. Financial risk management objectives

The Consolidated Entity's principal financial instruments are cash and term deposit accounts. Its financial instruments risk is with interest rate risk on its cash and term deposits and liquidity risk for its term deposits.

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Board is updated monthly by management as to the amounts of funds available to the Consolidated Entity from either cash in the bank or term deposits, and continually monitors interest rate movements.

d. Foreign currency risk management

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Consolidated Entity does not have any forward foreign exchange contracts as at 30 June 2021 and is exposed to foreign currency risk on sales and purchases denominated in a currency other than Australian dollars.

The currencies giving rise to this risk is primarily the US Dollar, Euro and Chinese yuan. The Consolidated Entity incurs costs in US Dollars for its operations which provide a natural hedge for a portion of income denominated in US Dollars.

The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

| | 2022 | 2021 |
|-------------------------|-----------|------------|
| | USD | USD |
| Cash | 141,583 | 152,050 |
| Current trade debtors | - | - |
| Current trade creditors | 16,837 | 22,211 |
| | HUF | HUF |
| Cash | 5,700,531 | 2,459 |
| Current trade debtors | 51,112 | 3,249,184 |
| Current trade creditors | 991,947 | 10,224,208 |
| | EUR | EUR |
| Cash | 104,552 | 159,251 |
| Current trade debtors | 91,364 | 25,428 |
| Current trade creditors | - | 10,679 |
| | NZD | NZD |
| Cash | - | - |
| Current trade debtors | - | - |
| Current trade creditors | 8,487 | 18,447 |
| | CNY | CNY |
| Cash | 2,719,189 | 5,338,138 |
| Current trade debtors | 3,698,837 | 614,800 |
| Current trade creditors | 105,899 | 16,700 |

e. Foreign currency sensitivity

The Consolidated Entity is mainly exposed to exchange rate risks arising from movements in the US Dollar (USD), Euro (EUR), Hungarian forint (HUF) and Chinese yuan (CNY) against the Australian Dollar (AUD), and the US Dollar from the translation of the operations of its Controlled Entity. However the entity earns in these same currencies so there is a natural hedge against currency movements.

The analysis below demonstrates the profit impact of a 10% movement of USD, 5% movement of EUR, HUF and CNY rates against the AUD with all other variables held constant. 10% and 5% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

| | 2022 | 2021 |
|------------------------|-----------|-----------|
| | \$ | \$ |
| Sensitivity | | |
| 10% change in USD rate | 190,402 | 175,480 |
| 5% change in EUR rate | 9,264 | 9,529 |
| 5% change in CNY rate | 44,395 | 75,596 |
| 5% change in HUF rate | 18,532 | 35,811 |
| | 262,593 | 296,417 |
| Profit/Loss | | |
| - increase | (262,593) | (296,417) |
| - decrease | 262,593 | 296,417 |

f. Interest rate risk management

The Consolidated Entity does not have any external loans or borrowings as at 30 June 2022 and is not exposed to interest rate risks related to debt.

The Consolidated Entity is exposed to interest rate risk as companies in the Consolidated Entity hold cash and term deposits at both fixed and floating interest rates. The risk is managed by the Consolidated Entity maintaining an appropriate mix between both rates.

Management continually monitors its cash requirements through forecasts and cash flow projections and moves funds between fixed and variable interest instruments to hold the maximum amount possible in instruments which pay the greater rate of interest. This limits the amount of risk associated with setting a policy on the mix of funds to be held in fixed or variable interest rate instruments.

g. Interest rate sensitivity

A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

| | 2022 | 2021 |
|---|---------|---------|
| | \$ | \$ |
| Profit/Loss - increase 100 basis points | 2,342 | 3,174 |
| - decrease 100 basis points | (2,342) | (3,174) |

h. Credit risk management

Credit risk represents the loss that would be recognised if counterparties defaulted on its contractual obligations. The Consolidated Entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually. Ongoing credit evaluation is also performed on the financial condition of accounts receivable.

The Consolidated Entity does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics; because the current major counterparties are alliance distributors and public hospitals with approved funds available prior to purchases under most circumstances.

