



CLEAN
SCALABLE
ENERGY
STORAGE™

ANNUAL REPORT 20/21

CORPORATE DIRECTORY

CURRENT DIRECTORS

Tony Sacre - Chairman

Peter Gan - Non Executive Director

Dana Larson - Non Executive Director

COMPANY SECRETARY

Tania Sargent

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

1414 Degrees Limited

136 Daws Road

Melrose Park SA 5039

Telephone: +61 8 8357 8273

Email: info@1414degrees.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell Street

Adelaide SA 5000

Telephone: +61 3 9415 4000

Website: www.computershare.com.au

STOCK EXCHANGE

1414 Degrees Limited shares are quoted
on the Australian Securities Exchange
(ASX:14D)

SOLICITORS

HWL Ebsworth Lawyers

Level 21, 91 King William Street

Adelaide SA 5000

PATENT & TRADE MARK ATTORNEYS

Madderns

Level 4, 19 Gouger Street

Adelaide SA 5000

AUDITOR

BDO Audit (SA) Pty Ltd

Level 7, 420 King William Street

Adelaide SA 5000

WEBSITE

www.1414degrees.com.au

Chairman's Letter to Shareholders



Tony Sacre
Chairman

Dear Shareholders,

The 2021 Financial Year was a year which brought quite significant change in the Company's executive team and also saw some key changes to our Board, including the appointment of myself as Non-Executive Director and Chairman.

Whilst I have spoken to several of the shareholder base since I joined, I'm aware that I would be a new name and face to many of you. Therefore, as way of introduction to my background and experience, I'm the Chief Executive Officer of Bentleys, one of Australia's largest Accounting and Financial Services firms with nineteen offices and approximately 750 staff across Australia and New Zealand. I believe my experience in executive leadership, governance and strategic planning and execution are the key skills 1414 Degrees were looking for when approaching me for the role. In turn, it was 1414 Degrees' exciting technology in the renewable energy and storage space which attracted me to the role.

With each day we see further evidence supporting the need for clean energy

technology to deliver the global drive to decarbonisation. In my opinion, 1414 Degrees renewable high temperature heat technology can provide a solution to one of the greatest engineering and commercial challenges for a low-carbon energy future.

This year the team has focussed on the development and refinement of SiBox™, the latest generation of our thermal energy storage technology, to efficiently and robustly harness the exceptionally high latent heat capacity of molten silicon to store energy from intermittent renewable energy. SiBox offers unique and competitive advantages to provide heat solutions for industrial and combined heat and power applications, the demand for which will increase in the future, and we are in a good position to capitalise on this with the SiBox Demonstration Module.

These advancements have been facilitated by locating all staff, both corporate and technical, in one location at the Daws Road site in Melrose Park, South Australia. The site delivers excellent space for our research and development work with opportunities for collaboration and cost efficiencies.

In addition, a strategic and measured approach to the Aurora Energy Project has been undertaken to ensure the Company maximises the potential of the site and return for shareholders.

Supporting all our employees and new Chief Executive Officer, Matt Squire, is an important task for the Board and me as we drive 1414 Degrees' business plan forward and deliver a strong pipeline of opportunities in this increasingly critical sector. Please be confident that, in Matt, you have an experienced and capable executive at the helm who will keep the Company focussed on meeting the challenges of successfully commercialising the SiBox™ technology and delivering shareholder value.

Based on the excellent foundation of work outlined above, a clear vision for the Company going forward as outlined to the board recently by our new Chief Executive; the strength and quality of our engineering technical team which is led by our impressive Chief Operating Officer, Jordan Parham; and our Board renewal I believe that the future of 1414 Degrees technology and its potential for positive business outcomes is strong.

Finally, I would like to say that I like to operate an 'open door' policy, so if you do have any questions or would like to discuss anything with me directly, please feel free to do so. My details are below.

Best wishes,

TONY SACRE
CHAIRMAN

tsacre@1414degrees.com.au

CEO's Letter to Shareholders



Matt Squire
Chief Executive Officer

Dear Shareholders,

I'm very excited to have joined the team at 1414 Degrees and thank you for the messages of welcome I received when I started in August.

The last 12 months have seen the world continue to call for a response to climate change and the recognition for a need to create an energy future underpinned by renewables. The public, governments and financiers are accelerating their demand for clean energy solutions. I believe that large, traditional energy companies will almost universally expand their allocation of capital towards clean energy projects which are offering increasing returns to shareholders through improved economies of scale and technological improvements. We are also seeing the widespread adoption of renewable energy where possible within many industries' supply chains including manufacturing, minerals processing, agriculture and transport. However, the challenges to the adoption of renewable energy for many industries is significant. Sectors such as cement, building products and steel manufacturing

are all looking for solutions to further decarbonise their operations. The Australian Renewable Energy Agency has highlighted that "a key challenge for industry is the need for high-temperature heat".

