

## 1. Company details

|                   |                                 |
|-------------------|---------------------------------|
| Name of entity:   | BOD Australia Limited           |
| ABN:              | 89 601 225 441                  |
| Reporting period: | For the year ended 30 June 2022 |
| Previous period:  | For the year ended 30 June 2021 |

## 2. Results for announcement to the market

|   |      |       |    |             | \$ |
|---|------|-------|----|-------------|----|
| Revenues from ordinary activities   | down | 31.5% | to | 5,080,466   |    |
| Loss from ordinary activities after tax attributable to the owners of BOD Australia Limited | up   | 27.9% | to | (5,406,544) |    |
| Loss for the year attributable to the owners of BOD Australia Limited                       | up   | 27.9% | to | (5,406,544) |    |

### Dividends

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

### Comments

The loss for the consolidated entity after providing for income tax amounted to \$5,406,544 (30 June 2021: \$4,226,105).

Refer to the 'Review of operations' section of the Directors' report for further commentary on the results of the consolidated entity.

## 3. Net tangible assets

|   | Consolidated<br>2022<br>\$   | 2021<br>\$                  |
|---|------------------------------|-----------------------------|
| Net assets                                | 3,466,740                    | 8,660,524                   |
| Less: Intangibles                         | <u>(415,426)</u>             | <u>(337,906)</u>            |
| Net tangible assets                       | <u>3,051,314</u>             | <u>8,322,618</u>            |
| Number of ordinary shares on issue        | 105,914,920                  | 105,914,920                 |
|   | Reporting<br>period<br>Cents | Previous<br>period<br>Cents |
| Net tangible assets per ordinary security | <u>2.88</u>                  | <u>7.86</u>                 |

## 4. Loss of control over entities

Not applicable.

## 5. Dividends

### Current period

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

*Previous period*

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

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#### **6. Dividend reinvestment plans**

Not applicable.

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#### **7. Details of associates and joint venture entities**

Not applicable.

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#### **8. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

The foreign entities are presented in compliance with International Financial Reporting Standards (IFRS).

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#### **9. Audit qualification or review**

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

The financial statements have been audited and an unqualified opinion has been issued, including an emphasis of matter regarding going concern.

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#### **10. Attachments**

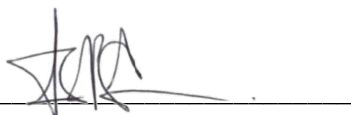
*Details of attachments (if any):*

The Directors' report and annual financial statements of BOD Australia Limited for the year ended 30 June 2022 is attached.

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#### **11. Signed**

Signed \_\_\_\_\_

A handwritten signature in black ink, appearing to read 'Joanne Patterson', written over a horizontal line.

Date: 30 August 2022

Joanne Patterson  
Director and Chief Executive Officer  
Sydney



# **BOD Australia Limited**

**ABN 89 601 225 441**

**Directors' report and annual financial statements**

**30 June 2022**

For personal use only

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of BOD Australia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

### **Directors**

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

David Baker (Non-Executive Chairman) (appointed on 4 April 2022)  
George Livery  
Joanne Patterson  
Akash Bedi  
Hanno Cappon (appointed on 20 July 2021)  
Mark Masterson (Non-Executive Chairman) (resigned on 16 May 2022)  
Simon O'Loughlin (resigned on 4 April 2022)  
Patrice Malard (resigned on 19 July 2021)

### **Principal activities**

The principal activities of the consolidated entity during the year were the development of premium cannabidiol ('CBD') and hemp products for consumer markets in Australia, the United Kingdom, Europe and United States, as well as the development and distribution of therapeutic medicinal cannabis products based on Good Manufacturing Practice ('GMP') certified cannabis extracts for medical markets in Australia and the United Kingdom.

### **Dividends**

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

### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$5,406,544 (30 June 2021: \$4,226,105).

Total revenue for the year was \$5,080,466, a 32% decrease on the prior corresponding period ('PCP') (FY2021: \$7,419,562).

Sales revenue from the consolidated entity's MediCabilis® medicinal cannabis products range in Australia and the UK was \$1,648,981, a 7% decrease on the PCP (FY2021: \$1,777,525). During the year, the medicinal cannabis division shipped 7,182 units to customers, a 25% decrease on the PCP (FY2021: 9,592 units). While sales are down on the prior year, reflecting the market's move to THC flower, the consolidated entity continues to hold its market share in the CBD market.

Sales of CBD and hemp products to global partner Health and Happiness Group Limited ('H&H', HKSE: 1112) contributed \$1,281,098 in revenue. This is a 58% decrease on the PCP (FY2021: \$3,074,691) and was impacted by new market entries and recurring sales being slower than expected, as well as issues associated with product manufacturing (referred to below). The consolidated entity continues to work with H&H on international expansion opportunities and sales growth initiatives.

Non-CBD, over the counter, legacy health and beauty products generated \$494,564 in sales, which is a 27% reduction on the PCP (FY2021: \$677,022) and reflects the consolidated entity's ongoing focus on growing its medicinal cannabis and CBD and wellness divisions. Sales decreased due to the impact of COVID-19 on our retail customers for the product ranges, a lack of product innovation and some products being sold at a discount due to shelf-life restrictions. The division was also impacted by stock availability during the first half of the year.

Total revenue generated for the year included \$1,337,583 in R&D tax incentives (FY2021: \$764,106), reflecting the increasing level of R&D activities.

Excluding the one-off manufacturing cost mentioned below, the consolidated entity's gross profit margin was 33% compared to 24% in FY2021. This improved margin is due to a more favourable customer mix in the current year as well as improvements in the cost of goods.

The consolidated entity's loss from ordinary activities was \$5,406,544, a 28% increase on the PCP (FY2021: \$4,226,105). The increased loss is mainly due to the recognition in the prior year of R&D fee income from H&H of \$1,049,164, as well as a one-off cost incurred in the current year of \$519,000 in raw materials and consumables used due to manufacturing issues associated with the consolidated entity's CBD wellness products, which were for sale in Italy. The consolidated entity has commenced steps to resolve this issue with its contract manufacturer and has not settled as at 30<sup>th</sup> June 2022.



The consolidated entity held \$3,665,738 in cash and cash equivalents at the end of the year. This, along with a planned equity raise in the September 2022 quarter, provides the consolidated entity with significant financial flexibility to progress its clinical trial initiatives and international expansion opportunities across its medicinal cannabis and CBD and wellness product suite.

#### **Effects of COVID-19**

The consolidated entity has not experienced any adverse effect on operations from the COVID-19 pandemic. It has developed a stringent workplace safety policy, which is designed to ensure the safety of staff in key operating markets. The consolidated entity has continued to develop this strategy, alongside the evolving operating environment.

While some counterparties operating in markets including the United Kingdom and USA have witnessed minor delays in operations, the consolidated entity advises that its sales channels remain uninterrupted. Further and given that its product ranges are centred on preventative healthcare, the consolidated entity will benefit from consumers moving towards supplementation to support wellbeing.

The consolidated entity does not rely on a single contract manufacturer and its raw material suppliers have adapted appropriate contingencies to ensure all aspects of the supply chain remain uninterrupted despite broader market conditions.

#### **Significant changes in the state of affairs**

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

#### **Matters subsequent to the end of the financial year**

On 30 August 2022, the consolidated entity announced that it had entered into an agreement to acquire, subject to the satisfaction of certain conditions precedent, an invention known as "Aqua Phase" and related assets (Invention). The Invention relates to water-soluble cannabis product technology which makes lipophilic chemicals from cannabis compound(s) soluble in aqueous liquids (for example, water). The consolidated entity intends to use the Invention as a delivery mechanism for its current and future portfolio of CBD and medicinal cannabis products, as well as having the potential to generate revenue from licensing the Invention in the future. Under the terms of the agreement, the consolidated entity will pay the following consideration for the Invention:

- (i) A cash payment of GBP £1,000,000 on the completion date. Completion is subject to the satisfaction of various conditions precedent including the company raising not less than \$2,000,000 in capital within 4 months of the date of the agreement.
- (ii) A payment of GBP £500,000 on successful manufacture to pharmaceutical GMP standards of two batches of the Milestone Product to specified criteria no later than 24 months after the completion date (Milestone Payment 1).
- (iii) A payment of GBP £1,500,000 on successful production of the first commercial pharmaceutical GMP (100,000-500,000 capsule run) batch of Milestone Product, where 'successful production' means the Milestone Product has been manufactured in accordance with necessary specifications and regulations and will be able to be offered for commercial use no later than 36 months after the completion date (Milestone Payment 2).
- (iv) In connection with the transaction, the consolidated entity will enter into fixed term consultancy agreements with key management personnel of the seller. Under the consultancy agreements, the consolidated entity will be required to make payments totalling GBP £200,000 per annum for two years.

The company may, subject to shareholder approval, elect to settle any or all of Milestone Payments 1 and 2 in cash or through the issue of shares in the company in lieu of cash. If the company exercises the option to settle in shares, the value of the shares will be the 3-month VWAP prior to the date of payment, less a discount of 10%.

On 30 August 2022, the consolidated entity announced its intention to undertake a capital raising by way of a share placement and pro rata, non-accelerated, non-renounceable entitlement offer.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

#### **Likely developments and expected results of operations**

The consolidated entity will continue to advance opportunities through its two main commercial operating divisions and its research and development function.

This includes the development of new CBD and hemp products with global partner Health & Happiness Group Ltd (H&H Group, HKSE: 1112) for sale under new and existing H&H Group brands in new and existing markets.

Through the consolidated entity's medicinal cannabis division, it will launch the first pharmaceutical grade CBG products in both Australia and the United Kingdom. CBG has been found to reduce symptoms associated with fibromyalgia, inflammatory bowel disease and anxiety. The medicinal cannabis division will also continue to explore opportunities to launch its MediCabilis product into new countries in Europe, as well as assess opportunities in the US.

The consolidated entity will continue to invest in research and development projects. In particular, the business will continue progressing its Schedule 3 Phase IIB clinical trial, in partnership with The Woolcock Institute of Medical Research, to investigate the efficacy of its uniquely developed CBD formulation on symptoms associated with insomnia. Upon successful completion of the trial, the consolidated entity will have sufficient data to bring a new product to market that can be sold over the counter by a pharmacist to consumers without a prescription. A further clinical trial is in progress designed to investigate the effectiveness of the consolidated entity's CBD dominant medicinal cannabis product on long-COVID. Both of these initiatives will coincide with additional opportunities.

### **Material business risks**

The operating and financial performance of the consolidated entity is influenced by a variety of general economic and business conditions that affect all industries, some of which are beyond the consolidated entity's reasonable control. These conditions include, but are not limited to: general economic conditions in jurisdictions in which the business operates; changes to Government and Regulatory Agencies' fiscal, monetary, regulatory and taxation policies in jurisdictions where it operates; the strength of equity and share markets in Australia and internationally, and in particular investor sentiment towards the bio-pharmaceuticals sector; fluctuations and outlook on interest rates and inflation rates in jurisdictions where the business operates; and global geo-political events, natural disasters, social disruption or war in jurisdictions in which the consolidated entity operates.

The business risks assessed as having the potential to have a material impact on the business, operating and/or financial results and performance of the consolidated entity include:

#### *(a) Competition and new technologies*

The bio-pharmaceuticals industry and more specifically the medicinal cannabis sector is highly competitive. Should any of the consolidated entity's competitors participate more aggressively on price, product, innovation or other means, this could adversely impact the financial and operating performance of the business.

The consolidated entity seeks to mitigate this risk by closely monitoring the competitive landscape, forming commercial relationships with highly regarded counterparties and developing innovative and unique product formulations.

#### *(b) Reputational risks*

The consolidated entity takes pride in its values and mission, ensuring that its strategy (supported by policies, standards and procedures) remains consistent with these core values.

The consolidated entity operates in a fast-changing environment and negative publicity can spread quickly, whether true or false. Negative comments by disgruntled customers or a failure to meet the expectations of health care professionals may have a disproportionate effect on the reputation of the business and its ability to earn revenues and profits.

The consolidated entity conducts regular audits of its manufacturing partners to ensure that they meet appropriate standards of GMP.

The business has established brand and intellectual property protection strategies which protect our brands and products.

#### *(c) People and culture*

The consolidated entity's success is reliant on attracting and retaining experienced, skilled and motivated talent, including Directors and management. Loss of key personnel could have an adverse impact on business performance.

The consolidated entity has in place employment arrangements designed to create an environment to attract and retain talent consistent with and aligned to our stated values and mission. Performance-based incentives exist for every staff member to drive business performance and are aligned to business strategy and vision. Our culture is driven by a consistent tone from the top and aligned incentives.

The consolidated entity has established flexible workplace and work from home policies and procedures.

*(d) Outsourcing*

The consolidated entity outsources to consultants and professional services firms for expert advice and contract organisations for research, clinical and manufacturing services and there is no guarantee that such experts or organisations will be available as required or will meet expectations.

The consolidated entity manages this risk through engaging with reputable and well-established counterparties, monitoring of counterparty performance against agreed standards and ensuring that appropriate contractual arrangements are in place to protect the interests of the business.