The credit risk on financial assets of the Consolidated Entity, as recognised on the Statement of Financial Position, is the carrying amount, net of any allowance for doubtful debts. Credit risk in respect of cash and deposits is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

| | 2022 | 2021 |
|--------------------------------------|----------------|----------------|
| | \$ | \$ |
| Debtors outstanding but not impaired | | |
| 0 - 45 days | 220,654 | 225,032 |
| 46 - 90 days | - | - |
| Over 90 days | - | - |
| Total | 220,654 | 225,032 |

No bad debt was written off during the year (2021: \$Nil). There was no doubtful debt provision as at 30 June 2022 (2021: Nil). The outstanding debts \$220,654 are not past due to the reporting date. The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details included in Note 9.

i. Liquidity risk management

The objective for managing liquidity risk is to ensure the business has sufficient working capital or access to working capital as and when required. The Consolidated Entity limits its exposure to liquidity risk by holding the majority of its assets in cash or term deposits which can be quickly converted to cash if required.

The following table details the Consolidated Entity's remaining contractual maturity for its non-derivative liabilities. The table has been drawn up based on the undiscounted cash flows expected to be received/paid by the Consolidated Entity.

| Consolidated | Weighted Average effective interest Rate % | Fixed interest rate maturing | | | | Total |
|------------------------------------|--|------------------------------|------------------------|-----------------------|-------------------------------|------------------|
| | | Floating interest \$ | Within 1 year \$ | 1 to 5 years \$ | Non-interest bearing \$ | |
| 2022 | | | | | | |
| Trade creditors | 0 | - | - | - | 153,690 | 153,690 |
| Payables | 0 | - | - | - | 115,802 | 115,802 |
| Lease liabilities | 6.14 | - | 310,430 | 1,226,230 | - | 1,536,660 |
| Total financial liabilities | | - | 310,430 | 1,226,230 | 269,492 | 1,806,152 |
| 2021 | | | | | | |
| Trade creditors | 0.0 | - | - | - | 135,583 | 135,583 |
| Payables | 0.0 | - | - | - | 175,019 | 175,019 |
| Lease liabilities | 5.71 | - | 189,050 | 1,240,884 | - | 1,429,935 |
| Total financial liabilities | | - | 189,050 | 1,240,884 | 310,602 | 1,740,537 |

The carrying amounts of financial assets and financial liabilities recorded at cost approximate their fair values.

Note 23: Related party disclosures

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

Parent and Controlled Entity

Parent Entity

| | |
|--|----------------------------------|
| Significant investments in subsidiaries: | Uscom Inc |
| Country of subsidiary incorporation: | U.S.A |
| Proportion of ownership interest: | 100% |
| Significant investments in subsidiaries: | Uscom Medical Ltd |
| Country of subsidiary incorporation: | U.K. |
| Proportion of ownership interest: | 100% |
| Significant investments in subsidiaries: | Uscom Kft |
| Country of subsidiary incorporation: | Hungary |
| Proportion of ownership interest: | 100% |
| Significant investments in subsidiaries: | Beijing Uscom Consulting Co. LTD |
| Country of subsidiary incorporation: | China |
| Proportion of ownership interest: | 100% |
| Significant investments in subsidiaries: | Uscom SNG Pte. Ltd. |
| Country of subsidiary incorporation: | Singapore |
| Proportion of ownership interest: | 100% |

Consolidated

The Parent and Ultimate Parent Entity is Uscom Limited.

Key management personnel

The following were key management personnel of the Consolidated Entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Directors

Christian Bernecker, Non-Executive Director
 Brett Crowley, Non-Executive Director
 Xianhui Meng, Non-Executive Director

Executive Directors

Rob Phillips, Executive Director, Chairman, Chief Executive Officer

Senior Executives

Nick Schicht, General Manager

For further remuneration information of key management personnel refer to the remuneration report in the Directors' report on pages 35.

The aggregate compensation made to Directors and other members of key management personnel of the Company and the Consolidated Entity is set out below:

| | 2022 | 2021 |
|--|----------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 642,703 | 662,510 |
| Post-employment benefits | 24,495 | 21,941 |
| Long-term benefits | 24,327 | 23,970 |
| Share-based payment | 270,566 | 381,176 |
| Total key management personnel remuneration | 962,091 | 1,089,597 |

Note 24: Parent entity information

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Set out below is the supplementary information about the parent entity. | | |
| Statement of comprehensive income | | |
| Loss after income tax | (1,983,667) | (1,174,054) |
| Total comprehensive income | (1,983,667) | (1,174,054) |
| Statement of financial position | | |
| Total current assets | 6,085,128 | 3,038,760 |
| Total assets | 6,532,532 | 3,697,636 |
| Total current liabilities | 527,177 | 552,387 |
| Total liabilities | 597,277 | 620,039 |
| Equity | | |
| Contributed equity | 39,136,673 | 34,665,560 |
| Options reserve | 3,638,461 | 3,268,249 |
| Accumulated losses | (36,839,879) | (34,856,211) |
| Total equity | 5,935,255 | 3,077,598 |

Contingent liabilities

The parent entity has provided a guarantee in respect of obligations under premises lease of \$83,456 (2021: \$83,456). No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee.