The need for long duration energy storage, and the opportunity that is offered by the delivery of renewable, high temperature heat was recognised by 1414 Degrees and its founding shareholders. The initial concept projects developed by 1414 Degrees, and supported by SA Government and Commonwealth funding, remain an excellent platform from which we have developed our intellectual property. The Company's experience in developing storage techniques that utilise the latent heat properties of silicon has culminated in our latest generation thermal energy storage, SiBox™. SiBox provides us with the opportunity to create a product that could prove to be disruptive for energy users and renewable energy developers in its scalability and flexibility. I certainly intend for us to continue the drive to develop a commercial silicon based energy storage solution that builds on our prior investments.

Over the last year the Company's Research & Development team has focussed its development efforts on thermal storage media options for SiBox which are significantly different in design and superior to our previous generation of storage media. The leading options have undergone extensive testing in anticipated real-life conditions and rigorous assessment of their properties, including chemical composition, energy storage density and structural integrity. The outcomes of this testing and analysis has enabled us to finalise the SiBox module design. In parallel with this work, we have continued our collaboration with the University of Adelaide to develop new low-cost silicon-based alloys to further improve the competitiveness of the SiBox storage

media for different high-temperature applications.

The key next step in our technology demonstration and scale up program is to build a 1 MWh SiBox Demonstration Module. In the last year we have progressed full-system design, optimisation activities and selection of the most robust, energy dense and lowest cost storage media option. A final work program and budget was established enabling construction activities to commence in 2022. We aim to commence running and testing the Demonstration Module at the end of 2022 followed up with a rigorous test program that proves the commercial utility of SiBox throughout 2023. We believe that the SiBox Demonstration Module will prove our technology's ability to deliver a commercial solution for heat intensive industries to capture renewable energy in a more usable form. The flexibility of the technology will also enable it to be configured into existing industrial energy user infrastructure and energy supply networks, offering a large array of commercialisation opportunities.

We are continuing to progress a renewable energy generation hub at the Aurora Energy Project (AEP) north of Port Augusta. Our development approvals are being modified to allow us to develop an initial commercial battery storage facility which will underpin the electrical connection stage of the Project. This will serve to strengthen and enhance regional infrastructure and pave the way for the next stage of solar generation developments including a baseload pilot project that demonstrates our SiBox technology. An expanded solar monitoring regime is in place and planning and connection approvals will be progressed in the next 12 months.

Our Glenelg project is presently utilised as a demonstration platform, and we will be looking at further opportunities for this asset in the future. We have also developed a more fulsome awareness of how our

energy storage systems can utilise renewable gas streams and add more value to water and waste industries. I would like to acknowledge the excellent support that we have received from SA Water in providing us the opportunity to do this.

A prudent focus on shareholder funds has been maintained by consolidating our activities to one site at Melrose Park which ensures our technical, commercial and corporate staff are able to effectively collaborate. This will enhance innovation as we develop our SiBox Demonstration Module and look for commercial pilot applications. Adelaide is a city that has some of the world's highest concentration of renewable energy and it is probably no coincidence it is consistently considered one of the world's most liveable. The support of the SA State Government and other stakeholders such as SA Water provides us with the ideal base from which to operate.

Finally, I would like to acknowledge the outstanding efforts and dedication of the staff at 1414 Degrees in what has been a difficult year. It is not easy to progress new technologies such as ours, however I'm very confident that we have a diligent and collaborative team that will deliver this for shareholders in the future.

Thank you for your ongoing support of 1414 Degrees and we look forward to updating you on an exciting year in 2022.

Yours sincerely,



Matthew Squire
Chief Executive Officer



“This has been a transformative year for the advancement of 1414 Degrees’ technology. Renewed emphasis on our core thermal storage, and its unmatched potential to provide high temperature renewable heat, has culminated in a robust and efficient design for our next generation modular SiBox.”



Dr Mahesh Venkataraman
Technology Manager



Nathan Levinson
Mechanical Research Engineer

“My focus this year has been on optimising the storage media for our next generation of silicon storage. We’ve run six months of testing in real-life conditions which sets us up to deliver the SiBox Demonstration Module.”

“After a busy year of testing, experiments and design work our Demonstration Module is taking shape. I’m looking forward to seeing it all come to fruition when we begin building in 2022.”



Josh Zowtyj
Product Development Engineer

“Leveraging the learnings from Glenelg I’ve been focussed on developing the commercial model for gas-fired thermal energy storage. It’s encouraging to see that energy value can be maximised by pairing with conventional generating assets to create a hybrid system with synergistic value.”



Wil Grosser
Project Engineer



Callum Phillips
Graduate Engineer

“Joining 14D and having the opportunity to contribute to cutting edge thermal energy storage technology is a dream come true. To be a graduate engineer and have the opportunity to learn from a team of specialists in this groundbreaking industry is amazing.”

“This year we brought the whole company together in one location, setting us up to commercialise the SiBox technology. In SiBox we’ve created a technology that will enable large industrial and utility customers to cost-effectively decarbonise.”



Dr Jordan Parham
Chief Operating Officer

Corporate Governance

1414 Degrees Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2021 Corporate Governance Statement is dated as at 30 June 2021 and reflects the corporate governance practices in place throughout the 2021 financial year.

The 2021 Corporate Governance Statement has been approved by the Board.