*(e) Liability claims and litigation*

As with all pharmaceutical products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or development defects will not arise. The consolidated entity may be exposed to liability claims, disputes and litigation in relation to its operations and customers. Proceedings may result in reputational damage and cause the business to expend significant financial and managerial resources to defend against such claims. If a successful claim is made against the consolidated entity, its reputation and brand may be negatively impacted or it may be subject to regulatory fines or penalties resulting in adverse effects on business prospects, financial performance and financial position.

The business has developed detailed processes to ensure the safety of its products.

*(f) Research and development*

An important aspect of the consolidated entity's business is to continue to invest in innovation and related product development opportunities. The business believes that it must continue to dedicate resources to innovation efforts and expand its product offering to maintain its competitive position. Developing new products is expensive and often involves an extended period of time to achieve a return on investment. The business may not, however, receive benefits from this investment for several years or may not receive benefits at all.

The consolidated entity has established a highly experienced Medical Advisory Board and engages highly reputable research partners to assist with the design and management of its research and development activities.

*(g) Clinical Testing*

Clinical trials may be required for the consolidated entity's products to receive government and regulatory approval. There is no guarantee that the clinical trials will produce a positive result demonstrating safety and efficacy, that they will be conducted and completed quickly or cost effectively or that regulatory agencies will allow the business to undertake such trials. Any of these events will impact the timeline for commercialising a product and the financial performance of the business.

The consolidated entity engages highly reputable research partners to assist with the design and management of its clinical studies.

*(h) Intellectual property protection*

The future commercial success of the consolidated entity's products relies upon its ability to obtain and maintain legal protection for its intellectual property. Failure to do so may erode the competitive position of the business and adversely impact its operations, financial position and financial performance.

*(i) Regulatory environment*

The sale of the consolidated entity's medicinal cannabis products is highly regulated. The business now has products in a number of jurisdictions including Australia, United Kingdom, Europe and the United States and it must comply with changes in government legislation and regulatory requirements across a number of jurisdictions. Changes in regulations may expose the business to increased compliance costs and resources, licensing and reporting obligations, breaches of law, criminal or civil claim and increased product requirements.

The consolidated entity employs specialised and experienced resources and teams (Quality, Regulatory, etc) to oversee and educate stakeholders of relevant regulatory requirements and monitor potential changes. Where required, the business also engages specialist advisors to support legal and regulatory oversight for new and emerging markets.

The business actively engages with key government, industry and regulatory bodies to stay abreast of regulatory and policy changes.



*(j) Future profitability*

The consolidated entity is still in the early stages of commercialising its market portfolio of CBD products. To date, it has funded operations principally through issuing equity securities, revenue derived from contracts with its customers and marketing arrangements with third parties, research and development tax incentives and government grants. If the business is unable to continue to grow sales of its existing products, or successfully develop and commercialise new products, it may not achieve profitability in the future.

*(k) Future capital needs*

Further funding may be required by the consolidated entity to support its ongoing activities and operations. The business may seek to raise further capital through equity or debt financing, sub-licensing arrangements or other means to secure additional funds. There is no guarantee that such funding will be available on satisfactory terms or at all. Failure to obtain future funding may adversely impact the operations, financial performance and financial position of the business.

A major focus of the consolidated entity's Board and management is on ongoing cash flow forecasting and management of cash flows to ensure that the business has sufficient funds to cover its planned activities and any ongoing obligations.

*(l) Financial and insurance*

Fluctuations in foreign currencies and interest rates and major events (eg, COVID-19) can significantly impact the profitability, cash flow and results of the consolidated entity.

An annual budget and cashflow is prepared by the consolidated entity and approved by the Board. The business prepares monthly results and cashflow forecasts to measure progress against the annual budget and these forecasts are communicated to the Board each month. This enables the business to proactively manage risks and pursue opportunities. Full-year and half-year results are subject to external audit and the auditor reports to the Audit and Risk Committee.

The consolidated entity maintains comprehensive insurance coverage across a number of parts of the business (including for clinical trials) to minimise the financial impact of unforeseen events and enable timely recovery to business as usual operations if required.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law, or other countries in which it operates.



## Information on directors

**Name:** David Baker  
**Title:** Non-Executive Chairman  
**Qualifications:** BA, LLB(Hons)  
**Experience and expertise:** David is a commercial advisor and company director with over 40 years' experience in law, investment banking, public company leadership and corporate governance. He has deep industry knowledge across a range of sectors and a sophisticated understanding of financial markets. David is also a co-founder of Baker Cook Advisory which is a boutique provider of outsourced legal, commercial and governance advice and mediation services for corporations and government agencies.  
**Other current directorships:** None  
**Former directorships (last 3 years):** Mineral Commodities Limited (ASX:MRC)  
**Special responsibilities:** Member of the Audit and Risk Committee and Remuneration and Nominations Committee  
**Interests in shares:** 1,000,000 ordinary shares

**Name:** George Livery  
**Title:** Non-Executive Director  
**Qualifications:** Fellow of the Australian Marketing Institute  
**Experience and expertise:** George has enjoyed senior executive roles across numerous industries for the last 30 years, both domestically and internationally as an expat. A C-level executive for the last 25 years, George's career has included CEO of Village Cinemas Australia, COO of Village International, Commercial Director at Hoyts Ltd, Director of Operations (Non-Academic Services) at University of Sydney's USU, both Commercial Director at Swisse Vitamins and Director of Strategy & Corporate at Swisse Wellness Group. Most recently George has enjoyed Chairperson, Non-executive Director and CoSec roles on ASX listed and private companies. George also led the corporate integration of Swisse Wellness into the Hong Kong listed H&H Group of companies and enjoyed a dual role during that time as Group Senior VP Legal and Risk. George has held numerous board positions across a number of industries including the NFP sector.  
**Other current directorships:** Non-Executive Chair - The Hydration Pharmaceutical Company Limited (ASX:HPC)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Audit and Risk Committee and Remuneration and Nominations Committee  
**Interests in shares:** 320,000 ordinary shares  
**Interests in options:** 2,250,000 options over ordinary shares

**Name:** Joanne Patterson  
**Title:** Chief Executive Officer  
**Qualifications:** MBus. Marketing  
**Experience and expertise:** Jo has over 20 years' experience in business and corporate strategy with exposure in Australia and international markets. She has developed a number of businesses from start-up as well as driving established organisations towards growth and merger trajectories. She has been officially recognised as a successful business executive by winning a number of key business awards and her acumen is evidenced in the success of previous companies in the technology, advertising and beauty sectors. Jo has held multiple CEO and Managing Director roles over her career.

These wide and diverse experiences led her to establish Bod in 2014 and subsequently list the business on the ASX in 2016.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Interests in shares:** 6,550,000 ordinary shares  
**Interests in options:** 621,328 options over ordinary shares

**Name:** Akash Bedi  
**Title:** Non-Executive Director  
**Qualifications:** Bachelor of Engineering (Mechanical) MBA Cardiff Business School  
**Experience and expertise:** Akash is Group Senior Director of Strategy and Corporate Affairs at H&H Group. He is responsible for leading H&H Group's strategy and business development including mergers and acquisitions, and strategic investments for NewH2. He has extensive experience in investing in global start-ups and high growth companies with technologies and businesses that are of strategic importance to H&H Group. Akash has a wealth of experience in multicultural and global environments. Prior to joining H&H Group, he was a Director of Global Consumer and Retail for HSBC for over a decade. During this time he worked on a number of highly complex acquisitions in North America, London and Asia.

**Other current directorships:** Else Nutrition Holdings, Inc  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Audit and Risk Committee  
**Interests in shares:** None  
**Interests in options:** 1,000,000 options over ordinary shares

**Name:** Hanno Cappon  
**Title:** Non-Executive Director (appointed on 20 July 2021)  
**Qualifications:** MSc (Engineer Chemical Technology), PhD (Bio-Organic Chemistry), Post-Doctoral Research Fellowship  
**Experience and expertise:** Hanno is the Chief Technology Officer at H&H, a position which he has held since January 2021. He has an extensive background in chemistry, life sciences, nutrition and health innovation and developing new consumer and healthcare solutions for commercialisation. Hanno's previous senior roles with large international companies include VP R&D Nutritionals & Digestive Health at Bayer Consumer Health, Switzerland, as well as VP R&D Nutricia Medical Nutrition at leading multinational food company Danone Nutricia, Netherlands, amongst others.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Remuneration and Nominations Committee  
**Interests in shares:** None  
**Interests in options:** None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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

#### **Company secretary**

Stephen Kelly has held the role of company secretary since September 2018.

Stephen Kelly is a Chartered Accountant with more than 25 years' experience in the areas of external and internal audit, risk management and compliance, treasury and corporate finance across a range of industry sectors including mining, infrastructure, property development and banking and finance. He has served as the chief executive officer and company secretary for a number of companies listed on the ASX, TSX and the London Stock Exchange.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022 and the number of meetings attended by each director were:

|                  | Full Board |      | Audit and Risk Committee |      | Remuneration and Nominations Committee |      |
|------------------|------------|------|--------------------------|------|--|------|
|                  | Attended   | Held | Attended                 | Held | Attended                               | Held |
| David Baker      | 2          | 2    | -                        | -    | 1                                      | 1    |
| George Livery    | 8          | 8    | -                        | -    | 2                                      | 2    |
| Joanne Patterson | 8          | 8    | -                        | -    | -                                      | -    |
| Akash Bedi       | 7          | 8    | 2                        | 2    | -                                      | -    |
| Hanno Cappon     | 6          | 7    | -                        | -    | -                                      | -    |
| Mark Masterson   | 6          | 7    | 2                        | 2    | 1                                      | 1    |
| Simon O'Loughlin | 6          | 6    | 2                        | 2    | 1                                      | 1    |
| Patrice Malard   | -          | -    | -                        | -    | -                                      | -    |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

#### **Principles used to determine the nature and amount of remuneration**

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparent.

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

The Remuneration and Nominations Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Remuneration and Nominations Committee has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

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

#### *Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nominations Committee. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum remuneration for non-executive directors' remains at \$300,000 per annum unless specifically approved by shareholders. All directors are entitled to be paid all travelling and other expenses properly incurred by them in attending, participating in and returning from meetings of the directors or any committee of directors or general meetings of the company or otherwise in connection with the business of the company.

#### *Executive remuneration*

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

The executive remuneration and reward framework has four components:

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

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

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

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

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include the consolidated entity achieving targeted net profits for each financial year.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Remuneration and Nominations Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2022.

#### *Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined profit targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nominations Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return since listing on the ASX.

#### *Use of remuneration consultants*

During the financial year ended 30 June 2022, the consolidated entity, through the Remuneration and Nominations Committee, engaged Godfrey Remuneration Group, remuneration consultants, to provide a report benchmarking remuneration for senior executives and reviewing the LTI program. Godfrey Remuneration Group was paid \$20,000 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Remuneration and Nominations Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

#### *Voting and comments made at the company's 2021 Annual General Meeting ('AGM')*

At the 2021 AGM, 99% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### ***Details of remuneration***

##### *Amounts of remuneration*

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

The key management personnel of the consolidated entity consisted of the following:

- David Baker - Non-Executive Chairman
- George Livery - Non-Executive Director
- Joanne Patterson - Chief Executive Officer
- Akash Bedi - Non-Executive Director
- Hanno Cappon - Non-Executive Director
- Craig Weller - Chief Operating Officer
- Adrian Sturrock - Chief Financial Officer (appointed on 2 August 2021)
- Mark Masterson - Non-Executive Chairman (resigned on 16 May 2022)
- Simon O'Loughlin - Non-Executive Director (resigned on 4 April 2022)
- Patrice Malard - Non-Executive Director (resigned on 19 July 2021)

The amount of remuneration of directors and key management personnel is set out below:

|  | Short-term benefits  |               |               | Post-employment benefits | Long-term benefits  | Share-based payments | Total            |
|--|----------------------|---------------|---------------|--------------------------|---------------------|----------------------|------------------|
|  | Cash salary and fees | Cash bonus    | Non-monetary  | Super-annuation          | Employee benefits * | Equity-settled       |                  |
| <b>2022</b>                            | \$                   | \$            | \$            | \$                       | \$                  | \$                   | \$               |
| <i>Non-Executive Directors:</i>        |                      |               |               |                          |                     |                      |                  |
| David Baker                            | 14,216               | -             | -             | -                        | -                   | -                    | 14,216           |
| George Livery                          | 47,032               | -             | -             | 4,703                    | -                   | 596                  | 52,331           |
| Akash Bedi                             | 59,863               | -             | -             | -                        | -                   | 51,272               | 111,135          |
| Hanno Cappon                           | 48,954               | -             | -             | -                        | -                   | -                    | 48,954           |
| Mark Masterson                         | 56,650               | -             | -             | 5,665                    | -                   | -                    | 62,315           |
| Simon O'Loughlin                       | 35,797               | -             | -             | 3,580                    | -                   | -                    | 39,377           |
| Patrice Malard                         | 11,049               | -             | -             | -                        | -                   | -                    | 11,049           |
| <i>Executive Directors:</i>            |                      |               |               |                          |                     |                      |                  |
| Joanne Patterson                       | 340,673              | 38,397        | 13,065        | 38,099                   | 26,770              | 63,383               | 520,387          |
| <i>Other Key Management Personnel:</i> |                      |               |               |                          |                     |                      |                  |
| Craig Weller                           | 286,597              | 26,602        | (3,878)       | 31,453                   | 22,521              | 70,909               | 434,204          |
| Adrian Sturrock                        | 246,774              | 22,869        | 14,775        | 27,078                   | 379                 | -                    | 311,875          |
|  | <u>1,147,605</u>     | <u>87,868</u> | <u>23,962</u> | <u>110,578</u>           | <u>49,670</u>       | <u>186,160</u>       | <u>1,605,843</u> |