Other than the guarantee mentioned above, the parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1.

Note 25: Auditors' remuneration

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$ | \$ |
| Audit services | | |
| BDO Audit Pty Limited for audit and review of financial reports | 92,750 | 77,200 |
| BDO Hungary for audit | 1,200 | 12,000 |
| Total remuneration for audit services | 93,950 | 94,200 |
| Non-audit services | - | 5,000 |
| Total audit and non-audit services | 93,950 | 94,200 |

Note 26: Operating segments

Segment information

The Consolidated Entity operates in the global health and medical products industry.

The Consolidated Entity sells two cardiovascular products, the USCOM 1A cardiac output monitor and the Uscom BP+ central blood pressure monitor and a series of pulmonary products the Uscom SpiroSonic spirometers.

Globally the Company has five geographic sales and distribution segments Australia, Asia, the Americas, Europe and Middle East and Africa, and other regions. For each segment, the CEO and General Manager review internal management reports on at least a monthly basis.

In 2022, the customer group operates in Asia and accounts for approximately 45% of the total sales (2021: 64%). For the current period USCOM 1A comprised 84%, SpiroSonic spirometers 15% and BP+ 2% of the total Uscom sales revenue.

Basis of accounting for purposes of reporting by operating segments

Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and accounting standard AASB 8 Operating Segments which requires a 'Management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change to the reportable segments as operating segments continue to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which is the Board of Directors.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of inventories, property, plant and equipment and intangible assets. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are not allocated. Segment liabilities consist primarily of trade and other creditors, employee benefits and provisions for warranties. Segment assets and liabilities do not include deferred income taxes.

| | Australia \$ | Asia \$ | Americas \$ | Europe \$ | Consolidated \$ |
|---|-----------------|------------|----------------|--------------|--------------------|
| 2022 | | | | | |
| Sales to external customers | 199,839 | 1,112,119 | 330,280 | 867,445 | 2,509,683 |
| Other income/revenue | 571,659 | 15,022 | 61,718 | 95,497 | 743,895 |
| Total segment revenue/income | 771,498 | 1,127,141 | 391,998 | 962,942 | 3,253,578 |
| Segment expenses | 2,791,094 | 978,869 | 561,329 | 862,156 | 5,193,448 |
| Segment result | (2,019,597) | 148,272 | (169,330) | 100,785 | (1,939,869) |
| Income tax | - | 1,229 | - | (33,675) | (32,444) |
| Consolidated loss from ordinary activities after income tax | (2,019,597) | 149,501 | (169,330) | 67,111 | (1,972,313) |
| Segment assets | 6,501,176 | 1,229,153 | 65,497 | 197,115 | 7,992,940 |
| Segment liabilities | 1,782,805 | 163,159 | 15,930 | 95,791 | 2,057,684 |
| Acquisition of plant and equipment and intangibles | 42,719 | - | 25,548 | 47,045 | 115,312 |
| Depreciation and amortisation | 243,745 | 49,879 | 4,950 | 117,077 | 415,651 |
| 2021 | | | | | |
| Sales to external customers | 193,970 | 2,445,977 | 225,733 | 992,401 | 3,858,081 |
| Other income/revenue | 591,600 | 27,932 | - | 77,197 | 696,729 |
| Total segment revenue/income | 785,570 | 2,473,909 | 225,733 | 1,069,598 | 4,554,810 |
| Segment expenses | 3,058,217 | 987,430 | 393,364 | 998,002 | 5,437,014 |
| Segment result | (2,272,647) | 1,486,479 | (167,631) | 71,596 | (882,203) |
| Income tax | - | (5,391) | - | (36,649) | (42,040) |
| Consolidated loss from ordinary activities after income tax | (2,272,647) | 1,481,088 | (167,631) | 34,947 | (924,243) |
| Segment assets | 3,485,014 | 1,404,351 | 115,057 | 330,546 | 5,334,969 |
| Segment liabilities | 1,936,777 | 127,210 | 66,070 | 127,314 | 2,257,371 |
| Acquisition of plant and equipment and intangibles | 19,985 | - | 1,640 | 11,725 | 33,350 |
| Depreciation and amortisation | 245,055 | 68,260 | - | 82,936 | 396,252 |