A description of the Company's current corporate governance practices is set out in the Corporate Governance Statement which can be viewed at www.1414degrees.com.au

1414 DEGREES LIMITED

ACN 138 803 620

ANNUAL REPORT

**FOR THE YEAR ENDED
30 JUNE 2021**

1414 DEGREES LIMITED
ACN 138 803 620

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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1414 DEGREES LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

The directors of 1414 Degrees Limited present their report on the Group for the financial year ended 30 June 2021.

DIRECTORS

The following persons were directors of 1414 Degrees Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Kevin Charles Moriarty - Resigned as Director 19 July 2021 and as Executive Chairman 2 September 2021
Dana Larson
Penelope Bettison - Appointed 27 September 2019. Resigned 28 July 2020
Ian Little - Appointed 27 September 2019. Resigned 1 July 2020
Richard Willson - Appointed 2 July 2020, Resigned 24 May 2021
Tony Sacre - Appointed 3 June 2021
Peter Gan - Appointed 4 January 2021
Jamie Summons - Managing Director - Appointed 14 January 2021, Ceased Employment 23 June 2021

COMPANY SECRETARY

Richard Willson - Resigned 24 May 2021
Tania Sargent - Appointed 25 May 2021

PRINCIPAL ACTIVITIES

1414 Degrees Limited is commercialising bulk energy storage solutions to transform intermittent renewable generation into baseload electricity and decarbonise heat supply. Its technology uses renewable electricity or biogas to provide combined heat and power solutions for consumers while stabilising electricity grids. Its silicon-based thermal energy storage devices provide compact solutions with the advantages of scalability, low cost, long life and flexible placement.

DIVIDENDS

No dividends have been paid during or since the financial year ended 30 June 2021.

REVIEW OF OPERATIONS

The Company's strategies, structure and people have continued to evolve as it progresses through the development of a new technology in a dynamic market. In the past year, there have been several significant achievements regarding the technical and commercial development of our silicon based thermal energy storage technology and Aurora Energy Project. This is occurring as we continue to see a very favourable investment environment for clean energy technology and renewable energy generation projects.

The Company relocated to new premises in April 2021, uniting all staff for the first time, which will enhance our internal collaboration and provide for ongoing cost efficiencies.

GAS-TESS

The GAS-TESS pilot facility (Glenelg project) has operated since April 2019 at SA Water's Glenelg Wastewater Treatment Plant (WWTP). The project was granted acceptance as an embedded generator in the NEM in July 2019 and received final permanent development approvals by local council in November 2020. Sufficient testing and operation has been undertaken to validate design models and assess the GAS-TESS pilot's strengths and weakness versus conventional generating plant. The Glenelg project as presently configured is not commercial for continuous operation however it remains available for periodic demonstration of the Company's technology and a backup for biogas to energy conversion on the site. Future investment opportunities to enhance its utilisation and performance are available and SA Water remains supportive of the ongoing development of the GAS-TESS technology.

The total carrying value of the Gas-TESS asset was impaired in June 2021 (\$2,863,285).

In the last year studies have continued on broader applications of the GAS-TESS technology and future commercialisation pathways. In particular these have focussed on hybrid approaches with other conventional generating assets. We continue to look for and work with potential partners interested in the value GAS-TESS technology can add to their operations, including water utilities and other applications where there is waste gas or variable/ intermittent gas streams with calorific value that require emissions management solutions.

SIBOX THERMAL ENERGY STORAGE TECHNOLOGY

The Company's core research and development to harness the high energy density of molten silicon has resulted in a new, robust, scalable and energy dense storage media concept. This breakthrough technology, arranged in a new internal heat exchanger design, is called 'SiBox™'. Over the past year R&D efforts have focussed on refining the three preferred thermal storage media concepts for SiBox. Samples have now completed six months of rigorous testing under anticipated real-life conditions.

As the key next step in commercialisation of the SiBox™ technology, we plan to construct a 1 MWh SiBox Demonstration Module by September 2022. The Demonstration Module will be a full-scale single module of the large scale SiBox concept with a focus on storage of renewable electricity and delivery of this energy as high temperature heat when required. Following its construction, the Demonstration Module will undergo a period of rigorous operations and testing in an environment that simulates commercial operations. This will advance the Technical Readiness Level of the SiBox technology and provide confidence to large scale industrial and utility customers, thereby accelerating SiBox commercialisation as a flexible and scalable clean energy solution. In the last year full-system design, optimisation activities and selection of the most robust, energy dense and lowest cost storage media option have been progressed. A final work program and budget was established enabling construction activities to commence in 2022.

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AURORA ENERGY PROJECT

In December 2019, the Company acquired SolarReserve Australia II Pty Ltd, now renamed SiliconAurora Ltd a fully owned subsidiary of 1414 Degrees Ltd. SiliconAurora is developing the Aurora Energy Project (AEP) near Port Augusta in South Australia. The Company made the strategic acquisition as part of a strategy to participate in dispatchable renewable energy generation developments, which will increasingly be in demand.