\* Employee benefits represents the initial recognition of a long service leave provision for Joanne Patterson, Craig Weller and Adrian Sturrock.

|  | Short-term benefits  |                |              | Post-employment benefits | Long-term benefits | Share-based payments | Total            |
|--|----------------------|----------------|--------------|--------------------------|--------------------|----------------------|------------------|
|  | Cash salary and fees | Cash bonus     | Non-monetary | Super-annuation          | Employee benefits  | Equity-settled       |                  |
| <b>2021</b>                            | \$                   | \$             | \$           | \$                       | \$                 | \$                   | \$               |
| <i>Non-Executive Directors:</i>        |                      |                |              |                          |                    |                      |                  |
| Mark Masterson                         | 60,000               | -              | -            | 5,700                    | -                  | 55,514               | 121,214          |
| George Livery                          | 45,662               | -              | -            | 4,338                    | -                  | 145,863              | 195,863          |
| Simon O'Loughlin                       | 45,662               | -              | -            | 4,338                    | -                  | 37,009               | 87,009           |
| Akash Bedi                             | 50,000               | -              | -            | -                        | -                  | 94,140               | 144,140          |
| Patrice Malard                         | 50,000               | -              | -            | -                        | -                  | 37,009               | 87,009           |
| <i>Executive Directors:</i>            |                      |                |              |                          |                    |                      |                  |
| Joanne Patterson *                     | 330,750              | 71,665         | 2,726        | 37,542                   | -                  | 113,817              | 556,500          |
| <i>Other Key Management Personnel:</i> |                      |                |              |                          |                    |                      |                  |
| Craig Weller *                         | 278,250              | 56,633         | 4,586        | 31,583                   | -                  | 103,838              | 474,890          |
|  | <u>860,324</u>       | <u>128,298</u> | <u>7,312</u> | <u>83,501</u>            | <u>-</u>           | <u>587,190</u>       | <u>1,666,625</u> |



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

| Name                                   | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|--|--------------------|------|---------------|------|---------------|------|
|  | 2022               | 2021 | 2022          | 2021 | 2022          | 2021 |
| <i>Non-Executive Directors:</i>        |                    |      |               |      |               |      |
| David Baker                            | 100%               | -    | -             | -    | -             | -    |
| George Livery                          | 99%                | 26%  | -             | -    | 1%            | 74%  |
| Akash Bedi                             | 54%                | 35%  | -             | -    | 46%           | 65%  |
| Hanno Cappon                           | 100%               | -    | -             | -    | -             | -    |
| Mark Masterson                         | 100%               | 54%  | -             | -    | -             | 46%  |
| Simon O'Loughlin                       | 100%               | 57%  | -             | -    | -             | 43%  |
| Patrice Malard                         | 100%               | 57%  | -             | -    | -             | 43%  |
| <i>Executive Directors:</i>            |                    |      |               |      |               |      |
| Joanne Patterson                       | 81%                | 67%  | 7%            | 12%  | 12%           | 21%  |
| <i>Other Key Management Personnel:</i> |                    |      |               |      |               |      |
| Craig Weller                           | 78%                | 66%  | 6%            | 12%  | 16%           | 22%  |
| Adrian Sturrock                        | 93%                | -    | 7%            | -    | -             | -    |

### **Service agreements**

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

|                      |   |
|----------------------|---|
| Name:                | Joanne Patterson  |
| Title:               | Chief Executive Officer   |
| Agreement commenced: | 5 September 2016  |
| Term of agreement:   | Period of three years commencing on the date on which the company is admitted to the Official Listing of the ASX. After the initial period the agreement remains in full force and effect unless terminated. The Board has agreed to continue on the same terms and conditions. |

**Details:** During the year ended 30 June 2022, Jo was paid an annual salary of \$340,673, exclusive of statutory superannuation payments. Her total remuneration package is reviewed annually by the Board, with any changes to be effective from 1 July each year. Jo may become entitled to an annual cash bonus and issue of options, subject to satisfying key performance indicators ('KPIs') set by the Board annually.

The amount and terms of any such cash bonus and issue of options is determined by the Board with reference to the extent, if any, that the Board is of the view that the applicable KPIs have been exceeded and the degree to which Jo is responsible for that outcome. On satisfying KPIs and business performance up to 20% short term bonus may be paid. Long term incentives in the form of shares is fixed to certain share price targets. This could result in a further 20% incentive.

The company may terminate Jo's employment summarily because of, among other things, misconduct or failure to perform duties specified in the Agreement and involvement in any illegal business practices. The company can also terminate Jo's employment by giving three months' notice in writing (or payment in lieu of notice).



Name: Craig Weller  
Title: Chief Technical Officer  
Agreement commenced: 5 September 2016  
Term of agreement: Period of three years commencing on the date on which the company is admitted to the Official Listing of the ASX. After the initial period the agreement remains in full force and effect unless terminated. The Board has agreed to continue on the same terms and conditions.

Details: During the year ended 30 June 2022, Craig was paid an annual salary of \$286,597, exclusive of statutory superannuation payments. His total remuneration package is reviewed annually by the Board, with any changes to be effective from 1 July each year. Craig may become entitled to an annual cash bonus and issue of options, subject to satisfying KPIs set by the Board annually.

The amount and terms of any such cash bonus and issue of options is determined by the Board with reference to the extent, if any, that the Board is of the view that the applicable KPIs have been exceeded and the degree to which Craig is responsible for that outcome. On satisfying KPIs and business performance up to 20% short term bonus may be paid. Long term incentives in the form of shares is fixed to certain share price targets. This could result in a further 20% incentive.

The company may terminate Craig's employment summarily because of, among other things, misconduct or failure to perform duties specified in the Agreement and involvement in any illegal business practices. The company can also terminate Craig's employment by giving three months' notice in writing (or payment in lieu of notice).

Name: Adrian Sturrock  
Title: Chief Financial Officer  
Agreement commenced: 2 August 2021

Details: During the year ended 30 June 2022, Adrian was paid a salary of \$246,774, exclusive of statutory superannuation payments. His total remuneration package is reviewed annually by the Board, with any changes to be effective from 1 July each year. Adrian may become entitled to an annual cash bonus, subject to satisfying KPIs set by the Board annually. The amount and terms of any such cash bonus is determined by the Board with reference to the extent, if any, that the Board is of the view that the applicable KPIs have been exceeded and the degree to which Adrian is responsible for that outcome. On satisfying KPIs and business performance up to 20% short term bonus may be paid. The company may terminate Adrian's employment summarily because of, among other things, misconduct or failure to perform duties specified in the Agreement and involvement in any illegal business practices. The company can also terminate Adrian's employment by giving three months' notice in writing (or payment in lieu of notice).

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

### ***Share-based compensation***

#### *Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

*Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

| Grant date       | Vesting date and exercisable date | Expiry date      | Exercise price | Fair value per option at grant date |
|------------------|-----------------------------------|------------------|----------------|-------------------------------------|
| 24 July 2018     | 1 July 2020                       | 30 June 2023     | \$0.50         | \$0.3031                            |
| 24 July 2018     | 1 July 2021                       | 30 June 2024     | \$0.50         | \$0.3231                            |
| 26 November 2018 | 26 November 2021                  | *                | \$0.50         | \$0.2700                            |
| 9 December 2019  | 9 December 2020                   | 9 December 2022  | \$0.47         | \$0.1662                            |
| 18 December 2020 | 18 December 2021                  | 18 December 2023 | \$0.75         | \$0.2736                            |
| 18 December 2020 | 30 June 2021                      | 18 December 2025 | \$0.00         | \$0.3969                            |
| 18 December 2020 | 30 June 2022                      | 18 December 2025 | \$0.00         | \$0.3952                            |
| 1 July 2021      | 30 June 2022                      | 21 December 2026 | \$0.00         | \$0.2059                            |
| 1 July 2021      | 30 June 2023                      | 21 December 2026 | \$0.00         | \$0.2088                            |
| 1 July 2021      | 30 June 2024                      | 21 December 2026 | \$0.00         | \$0.2072                            |
| 22 November 2021 | 30 June 2022                      | 21 December 2026 | \$0.00         | \$0.0639                            |
| 22 November 2021 | 30 June 2023                      | 21 December 2026 | \$0.00         | \$0.1026                            |
| 22 November 2021 | 30 June 2024                      | 21 December 2026 | \$0.00         | \$0.1146                            |

\* These options do not have a fixed expiry date and will expire 3 years after vesting date which is determined by reference to the achievement of specified VWAP conditions.

| Name               | Number of options granted | Grant date  | Vesting date and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|--------------------|---------------------------|-------------|-----------------------------------|-------------|----------------|-------------------------------------|
| George Livery      | 750,000                   | 24 Jul 2018 | 1 Jul 2020                        | 30 Jun 2023 | \$0.50         | \$0.3031                            |
| George Livery      | 1,000,000                 | 24 Jul 2018 | 1 Jul 2021                        | 30 Jun 2024 | \$0.50         | \$0.3231                            |
| Akash Bedi         | 500,000                   | 9 Dec 2019  | 9 Dec 2020                        | 9 Dec 2022  | \$0.47         | \$0.1662                            |
| George Livery      | 500,000                   | 9 Dec 2019  | 9 Dec 2020                        | 9 Dec 2022  | \$0.47         | \$0.1662                            |
| Akash Bedi         | 500,000                   | 18 Dec 2020 | 18 Dec 2021                       | 18 Dec 2023 | \$0.75         | \$0.2189                            |
| Joanne Patterson * | 213,119                   | 18 Dec 2020 | 30 Jun 2021                       | 18 Dec 2025 | \$0.00         | \$0.3969                            |
| Joanne Patterson * | 213,119                   | 18 Dec 2020 | 30 Jun 2022                       | 18 Dec 2025 | \$0.00         | \$0.3952                            |
| Craig Weller *     | 194,433                   | 18 Dec 2020 | 30 Jun 2021                       | 18 Dec 2025 | \$0.00         | \$0.3969                            |
| Craig Weller *     | 194,433                   | 18 Dec 2020 | 30 Jun 2022                       | 18 Dec 2025 | \$0.00         | \$0.3952                            |
| Joanne Patterson * | 65,030                    | 22 Nov 2021 | 30 Jun 2022                       | 21 Dec 2026 | \$0.00         | \$0.0639                            |
| Joanne Patterson * | 65,030                    | 22 Nov 2021 | 30 Jun 2023                       | 21 Dec 2026 | \$0.00         | \$0.1026                            |
| Joanne Patterson * | 65,030                    | 22 Nov 2021 | 30 Jun 2024                       | 21 Dec 2026 | \$0.00         | \$0.1146                            |
| Craig Weller *     | 54,708                    | 1 Jul 2021  | 30 Jun 2022                       | 21 Dec 2026 | \$0.00         | \$0.2059                            |
| Craig Weller *     | 54,708                    | 1 Jul 2021  | 30 Jun 2023                       | 21 Dec 2026 | \$0.00         | \$0.2088                            |
| Craig Weller *     | 54,708                    | 1 Jul 2021  | 30 Jun 2024                       | 21 Dec 2026 | \$0.00         | \$0.2072                            |

\* Ms Patterson and Mr Weller were issued long term incentive rights granted with various barrier prices.