Note 27: Contingencies

Other than the guarantee mentioned at Note 24, the consolidated entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Note 28: Events after the reporting date

No matters or circumstances have arisen since the end of the financial year to the date of this report, that has significantly affected or may significantly affect the activities of the Consolidated Entity, the results of those activities or the state of affairs of the Consolidated Entity in the ensuing or any subsequent financial year.

Impact of COVID

The impact of COVID on Uscom's prior operations has been significant, as predicted last year, while the effect of COVID on future results of Uscom is uncertain.

The future impact on Uscom operations of COVID and COVID derived viruses very much depends on the course of COVID and its variants, and the clinical characteristics and the political response to these disease. Possible outcomes range from a rapid disappearance of the current virus and its variants, as has happened with prior pandemics, through to a rapid increase in its virulence to become a widespread, persistent and socially devastating global disease.

In the event of scenario 1 there may be an accompanying and steady recovery of global travel and business which will result in a rapid return of Uscom results to pre-pandemic levels with a rebound of global growth.

In scenario 2 the virus may continue to evolve through multiple iterations with increasing clinical consequences requiring implementation of current COVID Zero type protocols. In this worst "doomsday" scenario this more clinically dangerous virus with extreme transmissibility may result in widespread mortality and social disruption. This would result in a global depression of business activity with significant but difficult to predict commercial consequences for Uscom.

The most likely result will be somewhere in between, with variants of the virus recurring annually with diminishing impact as it becomes an endemic infectious disease, with society and business adapting to a uncomfortable co-existence as its commercial and social impact diminishes over time.

The USCOM 1A and Uscom SpiroSonic devices are useful to monitor the effective heart and lung function of acutely infected subjects, and to monitor the post COVID complications of pulmonary fibrosis. Depending on the disease trajectory and social responses to them, Uscom may benefit from widespread adoption in the global management of the disease with an increase in sales.

Management are alert to these risks and will continue to monitor and respond appropriately to changes in spread of global infectious diseases of all kinds.

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DIRECTORS DECLARATION

Uscom Limited and its Controlled Entity

1. The directors of the company declare that: The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying Notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date.
2. The company has included in the Notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The directors have been given the declarations required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Professor Rob Phillips
Chairman
18 August 2022

INDEPENDENT AUDIT REPORT



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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Uscom Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Uscom Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

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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.

Impairment and carrying value of intangible assets

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|--|
| <p>As disclosed in <i>Note 14 Intangibles Asset</i> of the financial report, the carrying value of intangible assets were considered significant to our audit as the carrying value of \$477,010 at 30 June 2022 is material to the financial statements and requires considerable judgement and estimation by management based on increasing uncertain outcomes of regulatory approvals in all jurisdictions as well as the unpredictable effect of COVID-19 on future results of Uscom.</p> | <p>Our audit procedures include amongst other:</p> <ul style="list-style-type: none"> • Evaluated management’s assessment of the impact of the COVID-19 pandemic on the Group to assess any impairment indicators present according to <i>AASB 136 Impairment of Assets</i>. • Critically reviewed the Value-in-Use (‘VIU’) models prepared by management based on the identified cash generating units (‘CGUs’) through challenging and testing the following key assumptions: <ul style="list-style-type: none"> ○ Growth on sales volume and price; ○ Budgeted gross margin; ○ Other operating costs; and ○ Long-term growth rate • Re-performed the valuation assessment of growth rates, terminal values and discount factors used in discounted cash flow valuations based on BDO sensitised results. • Together with BDO internal specialists, assessed the reasonableness of the discount rate applied by management across the different CGUs. • Reviewed the regulation process for NMPA approvals for the SpiroSonic device, as well as the appropriateness of timing reflected in the revenue forecasts associated with that device. • Reviewed the accuracy of the impairment models calculations. • Reviewed the patents in relation to the appropriateness of the amortisation rates and useful economic lives. |

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- Evaluated the adequacy of the disclosures in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Uscom Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd



John Bresolin
Director

Sydney, 18 August 2022

SHAREHOLDERS INFORMATION

Additional information required by Australian Stock Exchange Listing Rules is as follows. This information is current as at 31 July 2022.