The AEP site has had significant investment including the 275kV transmission line which is immediately adjacent to the project and is the primary energy source for OzMinerals' long-term operations at Prominent Hill and Carapateena mines. The line, operated by Electranet, also provides a connection point to the National Electricity Market (NEM), making the site well suited for wholesale renewable energy generation, electricity storage and grid stability support services. Once an initial renewable energy development is established, the site also provides the Company with a potential location to demonstrate its SiBox technology on a larger scale following successful operation of the Demonstration Module.

The AEP has development approval for a 70 MW solar PV farm and 150 MW of generation from a concentrated solar thermal plant (CSP). During the year the Company has undertaken a significant review of the AEP and revised the preferred development concept in order to maximise commercial return whilst progressing electrical connection to the site and opening up the development of large-scale solar energy generation in the future. Relevant approvals for the updated AEP project design have been obtained, including Crown Sponsorship and Office of the Technical Regulator Certificate. A variation to the existing Development Approval has also been lodged to include a 140MW/280MWh hr battery and the SiBox pilot.

Solar monitoring activities at the location are continuing and will provide suitable data for future CSP and solar generation development.

The Company has been progressing commercial discussions with relevant third parties including customers and Electranet, as well as undertaking the technical studies required for the granting of a transmission connection agreement. We have also been working with potential providers for key equipment.

INTELLECTUAL PROPERTY

Current status of patents and trade names

- Patent 2010282232- "Thermal Energy Storage Apparatus, Arrangement and Method". Granted in AU, NZL, EU, China and US.
- Patent 2012292959 - Thermal Energy Storage Apparatus" joint ownership. CCT dispute resolved. Granted in AU, NZL, EU, China and US.
- PCT Application 2018239960 "Energy Storage and Retrieval System" (TESS-IND). Some issues raised in EU, response in progress. Granted in AU, NZL and US.
- PCT Application PCT/AU2019/000113 "Energy Recovery System" (GAS-TESS). Proceeding with National/Regional Phase registration Aus, NZL, EU and US.
- Australian provisional patent application No. 2020904050 (SiBox Storage Media). In application/patent pending.
- SiBox trademark registered in AU, PRC, USA, EU.

The Company continues to actively manage, document and protect all its intellectual property. As part of this, during the year the Company successfully resolved a dispute with Climate Change Technologies (CCT) concerning a very early patent.

COVID-19

The COVID-19 pandemic caused the Group to review its budgets and work practices. The Company continues to monitor its finances and workplace arrangements to manage the risk from COVID-19 and related lockdowns.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

An oversubscribed Share Purchase Place (SPP) closed in October 2020 securing further investment of \$3,175,539. The SPP provided an opportunity for all eligible shareholders to subscribe up to \$30,000 at 12 cents a share, a 12.6% discount to the volume weighted average price of shares on the ASX during the 5 trading days immediately prior to the announcement of the SPP Offer on 3 September 2020. 26,463,035 Ordinary Shares were issued on Wednesday, 21st of October 2020.

On June 30, 2021 the Company had 200,310,458 Ordinary Shares on issue and 3677 shareholders.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The company has new leadership at Management and Board level, with the appointment of Matthew Squire as Chief Executive Officer and Tony Sacre as Chair of the Board. These appointments significantly enhance the commercial, strategic and governance capabilities of the Company.

ENVIRONMENTAL REGULATION

The Group is not subject to significant environmental regulations and is not aware of any breaches of any environmental regulations during the year.

MEETINGS OF DIRECTORS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2021, and the number of meetings attended by each director are set out below:

Directors	Board		Committee	
	Held	Attended	Held	Attended
Kevin Moriarty	4	4	0	0
Dana Larson	4	2	1	1
Peter Gan	2	2	1	1
Jamie Summons	2	2	0	0
Richard Willson	4	4	0	0
Tony Sacre	0	0	1	1

INFORMATION ON DIRECTORS

Name: Kevin Moriarty
 Title: Executive Chairman
 Qualifications: BSc (Hons), Ph.D., MAusIMM

Experience and expertise: Kevin has over 40 years of mining and oil exploration and development experience and 29 years of corporate experience in roles including Chairman and Managing Director of listed companies. He founded and led several companies to develop mines in Australia and Africa. He has served as director and chairman of a number of ASX listed companies guiding their restructure and relisting. He has researched deep sea sediments, cave and fossil deposits and published papers on climate change as an honorary research fellow of Flinders University and the Australian National University.

Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 12,653,000 ordinary shares
 Interests in options: None
 Contractual rights to shares: None

Name: Dana Larson
 Title: Non-Executive Director
 Qualifications: B.Sc Chemical and Petroleum Engineering

Experience and expertise: Dana is an energy expert with 16 years' of experience primarily focusing on acquisitions, reservoir engineering, financial modelling, and engineering management. He has a passion for cultivating a culture of success and for leveraging technical knowledge to create and optimise value for companies. He consults for hedge funds and wealthy individuals on exploration & production, mining, and renewable energy and is currently running an energy acquisition and divestiture consultancy.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: Member of the Independent Board Committee
 Interests in shares: 250,000 ordinary shares
 Interests in options: None
 Contractual rights to shares: None

Name: Penelope Bettison - Appointed 27 September 2019. Resigned 28 July 2020.
 Title: Executive Director
 Qualifications: BBus, GAICD, FAMI, CPM

Experience and expertise: Penelope has 20 years' experience in marketing and business management and is the Company's Head of Corporate Services. She founded and was a Director and Brand Strategist at Pitstop Marketing. Her experience spans a wide range of industries including financial services, engineering, education, government, business events and tourism.

Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 0 ordinary shares
 Interests in options: None
 Contractual rights to shares: None

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FOR THE YEAR ENDED 30 JUNE 2021

Name: Richard Willson - Appointed 2 July 2020, Resigned 24 May 2021.
 Title: Non-Executive Director & Company Secretary
 Qualifications: BAcc, FCPA, FAICD

Experience and expertise: Richard is an experienced Non-Executive Director, Company Secretary and CFO with more than 20 years' experience with both publicly listed and private companies. Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), 1414 Degrees Limited (ASX:14D), Graphene Technology Solutions Limited, the not-for-profit Unity Housing Company and Variety SA; and Company Secretary of a number of ASX Listed Companies. Richard is the Chairman of the Audit Committee of Titomic Limited, AusTin Mining Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

Other current directorships: Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ)
 Former directorships (last 3 years): None
 Interests in shares: 0 ordinary shares
 Interests in options: None
 Contractual rights to shares: None

Name: Peter Gan
 Title: Non-Executive Director
 Qualifications: BEng (Hons), MBA

Experience and expertise: Peter is an experienced executive and governance professional, having held positions as Chief Executive Officer, Chief Operating Officer and Company Secretary with both listed and private companies. Peter's experience includes roles with energy companies, technology start-ups and professional services, whilst also having extensive experience in capital markets. Peter has an Engineering degrees (Hons) and also holds a Masters in Business Administration.

Other current directorships: Royal Wins Corporation
 Former directorships (last 3 years): None
 Special responsibilities: Member of the Independent Board Committee
 Interests in shares: 0 ordinary shares
 Interests in options: None
 Contractual rights to shares: None

Name: Tony Sacre
 Title: Chairman and Non-Executive Director
 Qualifications: BBus, FINSIA, ACA, ACPA, MBA, GAICD

Experience and expertise: Tony is an experienced Non-Executive Director and Executive with more than 25 years' experience with both publicly listed and private companies. Tony is currently the CEO of Bentleys, Australia's twelfth largest national accounting organisation. Tony's experience includes roles with international financial institutions, Australia's primary securities exchange and large professional services organisations. Tony has a Bachelor of Business (Queensland University of Technology), is a Fellow of the Securities Institute of Australia, a Chartered Accountant and Certified Practising Accountant, holds a Masters in Business Administration (Macquarie University) and is a Graduate of the Australian Institute of Company Directors.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: Chair of the Independent Board Committee
 Interests in shares: 0 ordinary shares
 Interests in options: None
 Contractual rights to shares: 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

Tania Sargent is an experienced governance, company secretary and non-executive director and is the current State Chair of the Governance Institute. Tania has a Bachelor of Arts (Accounting) from the University of South Australia, is a member of the Institute of Chartered Accountants (Aust & NZ), has completed a Masters in Business Administration, is a graduate member of the Australian Institute of Company Directors and has completed a Diploma of Applied Corporate Governance with the Governance Institute of Australia.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

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
- Employment agreements
- Share-based compensation
- 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
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group 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 Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

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

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

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

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

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. Non-executive directors do not receive share Performance Rights or other incentives. The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum annual aggregate remuneration for non-executive directors has been set at \$300,000.

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Executive remuneration

The Group 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 three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

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

The Group has a Performance Rights Plan under which it can issue Performance Rights to staff and executives.

Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group consisted of the following directors of 1414 Degrees Ltd:

- Jamie Summons - Managing Director - Ceased Employment 23 June 2021
- Dana Larson - Non-Executive Director
- Tony Sacre - Chairman and Non-Executive Director- Appointed 3 June 2021
- Peter Gan - Non-Executive Director - Appointed 4 January 2021
- Penelope Bettison - Executive Director (Appointed 27 September 2019. Resigned 28 July 2020) and Head of Corporate Services (Resigned 28 August 2020)
- Kevin Moriarty - Executive Chairman - Resigned as Director 19 July 2021 and as Executive Chairman 2 September 2021

And the following persons:

- Matthew Squire - Chief Executive Officer - Appointed 1 August 2021
- Richard Willson - Non-Executive Director and Company Secretary - Appointed as director on 1 July 2020 - Resigned 24 May 2021
- Jordan Parham - Chief Operating Officer
- Marie Pavlik - Chief Executive Officer (SiliconAurora) and Business Development Manager - Appointed 14 January 2020, Redundancy 5 March 2021