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. The number of options granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

| Name             | Number of options granted during the year 2022 | Number of options granted during the year 2021 | Number of options vested during the year 2022 | Number of options vested during the year 2021 |
|------------------|--|--|---|---|
| David Baker      | -  | -  | -   | -   |
| George Livery    | -  | -  | 1,000,000                                     | 500,000                                       |
| Joanne Patterson | 195,090  | 462,238  | -   | -   |
| Akash Bedi       | -  | 500,000  | 500,000                                       | 500,000                                       |
| Hanno Cappon     | -  | -  | -   | -   |
| Craig Weller     | 164,124  | 388,866  | -   | -   |
| Adrian Sturrock  | -  | -  | -   | -   |
| Mark Masterson   | -  | -  | -   | 750,000                                       |
| Simon O'Loughlin | -  | -  | -   | 500,000                                       |
| Patrice Malard   | -  | -  | -   | 500,000                                       |

**Additional information**

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

|   | 2022<br>\$  | 2021<br>\$  | 2020<br>\$  | 2019<br>\$  | 2018<br>\$  |
|---|-------------|-------------|-------------|-------------|-------------|
| Revenue from contracts with customers and other revenue | 5,080,466   | 7,419,562   | 5,925,272   | 1,273,391   | 1,129,161   |
| Loss for the year                                       | (5,406,544) | (4,226,105) | (4,819,140) | (7,623,571) | (3,672,105) |

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

|  | 2022   | 2021   | 2020   | 2019    | 2018   |
|--|--------|--------|--------|---------|--------|
| Loss per share (cents) for the year ended 30 June  | (5.10) | (4.26) | (5.40) | (11.59) | (7.18) |
| Share Price at 30 June (cents)                     | 7.00   | 33.50  | 27.00  | 34.00   | 54.00  |
| Share Price High for year ended 30 June (cents)    | 36.00  | 74.00  | 72.00  | 66.00   | 72.00  |
| Share Price Low for the year ended 30 June (cents) | 7.00   | 25.50  | 12.00  | 22.00   | 9.00   |

**Additional disclosures relating to key management personnel**

**Shareholding**

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

|                        | Balance at the start of the year | Received as part of remuneration | Additions        | Disposals/ other   | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|------------------|--------------------|--------------------------------|
| <i>Ordinary shares</i> |                                  |                                  |                  |                    |                                |
| David Baker *          | -                                | -                                | 1,000,000        | -                  | 1,000,000                      |
| George Livery          | 320,000                          | -                                | -                | -                  | 320,000                        |
| Joanne Patterson       | 6,550,000                        | -                                | -                | -                  | 6,550,000                      |
| Akash Bedi             | -                                | -                                | -                | -                  | -                              |
| Hanno Cappon           | -                                | -                                | -                | -                  | -                              |
| Craig Weller           | 4,852,329                        | -                                | -                | -                  | 4,852,329                      |
| Adrian Sturrock        | -                                | -                                | -                | -                  | -                              |
| Mark Masterson **      | 441,176                          | -                                | -                | (441,176)          | -                              |
| Simon O'Loughlin **    | 1,160,000                        | -                                | -                | (1,160,000)        | -                              |
| Patrice Malard         | -                                | -                                | -                | -                  | -                              |
|                        | <u>13,323,505</u>                | <u>-</u>                         | <u>1,000,000</u> | <u>(1,601,176)</u> | <u>12,722,329</u>              |

\* Additions include shares held prior to appointment as a director.

\*\* Number of shares reduced due to resignation as a director and not necessarily a physical disposal of shares.

**Option holding**

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

|                                     | Balance at the start of the year | Granted        | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|-------------------------------------|----------------------------------|----------------|-----------|---------------------------|--------------------------------|
| <i>Options over ordinary shares</i> |                                  |                |           |                           |                                |
| David Baker                         | -                                | -              | -         | -                         | -                              |
| George Livery                       | 2,800,000                        | -              | -         | (550,000)                 | 2,250,000                      |
| Joanne Patterson                    | 426,238                          | 195,090        | -         | -                         | 621,328                        |
| Akash Bedi                          | 1,000,000                        | -              | -         | -                         | 1,000,000                      |
| Hanno Cappon                        | -                                | -              | -         | -                         | -                              |
| Craig Weller                        | 388,866                          | 164,124        | -         | -                         | 552,990                        |
| Adrian Sturrock                     | -                                | -              | -         | -                         | -                              |
| Mark Masterson *                    | 750,000                          | -              | -         | (750,000)                 | -                              |
| Simon O'Loughlin *                  | 500,000                          | -              | -         | (500,000)                 | -                              |
| Patrice Malard *                    | 500,000                          | -              | -         | (500,000)                 | -                              |
|                                     | <u>6,365,104</u>                 | <u>359,214</u> | <u>-</u>  | <u>(2,300,000)</u>        | <u>4,424,318</u>               |

\* Number of options reduced due to resignation as a director and not necessarily a physical disposal or forfeiture of options.

As at 30 June 2022, there were 3,250,000 options over ordinary shares that had vested and are exercisable and there were 815,104 options that have vested and are unexercisable.

**Other transactions with key management personnel and their related parties**

There have been no other transactions with key management personnel and their related parties during the financial year.

***This concludes the remuneration report, which has been audited.***

### Shares under option

Unissued ordinary shares of BOD Australia Limited under option at the date of this report are as follows:

| Grant date       | Expiry date      | Exercise price | Number under option |
|------------------|------------------|----------------|---------------------|
| 24 July 2018     | 30 June 2023     | \$0.50         | 750,000             |
| 24 July 2018     | 30 June 2024     | \$0.50         | 1,000,000           |
| 26 November 2018 | *                | \$0.55         | 798,373             |
| 26 November 2018 | *                | \$0.65         | 798,373             |
| 26 November 2018 | *                | \$0.75         | 798,374             |
| 9 December 2019  | 9 December 2022  | \$0.47         | 2,750,000           |
| 18 December 2020 | 18 December 2023 | \$0.75         | 500,000             |
| 18 December 2020 | 18 December 2025 | \$0.00         | 407,552             |
| 18 December 2020 | 18 December 2025 | \$0.00         | 407,552             |
| 1 July 2021      | 21 December 2026 | \$0.00         | 164,124             |
| 22 November 2021 | 21 December 2026 | \$0.00         | 195,090             |
|                  |                  |                | 8,569,438           |

\* These options do not have a fixed expiry date and will expire 3 years after vesting date which is determined by reference to the achievement of specified volume weighted average price ('VWAP') conditions.

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

### Shares issued on the exercise of options

There were no ordinary shares of BOD Australia Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

### Indemnity and insurance of officers

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

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

### Indemnity and insurance of auditor

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

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

### Proceedings on behalf of the company

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

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

**Officers of the company who are former partners/directors of Nexia Sydney Audit Pty Ltd**

There are no officers of the company who are former partners/directors of Nexia Sydney Audit Pty Ltd.

**Auditor's independence declaration**

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Joanne Patterson', written over a horizontal line.

Joanne Patterson  
Director and Chief Executive Officer

30 August 2022  
Sydney

To the Board of Directors of BOD Australia Limited

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


As lead audit director for the audit of the financial statements of BOD Australia Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



**Nexia Sydney Audit Pty Ltd**



**Joseph Santangelo**

Director

Date: 30 August 2022



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For personal use only

**BOD Australia Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**



|   | Note | Consolidated<br>2022<br>\$ | 2021<br>\$         |
|---|------|----------------------------|--------------------|
| <b>Revenue from contracts with customers and other revenue</b>  | 5    | 5,080,466                  | 7,419,562          |
| Other income  | 6    | 195,094                    | 86,266             |
| Interest revenue calculated using the effective interest method                                       |      | 5,138                      | 19,946             |
| <b>Expenses</b>   |      |                            |                    |
| Raw materials and consumables used  | 7    | (2,926,493)                | (4,228,658)        |
| Distribution expense  |      | (640,678)                  | (453,326)          |
| Research and development expense  |      | (1,680,575)                | (1,672,488)        |
| Employee/director benefits expense  |      | (3,285,964)                | (3,313,052)        |
| Depreciation and amortisation expense   | 7    | (153,962)                  | (133,226)          |
| (Impairment)/reversal of impairment of inventories  |      | (22,364)                   | 24,977             |
| Marketing expense   |      | (449,581)                  | (276,142)          |
| Share-based payment expense   | 7    | (195,066)                  | (587,190)          |
| Other expenses  |      | (1,332,559)                | (1,112,774)        |
| <b>Loss before income tax expense</b>   |      | (5,406,544)                | (4,226,105)        |
| Income tax expense  | 8    | -                          | -                  |
| <b>Loss after income tax expense for the year attributable to the owners of BOD Australia Limited</b> |      | (5,406,544)                | (4,226,105)        |
| <b>Other comprehensive income</b>   |      |                            |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                  |      |                            |                    |
| Foreign currency translation  |      | 17,694                     | (8,161)            |
| Other comprehensive income for the year, net of tax   |      | 17,694                     | (8,161)            |
| <b>Total comprehensive income for the year attributable to the owners of BOD Australia Limited</b>    |      | <u>(5,388,850)</u>         | <u>(4,234,266)</u> |
|   |      | <b>Cents</b>               | <b>Cents</b>       |
| Basic earnings per share  | 30   | (5.10)                     | (4.26)             |
| Diluted earnings per share  | 30   | (5.10)                     | (4.26)             |

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

**BOD Australia Limited**  
**Statement of financial position**  
**As at 30 June 2022**



|                                      | Note | Consolidated<br>2022<br>\$ | 2021<br>\$        |
|--------------------------------------|------|----------------------------|-------------------|
| <b>Assets</b>                        |      |                            |                   |
| <b>Current assets</b>                |      |                            |                   |
| Cash and cash equivalents            | 9    | 3,665,738                  | 8,053,279         |
| Trade and other receivables          | 10   | 425,522                    | 729,798           |
| Inventories                          | 11   | 556,194                    | 407,580           |
| Other assets                         | 12   | 235,203                    | 792,940           |
| <b>Total current assets</b>          |      | <u>4,882,657</u>           | <u>9,983,597</u>  |
| <b>Non-current assets</b>            |      |                            |                   |
| Property, plant and equipment        | 13   | 15,252                     | 30,465            |
| Intangibles                          | 14   | 415,426                    | 337,906           |
| <b>Total non-current assets</b>      |      | <u>430,678</u>             | <u>368,371</u>    |
| <b>Total assets</b>                  |      | <u>5,313,335</u>           | <u>10,351,968</u> |
| <b>Liabilities</b>                   |      |                            |                   |
| <b>Current liabilities</b>           |      |                            |                   |
| Trade and other payables             | 15   | 1,341,465                  | 808,215           |
| Contract liabilities                 | 16   | 11,181                     | 106,313           |
| Employee benefits                    |      | 107,014                    | 123,384           |
| Accrued expenses                     | 17   | 323,814                    | 653,532           |
| <b>Total current liabilities</b>     |      | <u>1,783,474</u>           | <u>1,691,444</u>  |
| <b>Non-current liabilities</b>       |      |                            |                   |
| Employee benefits                    |      | 63,121                     | -                 |
| <b>Total non-current liabilities</b> |      | <u>63,121</u>              | <u>-</u>          |
| <b>Total liabilities</b>             |      | <u>1,846,595</u>           | <u>1,691,444</u>  |
| <b>Net assets</b>                    |      | <u>3,466,740</u>           | <u>8,660,524</u>  |
| <b>Equity</b>                        |      |                            |                   |
| Issued capital                       | 18   | 29,395,185                 | 29,395,185        |
| Reserves                             | 19   | 3,362,355                  | 3,149,595         |
| Accumulated losses                   |      | (29,290,800)               | (23,884,256)      |
| <b>Total equity</b>                  |      | <u>3,466,740</u>           | <u>8,660,524</u>  |

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

**BOD Australia Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**



| <b>Consolidated</b>  | <b>Issued capital</b><br>\$ | <b>Reserves</b><br>\$ | <b>Accumulated losses</b><br>\$ | <b>Total equity</b><br>\$ |
|--|-----------------------------|-----------------------|---------------------------------|---------------------------|
| Balance at 1 July 2020                                       | 21,894,590                  | 2,570,566             | (19,658,151)                    | 4,807,005                 |
| Loss after income tax expense for the year                   | -                           | -                     | (4,226,105)                     | (4,226,105)               |
| Other comprehensive income for the year, net of tax          | -                           | (8,161)               | -                               | (8,161)                   |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                    | <b>(8,161)</b>        | <b>(4,226,105)</b>              | <b>(4,234,266)</b>        |
| <i>Transactions with owners in their capacity as owners:</i> |                             |                       |                                 |                           |
| Contributions of equity, net of transaction costs (note 18)  | 7,500,595                   | -                     | -                               | 7,500,595                 |
| Share-based payments (notes 19 and 31)                       | -                           | 587,190               | -                               | 587,190                   |
| <b>Balance at 30 June 2021</b>                               | <b>29,395,185</b>           | <b>3,149,595</b>      | <b>(23,884,256)</b>             | <b>8,660,524</b>          |
| <b>Consolidated</b>  | <b>Issued capital</b><br>\$ | <b>Reserves</b><br>\$ | <b>Accumulated losses</b><br>\$ | <b>Total equity</b><br>\$ |
| Balance at 1 July 2021                                       | 29,395,185                  | 3,149,595             | (23,884,256)                    | 8,660,524                 |
| Loss after income tax expense for the year                   | -                           | -                     | (5,406,544)                     | (5,406,544)               |
| Other comprehensive income for the year, net of tax          | -                           | 17,694                | -                               | 17,694                    |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                    | <b>17,694</b>         | <b>(5,406,544)</b>              | <b>(5,388,850)</b>        |
| <i>Transactions with owners in their capacity as owners:</i> |                             |                       |                                 |                           |
| Share-based payments (notes 19 and 31)                       | -                           | 195,066               | -                               | 195,066                   |
| <b>Balance at 30 June 2022</b>                               | <b>29,395,185</b>           | <b>3,362,355</b>      | <b>(29,290,800)</b>             | <b>3,466,740</b>          |