Distribution schedules of shareholder

| Holdings Ranges | Holders Number | Ordinary Shares Number | % |
|--------------------------|----------------|------------------------|----------------|
| 1 – 1,000 | 43 | 5,814 | 0.000 |
| 1,001 – 5,000 | 72 | 301,504 | 0.150 |
| 5,001 – 10,000 | 159 | 1,269,531 | 0.640 |
| 10,001 – 100,000 | 403 | 14,253,273 | 7.180 |
| 100,001 – 99,999,999,999 | 142 | 182,805,512 | 92.030 |
| Total | 819 | 198,635,884 | 100.000 |

There were 187 holders of less than a marketable parcel of 7,692 ordinary shares.

Class of shares and voting rights

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

Substantial shareholders

The names of the substantial shareholders listed in the holding company's register as at 31 July 2022 are:

| | |
|--|------------|
| MR ROBERT ALLAN PHILLIPS | 43,500,078 |
| CITICORP NOMINEES PTY LIMITED | 42,985,397 |
| JETAN PTY LTD & JETAN PTY LTD <G R PLUMMER SUPER FUND A/C> | 19,567,761 |

Twenty largest registered holders – ordinary shares

| Balance as at 31 July 2022 | Ordinary Shares Number | % |
|---|------------------------|--------|
| MR ROBERT ALLAN PHILLIPS | 43,500,078 | 21.899 |
| CITICORP NOMINEES PTY LIMITED | 42,985,397 | 21.640 |
| JETAN PTY LTD | 13,067,761 | 6.579 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 8,539,336 | 4.299 |
| JETAN PTY LTD <G R PLUMMER SUPER FUND A/C> | 6,500,000 | 3.272 |
| MRS CHRISTINE QUYE | 5,441,450 | 2.739 |
| INVIA CUSTODIAN PTY LIMITED <BOZWALD PTY LTD A/C> | 3,289,168 | 1.656 |
| MR DAVID LEROY BOYLES | 3,000,000 | 1.510 |
| MS PAMELA JACK | 2,845,212 | 1.432 |
| INVIA CUSTODIAN PTY LIMITED <RIVERBEL FAMILY NO 3 A/C> | 2,714,554 | 1.367 |
| MR DONGJUN SUN | 2,414,125 | 1.215 |
| MR RUTHERFORD JAMES BROWNE & MRS SHEBA ELIZABETH MARJORIE BROWNE | 2,031,991 | 1.023 |
| MR PERRY JULIAN ROSENZWEIG | 1,820,000 | 0.916 |
| MS TIANRAN GUO | 1,593,870 | 0.802 |
| RAEWYN JANETTE LOVETT & STRUAN GRANT MCOMISH <SHARROCK FAMILY A/C> | 1,477,640 | 0.744 |
| MR CHRISTOPHER JAMES WERE & LOCKHART TRUSTEE SERVICES NO 17 LIMITED | 1,424,095 | 0.717 |
| MR DOUGLAS JAMES CAMERON | 1,417,100 | 0.713 |
| TRENTHAM SUPER PTY LTD <TRENTHAM SF A/C> | 1,351,000 | 0.680 |
| QUERION PTY LTD | 1,266,667 | 0.638 |
| MR DEAN LEON BURROWS & MRS KERRY ANN BURROWS | 1,000,000 | 0.554 |
| Total Securities of Top 20 Holdings | 147,779,444 | 74.397 |
| Total Securities | 198,635,884 | |

Registered office and principal place of office

Suite 2, Level 8, 66 Clarence Street
Sydney NSW 2000 Australia
Tel: 02 9247 4144

Company secretary

Brett Crowley

Registers of securities

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000 Australia

GPO Box 3993
Sydney NSW 2001 Australia

Tel: 1300 737 760

Fax: 1300 653 459

www.boardroomlimited.com.au

Stock exchange listing

Quotation has been granted for 198,635,884 ordinary shares of the Company as at 31 July 2022 on all Member Exchanges of the Australian Stock Exchange Limited.

Unquoted securities

Rights over unissued shares as at 31 July 2022

150,000 rights over ordinary shares are on issue to an executive under the Equity Incentive Plan.



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