	Salary and fees	Short-term benefits Cash bonus	Non-monetary	Post-employment benefits Super-annuation	Long-term benefits Long service leave	Share-based payments Equity-settled shares	Equity-settled Performance Rights	Total
2021	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Tony Sacre *	5,417	-	-	-	-	-	-	5,417
Dana Larson	30,000	-	-	-	-	-	-	30,000
Peter Gan *	20,000	-	-	-	-	-	-	20,000
Richard Willson **	80,438	-	-	7,048	-	-	-	87,486
<i>Executive Directors:</i>								
Kevin Moriarty	182,500	-	-	17,337	7,443	-	-	207,280
Penelope Bettison ***	73,362	-	-	5,424	-	-	-	78,786
<i>Other Key Management Personnel:</i>								
Matthew Squire	-	-	-	-	-	-	-	-
Jamie Summons ****	132,002	-	-	10,847	-	-	-	142,849
Jordan Parham	170,937	-	-	16,239	5,669	-	15,000	207,845
Marie Pavlik *****	128,635	-	-	10,444	-	-	35,800	174,879
	823,291	-	-	67,339	13,112	-	50,800	954,542

* No payments in the year to 30 June 2021 - 1st payment in July 2021

** Represents remuneration from 1 July 2020 to 24 May 2021

*** Represents remuneration from 1 July 2020 to 28 August 2020

**** Represents remuneration from 14 January 2021 to 23 June 2021

***** Represents remuneration from 1 July 2020 to 5 March 2021

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled Performance Rights	Total
2020	\$	\$	\$	\$	\$	\$	\$	\$
Robert Shepherd *	14,127	-	-	1,342	-	-	-	15,469
Dana Larson	31,667	-	-	-	-	-	-	31,667
Ian Little **	25,308	-	-	2,404	-	-	-	27,712
<i>Executive Directors:</i>								
Kevin Moriarty (Chairman)	258,281	-	-	19,255	514	-	-	278,050
Penelope Bettison ***	182,812	-	-	17,367	2,612	-	(8,696)	194,096
<i>Other Key Management Personnel:</i>								
Richard Willson	62,400	-	-	5,928	1,043	-	(737)	68,634
Jordan Parham	183,653	-	-	17,367	3,191	-	29,250	233,461
Marie Pavlik ****	73,442	-	-	6,977	1,552	-	-	81,972
	831,690	-	-	70,641	8,911	-	19,817	931,060

* Represents remuneration from 1 July 2019 to 7 November 2019

** Represents remuneration from 27 September 2019 to 30 June 2020

*** Moved from "Other Key Management Personnel" to "Executive Directors" due to appointment 27 September 2019

**** Represents remuneration from 14 January 2020 to 30 June 2020

Employment agreements

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

Name: Dana Larson
Title: Non-Executive Director
Agreement commenced: 1 December 2018; varied effective 1 November 2020
Term of agreement: Ongoing
Details: Director fee for the year ending 30 June 2021 of \$40,000.

Name: Kevin Moriarty
Title: Executive Chairman
Agreement commenced: 1 January 2020; varied effective 1 April 2020; varied effective 1 July 2021
Term of agreement: 2 years
Details: Base salary for the year ending 30 June 2021 of \$200,000 plus superannuation. 3 month termination notice by either party.

Name: Tony Sacre
Title: Chairman and Non-Executive Director
Agreement commenced: 3 June 2021
Term of agreement: Ongoing
Details: Director fee for the year ending 30 June 2021 of \$65,000

Name: Peter Gan
Title: Non-Executive Director
Agreement commenced: 4 January 2021
Term of agreement: Ongoing
Details: Director fee for the year ending 30 June 2021 of \$40,000.

Name: Penelope Bettison
Title: Executive Director (Appointed 27 September 2019, Resigned 28 July 2020) & Head of Corporate Services (resigned 28 August 2020)
Agreement commenced: 1 March 2019; varied effective 1 April 2020
Term of agreement: Resigned 28 August 2020
Details: Base salary for the year ending 30 June 2021 of \$195,000 plus superannuation. 3 month termination notice by either party.

Name: Richard Willson
Title: Company Secretary
Agreement commenced: 19 October 2017
Term of agreement: Resigned 24 May 2021
Details: Base salary for the year ending 30 June 2021 of \$46,800 plus superannuation. 3 month termination notice by either party.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Employment agreements (Continued)

Name: Matthew Squire
Title: Chief Executive Officer
Agreement commenced: 1 August 2021
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2022 of \$350,000 plus superannuation. 3 month termination notice by either party.

Name: Jamie Summons
Title: Managing Director
Agreement commenced: 4 January 2021
Term of agreement: Ceased Employment 23 June 2021
Details: Base salary for the year ending 30 June 2021 of \$250,000 plus superannuation. 3 month termination notice by either party.

Name: Jordan Parham
Title: Chief Operating Officer
Agreement commenced: 14 January 2019; varied effective 1 April 2020
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2021 of \$180,000 plus superannuation. 3 month termination notice by either party.

Name: Marie Pavlik
Title: Chief Executive Officer (SiliconAurora) & Business Development Manager
Agreement commenced: 14 January 2020; varied effective 1 April 2020
Term of agreement: Redundancy 5 March 2021
Details: Base salary for the year ending 30 June 2021 of \$170,000 plus superannuation. 4 week termination notice by either party.