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



|  | Note | Consolidated<br>2022<br>\$  | 2021<br>\$                  |
|--|------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                      |      |                             |                             |
| Receipts from customers (inclusive of GST)                       |      | 3,945,679                   | 7,610,784                   |
| Payments to suppliers and employees (inclusive of GST)           |      | (9,642,131)                 | (14,342,500)                |
| Interest received  |      | 5,138                       | 19,946                      |
| Research and development incentive received                      |      | 1,152,520                   | 764,106                     |
| Government grants  |      | 195,094                     | 50,000                      |
| Royalty  |      | 167,345                     | 64,637                      |
|  |      | <u>                    </u> | <u>                    </u> |
| Net cash used in operating activities                            | 29   | <u>(4,176,355)</u>          | <u>(5,833,027)</u>          |
| <b>Cash flows from investing activities</b>                      |      |                             |                             |
| Payments for property, plant and equipment                       |      | (19,377)                    | (18,664)                    |
| Payments for intangibles   |      | (188,066)                   | (4,939)                     |
| Payments for security deposits                                   |      | -                           | (3,269)                     |
|  |      | <u>                    </u> | <u>                    </u> |
| Net cash used in investing activities                            |      | <u>(207,443)</u>            | <u>(26,872)</u>             |
| <b>Cash flows from financing activities</b>                      |      |                             |                             |
| Net proceeds from issue of shares                                | 18   | -                           | 7,500,595                   |
|  |      | <u>                    </u> | <u>                    </u> |
| Net cash from financing activities                               |      | <u>-</u>                    | <u>7,500,595</u>            |
| Net (decrease)/increase in cash and cash equivalents             |      | (4,383,798)                 | 1,640,696                   |
| Cash and cash equivalents at the beginning of the financial year |      | 8,053,279                   | 6,385,663                   |
| Effects of exchange rate changes on cash and cash equivalents    |      | (3,743)                     | 26,920                      |
|  |      | <u>                    </u> | <u>                    </u> |
| Cash and cash equivalents at the end of the financial year       | 9    | <u><u>3,665,738</u></u>     | <u><u>8,053,279</u></u>     |

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

## **Note 1. General information**

The financial statements cover BOD Australia Limited as a consolidated entity consisting of BOD Australia Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is BOD Australia Limited's functional and presentation currency.

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

### **Registered office**

Suite 2, Level 10, 70 Phillip Street  
Sydney NSW 2000

### **Principal place of business**

Level 1, 377 New South Head Road  
Double Bay NSW 2028

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2022. The directors have the power to amend and reissue the financial statements.

## **Note 2. Significant accounting policies**

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

### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

### **Basis of preparation**

These general purpose financial statements have 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 for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **Going concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity has incurred a loss after tax of \$5,406,544 (2021: \$4,226,105) and incurred net operating cash outflows for the year of \$4,176,355 (2021: \$5,833,027). As at 30 June 2022, the consolidated entity had cash and cash equivalents of \$3,665,738 (30 June 2021: \$8,053,279).

These conditions give rise to a material uncertainty which may cast significant doubt over the consolidated entity's ability to continue as a going concern.

## **Note 2. Significant accounting policies (continued)**

The consolidated entity monitors its actual and forecast expenditure commitments against its available cash reserves. Where necessary, the consolidated entity seeks to implement the following actions with the objective of always having sufficient cash reserves available to meet forecast expenditure commitments:

- Adjusting its forecast expenditure profile by changing the timing or amount of its operational and research and development expenditure; and
- Considering all funding options including capital raising and negotiating supply or licensing agreements for its products.

The directors are aware of the need for the consolidated entity to raise capital in the near future and have commenced plans for a capital raising before the end of 2022 for both future funding requirements of current operations and as a condition precedent for the "Aqua Phase" transaction (refer to note 32). Taking into consideration the consolidated entity's recent history of significantly reducing the cashflows used in operations and its past success in raising capital, the directors believe there is a reasonable basis to prepare the financial statements on a going concern basis.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial report. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity be unable to continue as a going concern.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of BOD Australia Limited ('company' or 'parent entity') as at 30 June 2022 and the results of its subsidiaries for the year then ended. BOD Australia Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is BOD Australia Limited's functional and presentation currency.



## **Note 2. Significant accounting policies (continued)**

### *Foreign currency transactions*

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Revenue recognition**

The consolidated entity recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### *Sale of goods*

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

#### *Research and development fee income*

Research and development fee income is recognised as revenue as the performance obligations are satisfied over time, in a manner that matches the fee to the costs that they are intended to compensate.

#### *Research and development incentive*

Research and development incentive is recognised as income based on a percentage of the research and development costs incurred that qualify for the incentive, and the right to receive payment has been established.

#### *Interest*

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

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

## Note 2. Significant accounting policies (continued)

### Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### Income tax

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

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

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

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

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

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

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

### Current and non-current classification

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

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

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

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

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

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

## **Note 2. Significant accounting policies (continued)**

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

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

### **inventories**

Finished goods are stated at the lower of cost and net realisable value on a standard cost basis. Cost of inventory is determined using the standard cost and comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

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.

### **Property, plant and equipment**

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

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

|                     |           |
|---------------------|-----------|
| Plant and equipment | 1-3 years |
|---------------------|-----------|

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Intangible assets**

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

#### *Patents and trademarks*

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 3 years for trademarks and 10 years for patents.

#### *Website development*

Costs incurred in the planning stage are expensed. Development costs relating to advertising and promoting the consolidated entity's own products are expensed as incurred. Development costs are capitalised when the expenditure can be directly attributed and is necessary to creating, producing or preparing the website for it to be capable of operating in the manner intended by management. Once development is complete and the website is operational, the capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

### **Research and development**

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when: it is probable that the project will be a success considering its commercial and technical feasibility; the entity is able to use or sell the asset; the entity has sufficient resources and intent to complete the development; and its costs can be measured reliably.

## **Note 2. Significant accounting policies (continued)**

Expenditure on the development of new products to be sold to H&H Global as part of the exclusive licence agreement have been capitalised. These costs are amortised from the date that the product development is completed and the products are ready for sale. These development costs are assessed for indicators of impairment at least annually or more frequently if there are significant events or changes in circumstances that occur.

### **Impairment of non-financial assets**

Non-financial assets (such as plant and equipment and patents and trademarks) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### **Leases**

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

### **Trade and other payables**

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

### **Contract liabilities**

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

### **Refund liabilities**

Refund liabilities are recognised where the consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

### **Employee benefits**

#### *Short-term employee benefits*

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

#### *Other long-term employee benefits*

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

#### *Defined contribution superannuation expense*

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

#### *Share-based payments*

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

## **Note 2. Significant accounting policies (continued)**

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

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

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

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

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

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

### **Issued capital**

Ordinary shares are classified as equity.

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

### **Earnings per share**

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

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



## **Note 2. Significant accounting policies (continued)**

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

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

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

### **Comparatives**

Certain comparatives have been reclassified for consistency with the current period presentation. There was no effect on profit or loss, assets, liabilities or equity.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments.

#### *AASB 2020-1 Classification of liabilities as current or non-current*

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2023, as extended by AASB 2020-6. Early adoption is permitted. This standard amends AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is conditional, the right only exists if, at the end of the reporting period, those conditions have been complied with. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

## **Note 3. Critical accounting judgements, estimates and assumptions**

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

#### *Coronavirus (COVID-19) pandemic*

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

### **Note 3. Critical accounting judgements, estimates and assumptions (continued)**

#### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes and Barrier pricing valuation models taking into account the terms and conditions upon which the instruments were granted specific to the options issued including vesting period, exercise price, term to expiry. The volume weighted average price ('VWAP') performance conditions were incorporated into the valuation, where relevant, by means of probabilistic modelling techniques such as the barrier option pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### *Revenue from contracts with customers involving sale of goods*

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

#### *Determination of variable consideration*

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

#### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

#### *Estimation of useful lives of assets*

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

#### *Capitalising of product development costs*

Product development costs have been capitalised on the basis that: the project will be a success considering its commercial and technical feasibility; the entity's ability to use or sell the asset; the entity has sufficient resources and intent to complete the development; and that the costs can be measured reliably. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

#### *Income tax*

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



**Note 4. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into three operating segments: medical, over the counter cannabidiol/Hemp ('OTC CBD/Hemp') and OTC Herbals. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. The consolidated entity's operations and assets are principally located in Australia, United Kingdom, European Union and the United States of America.

The CODM reviews the performance of the consolidated entity by reviewing the growth in sales revenue and the profit or loss for the period. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

*Major customers*

There are 2 major customers (2021: 2 major customers) that account for more than 65% (2021: 59%) of the consolidated entity's revenue. The total amount of revenues from these customers was \$2,229,042 (2021: \$4,414,788) and were from the Medical and OTC CBD/Hemp segments.

*Operating segment information*

|   | Medical<br>\$      | OTC<br>CBD/Hemp<br>\$ | OTC<br>Herbals<br>\$ | Total<br>\$        |
|---|--------------------|-----------------------|----------------------|--------------------|
| <b>Consolidated - 2022</b>                    |                    |                       |                      |                    |
| <b>Revenue</b>                                |                    |                       |                      |                    |
| Sale of goods                                 | 1,648,981          | 1,281,098             | 494,564              | 3,424,643          |
| Royalty                                       | -                  | 176,259               | -                    | 176,259            |
| Other revenue                                 | 1,135,858          | 343,706               | -                    | 1,479,564          |
| Interest revenue                              | 1,713              | 1,713                 | 1,712                | 5,138              |
| Other income                                  | 128,302            | 14,971                | 51,821               | 195,094            |
| <b>Total segment revenue and other income</b> | <u>2,914,854</u>   | <u>1,817,747</u>      | <u>548,097</u>       | <u>5,280,698</u>   |
| <b>Segment result</b>                         | (2,675,813)        | (1,518,795)           | (840,544)            | (5,035,152)        |
| Depreciation and amortisation                 | (51,321)           | (51,321)              | (51,320)             | (153,962)          |
| Impairment of assets                          | -                  | -                     | (22,364)             | (22,364)           |
| Share based payments                          | (65,022)           | (65,022)              | (65,022)             | (195,066)          |
| <b>Loss before income tax expense</b>         | <u>(2,792,156)</u> | <u>(1,635,138)</u>    | <u>(979,250)</u>     | <u>(5,406,544)</u> |
| Income tax expense                            |                    |                       |                      | -                  |
| <b>Loss after income tax expense</b>          |                    |                       |                      | <u>(5,406,544)</u> |
| <b>Assets</b>                                 |                    |                       |                      |                    |
| Segment assets                                | 2,096,069          | 1,768,864             | 1,448,402            | 5,313,335          |
| <b>Total assets</b>                           |                    |                       |                      | <u>5,313,335</u>   |
| <b>Liabilities</b>                            |                    |                       |                      |                    |
| Segment liabilities                           | 1,100,400          | 411,803               | 334,392              | 1,846,595          |
| <b>Total liabilities</b>                      |                    |                       |                      | <u>1,846,595</u>   |

Note 4. Operating segments (continued)

| <b>Consolidated - 2021</b>                    | Medical<br>\$      | OTC<br>CBD/Hemp<br>\$ | OTC<br>Herbals<br>\$ | Total<br>\$        |
|---|--------------------|-----------------------|----------------------|--------------------|
| <b>Revenue</b>                                |                    |                       |                      |                    |
| Sale of goods                                 | 1,777,525          | 3,074,691             | 677,022              | 5,529,238          |
| Royalty                                       | -                  | 64,637                | -                    | 64,637             |
| Other revenue                                 | 580,178            | 1,245,509             | -                    | 1,825,687          |
| Interest revenue                              | 6,649              | 6,649                 | 6,648                | 19,946             |
| Other income                                  | 40,550             | 21,597                | 24,119               | 86,266             |
| <b>Total segment revenue and other income</b> | <u>2,404,902</u>   | <u>4,413,083</u>      | <u>707,789</u>       | <u>7,525,774</u>   |
| <b>Segment result</b>                         | (1,984,568)        | (463,753)             | (1,082,345)          | (3,530,666)        |
| Depreciation and amortisation                 | (44,409)           | (44,409)              | (44,408)             | (133,226)          |
| Impairment of assets                          | -                  | -                     | 24,977               | 24,977             |
| Share based payments                          | (195,730)          | (195,730)             | (195,730)            | (587,190)          |
| <b>Loss before income tax expense</b>         | <u>(2,224,707)</u> | <u>(703,892)</u>      | <u>(1,297,506)</u>   | <u>(4,226,105)</u> |
| Income tax expense                            |                    |                       |                      | -                  |
| <b>Loss after income tax expense</b>          |                    |                       |                      | <u>(4,226,105)</u> |
| <b>Assets</b>                                 |                    |                       |                      |                    |
| Segment assets                                | 3,488,163          | 4,033,123             | 2,830,682            | 10,351,968         |
| <b>Total assets</b>                           |                    |                       |                      | <u>10,351,968</u>  |
| <b>Liabilities</b>                            |                    |                       |                      |                    |
| Segment liabilities                           | 628,201            | 739,977               | 323,266              | 1,691,444          |
| <b>Total liabilities</b>                      |                    |                       |                      | <u>1,691,444</u>   |

Geographical information

|                          | Sales to external customers |                  | Geographical non-current assets |                |
|--------------------------|-----------------------------|------------------|---------------------------------|----------------|
|                          | 2022<br>\$                  | 2021<br>\$       | 2022<br>\$                      | 2021<br>\$     |
| Australia                | 1,998,075                   | 2,840,477        | 430,678                         | 355,386        |
| United Kingdom           | 881,597                     | 820,680          | -                               | 12,985         |
| European Union           | 390,103                     | 1,645,001        | -                               | -              |
| United States of America | 154,868                     | 223,080          | -                               | -              |
|                          | <u>3,424,643</u>            | <u>5,529,238</u> | <u>430,678</u>                  | <u>368,371</u> |

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

**Note 5. Revenue from contracts with customers and other revenue**

|   | <b>Consolidated</b>     |                         |
|---|-------------------------|-------------------------|
|   | <b>2022</b>             | <b>2021</b>             |
|   | <b>\$</b>               | <b>\$</b>               |
| <i>Revenue from contracts with customers</i>            |                         |                         |
| Sale of goods   | 3,424,643               | 5,529,238               |
| Royalty   | 176,259                 | 64,637                  |
| Research and development fee income (refer to note 26)  | -                       | 1,049,164               |
|   | <u>3,600,902</u>        | <u>6,643,039</u>        |
| <i>Other revenue</i>                                    |                         |                         |
| Other income  | 141,981                 | 12,417                  |
| Research and development tax incentive                  | 1,337,583               | 764,106                 |
|   | <u>1,479,564</u>        | <u>776,523</u>          |
| Revenue from contracts with customers and other revenue | <u><u>5,080,466</u></u> | <u><u>7,419,562</u></u> |

*Disaggregation of revenue*

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

|                                      | <b>Consolidated</b> |                  |
|--------------------------------------|---------------------|------------------|
|                                      | <b>2022</b>         | <b>2021</b>      |
|                                      | <b>\$</b>           | <b>\$</b>        |
| <i>Timing of revenue recognition</i> |                     |                  |
| Goods transferred at a point in time | 3,600,902           | 5,593,875        |
| Services transferred over time       | -                   | 1,049,164        |
|                                      | <u>3,600,902</u>    | <u>6,643,039</u> |

The disaggregation of revenue by major product lines and the geographical regions is presented in note 4 'Operating segments'.

**Note 6. Other income**

|                           | <b>Consolidated</b> |               |
|---------------------------|---------------------|---------------|
|                           | <b>2022</b>         | <b>2021</b>   |
|                           | <b>\$</b>           | <b>\$</b>     |
| Net foreign exchange gain | -                   | 36,266        |
| Government grants         | 195,094             | 50,000        |
| Other income              | <u>195,094</u>      | <u>86,266</u> |

*Government Grants*

During the year ended 30 June 2022 the consolidated entity received payments from the New South Wales Government in response to the Coronavirus ('COVID-19') pandemic. An amount of \$15,000 was received as part of its 'Small Business Hardship Grant' and \$158,094 for the 'JobSaver' scheme. In the prior year, the consolidated entity received payments totalling \$50,000 from the Australian Government as part of its 'Boosting Cash Flow for Employers' scheme. These non-taxable amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the consolidated entity will comply with any conditions attached. During the year ended 30 June 2022 the consolidated entity also received a grant of \$22,000 relating to marketing spend for entrepreneurial organisations.

**Note 7. Expenses**

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2022</b>         | <b>2021</b> |
|  | <b>\$</b>           | <b>\$</b>   |
| Loss before income tax includes the following specific expenses: |                     |             |
| <i>Cost of sales</i>   |                     |             |
| Cost of sales  | 2,926,493           | 4,228,658   |
| <i>Depreciation</i>  |                     |             |
| Plant and equipment  | 23,199              | 18,514      |
| <i>Amortisation</i>  |                     |             |
| Patents and trademarks   | 33,738              | 31,137      |
| Product development  | 83,575              | 83,575      |
| Website development costs  | 13,450              | -           |
| Total amortisation   | 130,763             | 114,712     |
| Total depreciation and amortisation                              | 153,962             | 133,226     |
| <i>Net foreign exchange loss</i>                                 |                     |             |
| Net foreign exchange loss  | 64,892              | -           |
| <i>Leases</i>  |                     |             |
| Short-term lease payments  | 113,719             | 120,437     |
| <i>Superannuation expense</i>                                    |                     |             |
| Defined contribution superannuation expense                      | 239,857             | 198,770     |
| <i>Share-based payments expense</i>                              |                     |             |
| Share-based payments expense (note 19)                           | 195,066             | 587,190     |

**Note 8. Income tax expense**

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2022</b>         | <b>2021</b> |
|  | <b>\$</b>           | <b>\$</b>   |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>  |                     |             |
| Loss before income tax expense   | (5,406,544)         | (4,226,105) |
| Tax at the statutory tax rate of 25% (2021: 26%)                                     | (1,351,636)         | (1,098,787) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: |                     |             |
| Amortisation of intangibles  | 8,435               | 8,096       |
| Non-deductible entertainment expenses  | 2,722               | 4,233       |
| Share-based payments   | 48,767              | 152,669     |
| Research and development incentive   | (334,396)           | (198,668)   |
| Research and development expenses  | 420,144             | 434,847     |
| Government grants  | (48,774)            | (13,000)    |
|  | (1,254,738)         | (710,610)   |
| Current year tax losses not recognised   | 1,254,738           | 710,610     |
| Income tax expense   | -                   | -           |

**Note 8. Income tax expense (continued)**

|   | <b>Consolidated</b> | <b>Consolidated</b> |
|---|---------------------|---------------------|
|   | <b>2022</b>         | <b>2021</b>         |
|   | \$                  | \$                  |
| <i>Tax losses not recognised</i>                                      |                     |                     |
| Unused tax losses for which no deferred tax asset has been recognised | 18,806,952          | 13,787,996          |
| Potential tax benefit @ 25%   | 4,701,738           | 3,446,999           |

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

**Note 9. Cash and cash equivalents**

|                               | <b>Consolidated</b> | <b>Consolidated</b> |
|-------------------------------|---------------------|---------------------|
|                               | <b>2022</b>         | <b>2021</b>         |
|                               | \$                  | \$                  |
| <i>Current assets</i>         |                     |                     |
| Cash at bank and cash on hand | 3,665,738           | 6,053,279           |
| Cash on deposit               | -                   | 2,000,000           |
|                               | <u>3,665,738</u>    | <u>8,053,279</u>    |

**Note 10. Trade and other receivables**

|                       | <b>Consolidated</b> | <b>Consolidated</b> |
|-----------------------|---------------------|---------------------|
|                       | <b>2022</b>         | <b>2021</b>         |
|                       | \$                  | \$                  |
| <i>Current assets</i> |                     |                     |
| Trade receivables     | 193,243             | 697,449             |
| Other receivables     | 216,044             | 30,841              |
| GST receivable        | 16,235              | 1,508               |
|                       | <u>425,522</u>      | <u>729,798</u>      |

The ageing of the trade receivables are as follows:

|                       | <b>Consolidated</b> | <b>Consolidated</b> |
|-----------------------|---------------------|---------------------|
|                       | <b>2022</b>         | <b>2021</b>         |
|                       | \$                  | \$                  |
| Not overdue           | 184,842             | 389,534             |
| 1 to 3 months overdue | 8,401               | 307,915             |
|                       | <u>193,243</u>      | <u>697,449</u>      |

**Note 11. Inventories**

|                                | <b>Consolidated</b> |                |
|--------------------------------|---------------------|----------------|
|                                | <b>2022</b>         | <b>2021</b>    |
|                                | \$                  | \$             |
| <i>Current assets</i>          |                     |                |
| Finished goods - at cost       | 545,673             | 442,611        |
| Less: Provision for impairment | (27,171)            | (35,031)       |
|                                | <u>518,502</u>      | <u>407,580</u> |
| Stock in transit - at cost     | 37,692              | -              |
|                                | <u>556,194</u>      | <u>407,580</u> |

**Note 12. Other assets**

|                                      | <b>Consolidated</b> |                |
|--------------------------------------|---------------------|----------------|
|                                      | <b>2022</b>         | <b>2021</b>    |
|                                      | \$                  | \$             |
| <i>Current assets</i>                |                     |                |
| Prepayments - contract manufacturers | 143,130             | 644,148        |
| Prepayments - other                  | 66,747              | 120,201        |
| Security deposits                    | 25,326              | 28,591         |
|                                      | <u>235,203</u>      | <u>792,940</u> |

**Note 13. Property, plant and equipment**

|                                | <b>Consolidated</b> |               |
|--------------------------------|---------------------|---------------|
|                                | <b>2022</b>         | <b>2021</b>   |
|                                | \$                  | \$            |
| <i>Non-current assets</i>      |                     |               |
| Plant and equipment - at cost  | 59,946              | 168,966       |
| Less: Accumulated depreciation | (44,694)            | (138,501)     |
|                                | <u>15,252</u>       | <u>30,465</u> |

**Note 13. Property, plant and equipment (continued)**

*Reconciliations*

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

| <b>Consolidated</b>     | Plant and<br>equipment<br>\$ |
|-------------------------|------------------------------|
| Balance at 1 July 2020  | 29,532                       |
| Additions               | 18,664                       |
| Exchange differences    | 783                          |
| Depreciation expense    | <u>(18,514)</u>              |
| Balance at 30 June 2021 | 30,465                       |
| Additions               | 18,015                       |
| Disposals               | (10,051)                     |
| Exchange differences    | 22                           |
| Depreciation expense    | <u>(23,199)</u>              |
| Balance at 30 June 2022 | <u><u>15,252</u></u>         |

**Note 14. Intangibles**

|                                  | <b>Consolidated</b>   |                       |
|----------------------------------|-----------------------|-----------------------|
|                                  | <b>2022</b>           | <b>2021</b>           |
|                                  | \$                    | \$                    |
| <i>Non-current assets</i>        |                       |                       |
| Patents and trademarks - at cost | 112,778               | 96,072                |
| Less: Accumulated amortisation   | <u>(34,924)</u>       | <u>(71,043)</u>       |
|                                  | 77,854                | 25,029                |
| Product development              | 417,875               | 417,875               |
| Less: Accumulated amortisation   | <u>(188,573)</u>      | <u>(104,998)</u>      |
|                                  | 229,302               | 312,877               |
| Website development - at cost    | 121,720               | -                     |
| Less: Accumulated amortisation   | <u>(13,450)</u>       | <u>-</u>              |
|                                  | 108,270               | -                     |
|                                  | <u><u>415,426</u></u> | <u><u>337,906</u></u> |



**Note 14. Intangibles (continued)**

*Reconciliations*

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

| <b>Consolidated</b>     | Patents and<br>trademarks<br>\$ | Product<br>development<br>*<br>\$ | Website<br>development<br>\$ | Total<br>\$    |
|-------------------------|---------------------------------|-----------------------------------|------------------------------|----------------|
| Balance at 1 July 2020  | 51,227                          | 396,452                           | -                            | 447,679        |
| Additions               | 4,939                           | -                                 | -                            | 4,939          |
| Amortisation expense    | (31,137)                        | (83,575)                          | -                            | (114,712)      |
| Balance at 30 June 2021 | 25,029                          | 312,877                           | -                            | 337,906        |
| Additions               | 86,563                          | -                                 | 121,720                      | 208,283        |
| Amortisation expense    | (33,738)                        | (83,575)                          | (13,450)                     | (130,763)      |
| Balance at 30 June 2022 | <u>77,854</u>                   | <u>229,302</u>                    | <u>108,270</u>               | <u>415,426</u> |

\* Expenditure on the development of new products to be sold to H&H Global as part of the exclusive licence agreement have been capitalised. As per the accounting policy in note 2 these costs are amortised from the date that the product development is completed and the products are ready for sale. The development costs are assessed for indicators of impairment at least annually or more frequently if there are significant events or changes in circumstances that occur.

**Note 15. Trade and other payables**

|                            | <b>Consolidated</b> |                |
|----------------------------|---------------------|----------------|
|                            | <b>2022</b>         | <b>2021</b>    |
|                            | \$                  | \$             |
| <i>Current liabilities</i> |                     |                |
| Trade payables             | 1,149,425           | 738,538        |
| Other payables             | 192,040             | 69,677         |
|                            | <u>1,341,465</u>    | <u>808,215</u> |

Refer to note 21 for further information on financial instruments.