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 2021

Performance Rights

There were no Performance Rights ("PR") issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Values of PR over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Value of PR granted during the year \$	Value of PR exercised during the year \$	Value of PR lapsed during the year \$	Remuneration consisting of PR for the year %
Marie Pavlik	126,700	35,800	(90,900)	20%
Jordan Parham	248,450	15,000	(22,800)	7%
Richard Willson	60,000	-	(60,000)	
Kevin Moriarty	120,000	-		
Dana Larson	15,000	-		
	<u>570,150</u>	<u>50,800</u>	<u>(173,700)</u>	

Company performance link to remuneration

The remuneration of key management personnel is linked to the development of the Group's intangible assets, the continued progress towards developing the TESS technology and progress on the Aurora site at Port Augusta.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

Other transactions with key management personnel and their related parties
Nil

This concludes the audited remuneration report.

Additional disclosures relating to key management personnel

Shareholding

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

2020	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the date of this report
<i>Ordinary shares</i>					
Robert Shepherd*	7,107,594	-	-	(7,107,594)	-
Dana Larson	250,000	-	-	-	250,000
Ian Little	-	-	-	-	-
Kevin Moriarty	12,403,000	-	-	-	12,403,000
Penelope Bettison**	1,000,000	-	-	(1,000,000)	-
Richard Willson	-	-	-	-	-
Jordan Parham	-	-	150,000	-	150,000
Marie Pavlik***	-	-	-	5,564	5,564
	20,760,594	-	150,000	(8,102,030)	12,808,564

* Disposals/other' is to recognise resignation on 7 November 2019 and hence removal of shareholding from disclosure at the date of this report.

** Disposals/other' is to recognise resignation from KMP on 28 August 2020 and hence removal of shareholding from disclosure at the date of this report.

*** Appointed 14 January 2020. 'Disposals/Other' denotes balance held prior to joining the group.

2021	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the date of this report
<i>Ordinary shares</i>					
Tony Sacre	-	-	-	-	-
Peter Gan	-	-	-	-	-
Dana Larson	250,000	-	-	-	250,000
Kevin Moriarty	12,403,000	-	250,000	-	12,653,000
Penelope Bettison	-	-	-	-	-
Richard Willson	-	-	-	-	-
Jordan Parham	150,000	-	100,000	(100,000)	150,000
Matthew Squire	-	-	-	-	-
Marie Pavlik	5,564	-	250,000	-	255,564
	12,808,564	-	600,000	(100,000)	13,308,564

Performance Rights holding

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

2020	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the date of this report
<i>PR over ordinary shares</i>					
Penelope Bettison	750,000	-	-	(750,000)	-
Richard Willson	50,000	-	-	(25,000)	25,000
Jordan Parham	200,000	-	(150,000)	(50,000)	-
	1,000,000	-	(150,000)	(825,000)	25,000

2021	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the date of this report
<i>PR over ordinary shares</i>					
Richard Willson	25,000	400,000	-	(425,000)	-
Kevin Moriarty	-	800,000	-	-	800,000
Marie Pavlik	-	950,000	(250,000)	(700,000)	-
Dana Larson	-	100,000	-	-	100,000
Jordan Parham	-	1,450,000	(100,000)	(200,000)	1,150,000
	25,000	3,700,000	(350,000)	(1,325,000)	2,050,000

None of the performance rights in the table above are currently vested and therefore cannot be exercised.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of 1414 Degrees Limited.

The Group has indemnified the Directors and executives of the Group 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 Group paid a premium in respect of a contract to insure the Directors and executives of the Group 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.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group 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 by the auditor are outlined in note 7 to the financial statements. The amount is nil during the financial year as no non-audit services were provided (2020: \$nil).

OFFICERS OF THE GROUP WHO ARE FORMER PARTNERS OF ACCOUNTING FIRM BDO

There are no officers of the Group who are former partners of Accounting Firm BDO Audit (SA) Pty Ltd.

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

Accounting Firm BDO Audit (SA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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



Tony Sacre
Chairman and Non-Executive Director

Dated this 30th day of September 2021

1414 DEGREES LIMITED
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 AUD\$	2020 AUD\$
Other Income	5	486,553	411,054
Research and Development Expenses		6,553	-
Administration and Professional Expenses		1,319,515	906,889
Occupancy Expenses		73,739	37,042
Marketing Expenses		50,851	76,521
Depreciation and Amortisation		136,772	300,221
Asset Impairment		2,933,040	-
Employee Benefits Expense	6	1,285,226	1,451,631
Share Based Payments (Equity-settled)		252,949	93,932
Directors Fees		83,561	71,935
Other Expenses		214,276	253,098
Finance Costs		104,249	85,743
(Loss) before income tax		(5,974,178)	(2,865,958)
Income tax benefit / (expense)	8	-	-
(Loss) for the year		(5,974,178)	(2,865,958)
Other comprehensive income for the year		-	-
Items that will be reclassified subsequently to profit or loss:		-	-
		-	-
Total comprehensive (loss) for the year		(5,974,178)	(2,865,958)
Basic loss per share	16	(3.11) cents	(1.66) cents
Diluted loss per share	16	(3.11) cents	(1.66) cents