**Note 16. Contract liabilities**

|                            | <b>Consolidated</b> |                |
|----------------------------|---------------------|----------------|
|                            | <b>2022</b>         | <b>2021</b>    |
|                            | \$                  | \$             |
| <i>Current liabilities</i> |                     |                |
| Refund liabilities         | 11,181              | 7,413          |
| Customer deposits          | -                   | 98,900         |
|                            | <u>11,181</u>       | <u>106,313</u> |

### Note 17. Accrued expenses

|                            | Consolidated   |                |
|----------------------------|----------------|----------------|
|                            | 2022           | 2021           |
|                            | \$             | \$             |
| <i>Current liabilities</i> |                |                |
| Accrued expenses           | <u>323,814</u> | <u>653,532</u> |

Accrued expenses at 30 June 2021 included a significantly higher accrual for short-term incentives for employees of the consolidated entity based on the achievement of annual performance targets.

### Note 18. Issued capital

|                              | 2022               | Consolidated       |                   | 2021              |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
|                              | Shares             | 2021               | 2022              | 2021              |
|                              |                    | Shares             | \$                | \$                |
| Ordinary shares - fully paid | <u>105,914,920</u> | <u>105,914,920</u> | <u>29,395,185</u> | <u>29,395,185</u> |

#### Movements in ordinary share capital

| Details                 | Date             | Shares             | Issue price | \$                |
|-------------------------|------------------|--------------------|-------------|-------------------|
| Balance                 | 1 July 2020      | 91,369,465         |             | 21,894,590        |
| Shares issued           | 18 December 2020 | 14,545,455         | \$0.55      | 8,000,000         |
| Less: share issue costs |                  | -                  | \$0.00      | (499,405)         |
| Balance                 | 30 June 2021     | <u>105,914,920</u> |             | <u>29,395,185</u> |
| Balance                 | 30 June 2022     | <u>105,914,920</u> |             | <u>29,395,185</u> |

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

#### Share buy-back

There is no current on-market share buy-back.

#### Capital risk management

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

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

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

The capital risk management policy remains unchanged from the 2021 Annual Report.

## Note 19. Reserves

|                              | Consolidated     |                  |
|------------------------------|------------------|------------------|
|                              | 2022             | 2021             |
|                              | \$               | \$               |
| Foreign currency reserve     | (18,386)         | (36,080)         |
| Share-based payments reserve | 3,380,741        | 3,185,675        |
|                              | <u>3,362,355</u> | <u>3,149,595</u> |

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

### Share-based payments reserve

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

### Movements in reserves

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

| Consolidated                 | Foreign<br>currency<br>\$ | Share-based<br>payments<br>\$ | Total<br>\$      |
|------------------------------|---------------------------|-------------------------------|------------------|
| Balance at 1 July 2020       | (27,919)                  | 2,598,485                     | 2,570,566        |
| Foreign currency translation | (8,161)                   | -                             | (8,161)          |
| Share-based payment expense  | -                         | 587,190                       | 587,190          |
| Balance at 30 June 2021      | (36,080)                  | 3,185,675                     | 3,149,595        |
| Foreign currency translation | 17,694                    | -                             | 17,694           |
| Share-based payment expense  | -                         | 195,066                       | 195,066          |
| Balance at 30 June 2022      | <u>(18,386)</u>           | <u>3,380,741</u>              | <u>3,362,355</u> |

## Note 20. Dividends

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

## Note 21. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

**Note 21. Financial instruments (continued)**

**Market risk**

*Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

The consolidated entity operated in Australia, United Kingdom, the European Union and the United States of America and is exposed to foreign currency exchange rate risk arising from foreign currency exposures to the British Pound, Euro, Swiss Franc and the US dollar.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| Consolidated   | Assets           |                  | Liabilities    |                |
|----------------|------------------|------------------|----------------|----------------|
|                | 2022<br>\$       | 2021<br>\$       | 2022<br>\$     | 2021<br>\$     |
| US dollars     | 273,483          | 584,624          | -              | 110,947        |
| Euros          | 238,702          | 87,818           | 356,958        | -              |
| Pound Sterling | 1,081,758        | 1,940,267        | 327,420        | 123,536        |
| Swiss francs   | 21,380           | 179,306          | 60,104         | 19,082         |
|                | <u>1,615,323</u> | <u>2,792,015</u> | <u>744,482</u> | <u>253,565</u> |

| Consolidated - 2022 | % change | AUD strengthened<br>Effect on<br>loss before<br>tax |                     | % change | AUD weakened<br>Effect on<br>loss before<br>tax |               |
|---------------------|----------|---|---------------------|----------|---|---------------|
|                     |          | Effect on<br>equity                                 | Effect on<br>equity |          |   |               |
| US dollars          | 10%      | (27,348)  | (27,348)            | 10%      | 27,348  | 27,348        |
| Euros               | 10%      | 11,826  | 11,826              | 10%      | (11,826)  | (11,826)      |
| Pound Sterling      | 10%      | (75,434)  | (75,434)            | 10%      | 75,434  | 75,434        |
| Swiss francs        | 10%      | 3,872   | 3,872               | 10%      | (3,872)   | (3,872)       |
|                     |          | <u>(87,084)</u>                                     | <u>(87,084)</u>     |          | <u>87,084</u>                                   | <u>87,084</u> |

| Consolidated - 2021 | % change | AUD strengthened<br>Effect on<br>loss before<br>tax |                     | % change | AUD weakened<br>Effect on<br>loss before<br>tax |                |
|---------------------|----------|---|---------------------|----------|---|----------------|
|                     |          | Effect on<br>equity                                 | Effect on<br>equity |          |   |                |
| US dollars          | 10%      | (47,368)  | (47,368)            | 10%      | 47,368  | 47,368         |
| Euros               | 10%      | (8,782)   | (8,782)             | 10%      | 8,782   | 8,782          |
| Pound Sterling      | 10%      | (181,673)   | (181,673)           | 10%      | 181,673   | 181,673        |
| Swiss francs        | 10%      | (16,022)  | (16,022)            | 10%      | 16,022  | 16,022         |
|                     |          | <u>(253,845)</u>                                    | <u>(253,845)</u>    |          | <u>253,845</u>                                  | <u>253,845</u> |

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The consolidated entity has limited exposure to interest rate risk as there are no external loans. The consolidated entity earns interest on its cash at bank balance which is impacted by movements in interest rates.

**Note 21. Financial instruments (continued)**

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Remaining contractual maturities**

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

|                              | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| <b>Consolidated - 2022</b>   |                                  |                   |                          |                          |                 |                                     |
| <b>Non-derivatives</b>       |                                  |                   |                          |                          |                 |                                     |
| <i>Non-interest bearing</i>  |                                  |                   |                          |                          |                 |                                     |
| Trade payables               | -                                | 1,149,425         | -                        | -                        | -               | 1,149,425                           |
| Other payables               | -                                | 192,040           | -                        | -                        | -               | 192,040                             |
| <b>Total non-derivatives</b> |                                  | <b>1,341,465</b>  | <b>-</b>                 | <b>-</b>                 | <b>-</b>        | <b>1,341,465</b>                    |
| <b>Consolidated - 2021</b>   |                                  |                   |                          |                          |                 |                                     |
| <b>Non-derivatives</b>       |                                  |                   |                          |                          |                 |                                     |
| <i>Non-interest bearing</i>  |                                  |                   |                          |                          |                 |                                     |
| Trade payables               | -                                | 738,538           | -                        | -                        | -               | 738,538                             |
| Other payables               | -                                | 69,677            | -                        | -                        | -               | 69,677                              |
| <b>Total non-derivatives</b> |                                  | <b>808,215</b>    | <b>-</b>                 | <b>-</b>                 | <b>-</b>        | <b>808,215</b>                      |

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

**Fair value of financial instruments**

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

**Note 22. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Nexia Sydney Audit Pty Ltd, the auditor of the company, and its network firms:

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2022          | 2021          |
|   | \$            | \$            |
| <i>Audit services - Nexia Sydney Audit Pty Ltd</i>        |               |               |
| Audit or review of the financial statements               | 74,000        | 71,265        |
| <i>Other services - Nexia Sydney Tax Advisory Pty Ltd</i> |               |               |
| Other non-assurance services                              | 22,360        | 26,718        |
|   | <u>96,360</u> | <u>97,983</u> |
| <i>Audit services - Other (Bod SAGL)</i>                  |               |               |
| Audit or review of the financial statements               | -             | 4,729         |
|   | <u>-</u>      | <u>4,729</u>  |

**Note 23. Contingent assets and liabilities**

During the financial year ended 30 June 2022, the consolidated entity incurred costs due to manufacturing issues associated with its wellness products for sale in the Italian market. The consolidated entity has commenced steps to resolve this issue with its contract manufacturer and at the date of this report has not settled. An inflow of economic benefits relating to the impending settlement of this claim is considered by management to be probable, but discussions and related documentation were not sufficiently advanced as at 30 June 2022 to meet the 'virtually certain' requirement of accounting standards.

Other than the above contingent asset, there were no contingent assets or contingent liabilities as at 30 June 2022 and 30 June 2021.

**Note 24. Commitments**

|   | Consolidated     |                  |
|---|------------------|------------------|
|   | 2022             | 2021             |
|   | \$               | \$               |
| <b>Research and development contracts:</b>                                  |                  |                  |
| Committed at the reporting date but not recognised as liabilities, payable: |                  |                  |
| Within one year   | 2,782,097        | 421,810          |
| One to five years   | 372,510          | 784,017          |
|   | <u>3,154,607</u> | <u>1,205,827</u> |

The consolidated entity has a number of commitments arising from its research and development and clinical trial activities. The amount and timing of these commitments will be managed by the consolidated entity.

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2022          | 2021          |
|   | \$            | \$            |
| <i>Short-term lease commitments</i>   |               |               |
| Committed at the reporting date but not recognised as liabilities, payable: |               |               |
| Within one year   | 72,971        | 72,099        |
|   | <u>72,971</u> | <u>72,099</u> |

The consolidated entity leases premises on a month to month basis cancellable with 3 months' notice. The net monthly cost is \$8,871.

**Note 25. Key management personnel disclosures**

*Compensation*

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

|                              | <b>Consolidated</b> |                  |
|------------------------------|---------------------|------------------|
|                              | <b>2022</b>         | <b>2021</b>      |
|                              | <b>\$</b>           | <b>\$</b>        |
| Short-term employee benefits | 1,259,435           | 995,934          |
| Post-employment benefits     | 110,578             | 83,501           |
| Long-term benefits           | 49,670              | -                |
| Share-based payments         | 186,160             | 587,190          |
|                              | <u>1,605,843</u>    | <u>1,666,625</u> |

**Note 26. Related party transactions**

*Parent entity*

BOD Australia Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 28.

*Key management personnel*

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

*Significant influence*

Health & Happiness Group Ltd ('H&H Group') owns 14% of the issued capital of Bod Australia Limited and provides two directors on the Board of Bod Australia Limited. H&H Group is also the consolidated entity's largest customer. As such, H&H Group is considered to be a related party.

*Transactions with related parties*

The following transactions occurred with related parties:

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2022</b>         | <b>2021</b> |
|  | <b>\$</b>           | <b>\$</b>   |
| Sale of goods and services:                        |                     |             |
| Sale of goods to H&H Group                         | 1,281,098           | 3,074,691   |
| Royalty revenue:                                   |                     |             |
| Royalties received from H&H Group                  | 176,259             | 64,637      |
| Other income:                                      |                     |             |
| Research and development fee income from H&H Group | -                   | 1,049,164   |



**Note 26. Related party transactions (continued)**

*Receivable from and payable to related parties*

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

|                                  | <b>Consolidated</b> |             |
|----------------------------------|---------------------|-------------|
|                                  | <b>2022</b>         | <b>2021</b> |
|                                  | \$                  | \$          |
| Current receivables:             |                     |             |
| Trade receivables from H&H Group | 18,262              | 252,381     |
| Current payables:                |                     |             |
| Trade payables to H&H Group      | 70,137              | -           |

*Loans to/from related parties*

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

*Terms and conditions*

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

**Note 27. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

|                            | <b>Parent</b>      |                    |
|----------------------------|--------------------|--------------------|
|                            | <b>2022</b>        | <b>2021</b>        |
|                            | \$                 | \$                 |
| Loss after income tax      | <u>(4,663,616)</u> | <u>(6,312,233)</u> |
| Total comprehensive income | <u>(4,663,616)</u> | <u>(6,312,233)</u> |

*Statement of financial position*

|                              | <b>Parent</b>           |                         |
|------------------------------|-------------------------|-------------------------|
|                              | <b>2022</b>             | <b>2021</b>             |
|                              | \$                      | \$                      |
| Total current assets         | <u>3,259,782</u>        | <u>7,832,588</u>        |
| Total assets                 | <u>3,768,577</u>        | <u>8,266,090</u>        |
| Total current liabilities    | <u>1,437,374</u>        | <u>1,529,458</u>        |
| Total liabilities            | <u>1,500,495</u>        | <u>1,529,458</u>        |
| Equity                       |                         |                         |
| Issued capital               | 29,395,185              | 29,395,185              |
| Share-based payments reserve | 3,380,741               | 3,185,675               |
| Accumulated losses           | <u>(30,507,844)</u>     | <u>(25,844,228)</u>     |
| Total equity                 | <u><u>2,268,082</u></u> | <u><u>6,736,632</u></u> |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

**Note 27. Parent entity information (continued)**

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 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 2, except for the investment in subsidiary that is accounted for at cost, less any impairment, in the parent entity.

**Note 28. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name                  | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|-----------------------|---|--------------------|-----------|
|                       |   | 2022<br>%          | 2021<br>% |
| BOD SAGL - Lugano     | Switzerland   | 100%               | 100%      |
| Bod Healthcare Ltd    | United Kingdom  | 100%               | 100%      |
| Bod Healthcare, Inc * | United States of America                                  | 100%               | 100%      |

\* Incorporated on 9 October 2020.

**Note 29. Reconciliation of loss after income tax to net cash used in operating activities**

|   | Consolidated       |                    |
|---|--------------------|--------------------|
|   | 2022<br>\$         | 2021<br>\$         |
| Loss after income tax expense for the year      | (5,406,544)        | (4,226,105)        |
| Adjustments for:                                |                    |                    |
| Depreciation and amortisation                   | 153,962            | 133,226            |
| Loss on disposal                                | 10,051             | -                  |
| Share-based payments                            | 195,066            | 587,190            |
| Foreign exchange differences                    | -                  | (8,944)            |
| Change in operating assets and liabilities:     |                    |                    |
| Decrease in trade and other receivables         | 304,276            | 757,469            |
| Decrease/(increase) in inventories              | (148,614)          | 67,015             |
| Decrease/(increase) in prepayments              | 557,737            | (700,797)          |
| Increase/(decrease) in trade and other payables | 206,092            | (1,421,578)        |
| Increase in other provisions                    | 46,751             | 28,661             |
| (Decrease) in unearned income balances          | (95,132)           | (1,049,164)        |
| Net cash used in operating activities           | <u>(4,176,355)</u> | <u>(5,833,027)</u> |

**Note 30. Earnings per share**

|   | Consolidated       |                    |
|---|--------------------|--------------------|
|   | 2022<br>\$         | 2021<br>\$         |
| Loss after income tax attributable to the owners of BOD Australia Limited | <u>(5,406,544)</u> | <u>(4,226,105)</u> |

**Note 30. Earnings per share (continued)**

|   | Number             | Number            |
|---|--------------------|-------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 105,914,920        | 99,140,324        |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>105,914,920</u> | <u>99,140,324</u> |
|   | Cents              | Cents             |
| Basic earnings per share  | (5.10)             | (4.26)            |
| Diluted earnings per share  | (5.10)             | (4.26)            |

As at the reporting date, the consolidated entity had 8,569,438 (2021: 9,310,224) options over ordinary shares (including escrowed and future vesting) and in the money that could potentially dilute basic earnings per share in the future, but were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

**Note 31. Share-based payments**

The following share-based payment arrangements were outstanding during the year:

| 2022                            |             |                |                                  |         |           |                           |                                |
|---------------------------------|-------------|----------------|----------------------------------|---------|-----------|---------------------------|--------------------------------|
| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
| 24/07/2018                      | 30/06/2022  | \$0.50         | 550,000                          | -       | -         | (550,000)                 | -                              |
| 24/07/2018                      | 30/06/2023  | \$0.50         | 750,000                          | -       | -         | -                         | 750,000                        |
| 24/07/2018                      | 30/06/2024  | \$0.50         | 1,000,000                        | -       | -         | -                         | 1,000,000                      |
| 26/11/2018                      | 26/11/2021  | \$0.50         | 550,000                          | -       | -         | (550,000)                 | -                              |
| 26/11/2018                      | *           | \$0.50         | 798,373                          | -       | -         | -                         | 798,373                        |
| 26/11/2018                      | *           | \$0.50         | 798,373                          | -       | -         | -                         | 798,373                        |
| 26/11/2018                      | *           | \$0.50         | 798,374                          | -       | -         | -                         | 798,374                        |
| 09/12/2019                      | 09/12/2022  | \$0.47         | 2,750,000                        | -       | -         | -                         | 2,750,000                      |
| 18/12/2020                      | 18/12/2023  | \$0.75         | 500,000                          | -       | -         | -                         | 500,000                        |
| 18/12/2020                      | 18/12/2025  | \$0.00         | 407,552                          | -       | -         | -                         | 407,552                        |
| 18/12/2020                      | 18/12/2025  | \$0.00         | 407,552                          | -       | -         | -                         | 407,552                        |
| 01/07/2021                      | 21/12/2026  | \$0.00         | -                                | 293,889 | -         | (129,765)                 | 164,124                        |
| 22/11/2021                      | 21/12/2026  | \$0.00         | -                                | 195,090 | -         | -                         | 195,090                        |
|                                 |             |                | 9,310,224                        | 488,979 | -         | (1,229,765)               | 8,569,438                      |
| Weighted average exercise price |             |                | \$0.46                           | \$0.00  | \$0.00    | \$0.45                    | \$0.44                         |

\* These options do not have a fixed expiry date and will expire 3 years after vesting date which is determined by reference to the achievement of specified VWAP conditions.

**Note 31. Share-based payments (continued)**

| 2021                            |             |                |                                  |                  |           |                           |                                |
|---------------------------------|-------------|----------------|----------------------------------|------------------|-----------|---------------------------|--------------------------------|
| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted          | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
| 17/11/2017                      | 17/11/2020  | \$0.20         | 300,000                          | -                | -         | (300,000)                 | -                              |
| 17/11/2017                      | 17/11/2020  | \$0.25         | 500,000                          | -                | -         | (500,000)                 | -                              |
| 17/11/2017                      | 17/11/2020  | \$0.30         | 200,000                          | -                | -         | (200,000)                 | -                              |
| 24/07/2018                      | 30/06/2022  | \$0.50         | 550,000                          | -                | -         | -                         | 550,000                        |
| 24/07/2018                      | 30/06/2023  | \$0.50         | 750,000                          | -                | -         | -                         | 750,000                        |
| 24/07/2018                      | 30/06/2024  | \$0.50         | 1,000,000                        | -                | -         | -                         | 1,000,000                      |
| 26/11/2018                      | 26/11/2021  | \$0.50         | 550,000                          | -                | -         | -                         | 550,000                        |
| 26/11/2018                      | *           | \$0.50         | 798,373                          | -                | -         | -                         | 798,373                        |
| 26/11/2018                      | *           | \$0.50         | 798,373                          | -                | -         | -                         | 798,373                        |
| 26/11/2018                      | *           | \$0.50         | 798,374                          | -                | -         | -                         | 798,374                        |
| 09/12/2019                      | 09/12/2022  | \$0.47         | 2,750,000                        | -                | -         | -                         | 2,750,000                      |
| 18/12/2020                      | 18/12/2023  | \$0.75         | -                                | 500,000          | -         | -                         | 500,000                        |
| 18/12/2020                      | 18/12/2025  | \$0.00         | -                                | 529,084          | -         | (121,532)                 | 407,552                        |
| 18/12/2020                      | 18/12/2025  | \$0.00         | -                                | 529,084          | -         | (121,532)                 | 407,552                        |
|                                 |             |                | <u>8,995,120</u>                 | <u>1,558,168</u> | <u>-</u>  | <u>(1,243,064)</u>        | <u>9,310,224</u>               |
| Weighted average exercise price |             |                | \$0.50                           | \$0.75           | \$0.00    | \$0.25                    | \$0.46                         |

\* These options do not have a fixed expiry date and will expire 3 years after vesting date which is determined by reference to the achievement of specified VWAP conditions.

Set out below are the options exercisable at the end of the financial year:

| Grant date | Expiry date | 2022 Number      | 2021 Number      |
|------------|-------------|------------------|------------------|
| 09/12/2019 | 09/12/2022  | 2,750,000        | 2,750,000        |
| 18/12/2020 | 18/12/2023  | 500,000          | -                |
|            |             | <u>3,250,000</u> | <u>2,750,000</u> |

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.86 years (2021: 1.93 years).

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

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 01/07/2021 | 21/12/2026  | \$0.34                    | \$0.00         | 78.14%              | -              | 0.77%                   | \$0.2059                 |
| 01/07/2021 | 21/12/2026  | \$0.34                    | \$0.00         | 78.14%              | -              | 0.77%                   | \$0.2072                 |
| 01/07/2021 | 21/12/2026  | \$0.34                    | \$0.00         | 78.14%              | -              | 0.77%                   | \$0.2088                 |
| 22/11/2021 | 21/12/2026  | \$0.26                    | \$0.00         | 76.52%              | -              | 1.39%                   | \$0.0639                 |
| 22/11/2021 | 21/12/2026  | \$0.26                    | \$0.00         | 76.52%              | -              | 1.39%                   | \$0.1026                 |
| 22/11/2021 | 21/12/2026  | \$0.26                    | \$0.00         | 76.52%              | -              | 1.39%                   | \$0.1146                 |

**Note 32. Events after the reporting period**

On 30 August 2022, the consolidated entity announced that it had entered into an agreement to acquire, subject to the satisfaction of certain conditions precedent, an invention known as “Aqua Phase” and related assets (Invention). The Invention relates to water-soluble cannabis product technology which makes lipophilic chemicals from cannabis compound(s) soluble in aqueous liquids (for example, water). The consolidated entity intends to use the Invention as a delivery mechanism for its current and future portfolio of CBD and medicinal cannabis products, as well as having the potential to generate revenue from licensing the Invention in the future. Under the terms of the agreement, the consolidated entity will pay the following consideration for the Invention:

- (i) A cash payment of GBP £1,000,000 on the completion date. Completion is subject to the satisfaction of various conditions precedent including the company raising not less than \$2,000,000 in capital within 4 months of the date of the agreement.
- (ii) A payment of GBP £500,000 on successful manufacture to pharmaceutical GMP standards of two batches of the Milestone Product to specified criteria no later than 24 months after the completion date (Milestone Payment 1).
- (iii) A payment of GBP £1,500,000 on successful production of the first commercial pharmaceutical GMP (100,000-500,000 capsule run) batch of Milestone Product, where ‘successful production’ means the Milestone Product has been manufactured in accordance with necessary specifications and regulations and will be able to be offered for commercial use no later than 36 months after the completion date (Milestone Payment 2).
- (iv) In connection with the transaction, the consolidated entity will enter into fixed term consultancy agreements with key management personnel of the seller. Under the consultancy agreements, the consolidated entity will be required to make payments totalling GBP £200,000 per annum for two years.

The company may, subject to shareholder approval, elect to settle any or all of Milestone Payments 1 and 2 in cash or through the issue of shares in the company in lieu of cash. If the company exercises the option to settle in shares, the value of the shares will be the 3-month VWAP prior to the date of payment, less a discount of 10%.

On 30 August 2022, the consolidated entity announced its intention to undertake a capital raising by way of a share placement and pro rata, non-accelerated, non-renounceable entitlement offer.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Joanne Patterson', written over a horizontal line.

Joanne Patterson  
Director and Chief Executive Officer

30 August 2022  
Sydney

## Independent Auditor's Report to the Members of BOD Australia Limited

### Report on the Audit of the Financial Report

#### Opinion

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

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

- i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its financial performance for the year then ended; 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 consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional & 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.

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that during the year ended 30 June 2022 the consolidated entity incurred a net loss after tax of \$5,406,544 and net operating cash outflows of \$4,176,355. As stated in Note 2, the company is dependent on future capital raising in order to continue as a going concern. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## Key audit matters

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

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><b>Revenue Recognition</b></p> <p>Refer to notes 2 and 5.</p> <p>Revenue is an important measure by which the performance of the consolidated entity is assessed and it is a significant balance in the Consolidated entity's statement of comprehensive income and is a key driver of the consolidated entity's profitability.</p> <p>There is a risk that revenue has not been recognised in accordance with AASB15: <i>Revenue from Contracts with Customers</i>.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>- Analysed the movement in revenue accounts to the prior year as well as performing detailed analysis on monthly sales and relationship with COGS.</li><li>- Assessed the design and implementation of relevant internal controls in relation to revenue transactions by documenting the material revenue transactions cycles, identifying the related contractual performance obligations arising under AASB 15, and performing walkthroughs on a sample of revenue transactions.</li><li>- Performed substantive testing on a sample of revenue transactions to their source, initiating and delivery documentation to verify their occurrence and accuracy and that the recognition of revenue is in accordance with AASB 15.</li><li>- Tested revenue transactions in the period around the year-end (cut-off) to ensure revenue was recognised within the correct period.</li><li>- Considered the impact of claims and sales returns during the year and subsequent to year end, to assess the accuracy of revenue recognised.</li></ul> |

## Other information

The directors are responsible for the other information. The other information comprises the information in BOD Australia Limited'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 the other information we are required to report that fact. We have nothing to report in this regard.

## Directors' responsibility 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 consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibility 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 Australian Auditing and Assurance Standards Board website at: [www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](http://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 16 of the directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of BOD Australia 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.



**Nexia Sydney Audit Pty Ltd**



**Joseph Santangelo**  
Director

Dated: 30 August 2022