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

1414 DEGREES LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 AUD\$	2020 AUD\$
ASSETS			
Current assets			
Cash and cash equivalents	9	5,704,957	4,395,479
Trade and other receivables	10	544,370	1,436,805
Other current assets		131,721	142,882
Total current assets		6,381,048	5,975,166
Non-current assets			
Property, plant and equipment		173,434	204,155
Intangible Assets	11	5,661,300	8,359,688
Right-of-use assets	12	1,601,502	1,126,136
Total non-current assets		7,436,236	9,689,979
Total assets		13,817,284	15,665,145
LIABILITIES			
Current liabilities			
Trade and other payables	13	608,819	355,139
Provision for employee benefits		78,825	90,628
Lease liabilities		315,000	129,938
Total current liabilities		1,002,644	575,705
Non-current liabilities			
Provision for employee benefits		31,072	14,906
Lease liabilities (NC)	14	1,255,232	975,485
Convertible notes		-	-
Total non-current liabilities		1,286,304	990,391
Total liabilities		2,288,948	1,566,096
Net assets		11,528,336	14,099,049
EQUITY			
Contributed equity	15	32,486,429	29,197,369
Share Based Payments Reserve	17	196,904	116,968
Accumulated losses		(21,154,997)	(15,215,288)
Total equity		11,528,336	14,099,049

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 AUD\$	2020 AUD\$
Cash flows from operating activities			
Cash received from customers		50,975	24,991
Cash paid to suppliers and employees		(2,912,441)	(2,981,431)
Government grants		492,250	233,636
Interest received		18,398	148,623
Interest paid		-	(9,500)
Interest paid on lease liabilities		(42,637)	(23,533)
Net cash inflow/(outflow) from operating activities	18	<u>(2,393,455)</u>	<u>(2,607,214)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,548)	(36,263)
Purchase of entities		-	(2,000,000)
Payments for product development activities		(1,376,133)	(3,278,550)
Government grant received and used for intangible asset		16,000	236,000
Research and development tax offset received and used for intangible asset		1,954,840	2,743,782
Net cash inflow/(outflow) from investing activities		<u>587,159</u>	<u>(2,335,031)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Repayment of lease liabilities		-	(398,868)
Transaction costs related to issues of shares or options		(59,492)	-
Proceeds from exercise of share options		-	-
Proceeds from the issue of shares		3,175,540	-
Net cash inflow/(outflow) from financing activities		<u>3,116,048</u>	<u>(398,868)</u>
Net increase/(decrease) in cash and cash equivalents		1,309,752	(5,341,113)
Net foreign exchange differences		(274)	15,400
Cash and cash equivalents at beginning of period		4,395,479	9,721,192
Cash and cash equivalents at end of period	9	<u>5,704,957</u>	<u>4,395,479</u>

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Contributed equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total equity \$
At 30 June 2019				
Adjustment for change in accounting policy (note 1)	29,097,294	123,111	(12,314,612)	16,905,793
Balance at 1 July 2019 - Restated			(34,718)	(34,718)
	<u>29,097,294</u>	<u>123,111</u>	<u>(12,349,330)</u>	<u>16,871,075</u>
Loss for the year	-	-	(2,865,958)	(2,865,958)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(2,865,958)</u>	<u>(2,865,958)</u>
Transactions with owners in their capacity as owners				
Employee Share Scheme - Performance Rights Valuation	-	93,932	-	93,932
Employee Share Scheme - Conversion of Performance Rights	100,075	(100,075)	-	-
Contributions of equity net of transaction costs	-	-	-	-
	<u>100,075</u>	<u>(6,143)</u>	<u>-</u>	<u>93,932</u>
At 30 June 2020				
Adjustment for prior period restatement of leased asset (note 27)	29,197,369	116,968	(15,215,288)	14,099,049
Loss for the year	-	-	34,471	34,471
Other comprehensive income	-	-	(5,974,178)	(5,974,178)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(5,974,178)</u>	<u>(5,974,178)</u>
Transactions with owners in their capacity as owners				
Employee Share Scheme - Performance Rights Valuation	-	252,949	-	252,949
Employee Share Scheme - Conversion of Performance Rights	173,013	(173,013)	-	-
Contributions of equity net of transaction costs	3,116,047	-	-	3,116,047
	<u>3,289,060</u>	<u>79,936</u>	<u>-</u>	<u>3,368,996</u>
At 30 June 2021	<u>32,486,429</u>	<u>196,904</u>	<u>(21,154,997)</u>	<u>11,528,336</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1 CORPORATE INFORMATION

The financial statements of 1414 Degrees Limited for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30 September 2021 and cover the group as required by Australian Accounting Standards.

The financial statements are presented in the Australian currency.

1414 Degrees Limited is a group limited by shares incorporated and domiciled in Australia.

The address of the group's registered office and principal place of business is 136 Daws Rd, Melrose Park SA 5039

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, Australian Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The group is a for-profit group for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Amounts have been rounded to whole dollars.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.
The accounting policies have been consistently applied, unless otherwise stated.

(b) Other Income Recognition

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

Grant

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the group will comply with all the 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. Government grants relating to intangible assets are deducted from the cost of the asset.

Interest

Interest is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(c) Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

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

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised in other comprehensive income.

(e) Impairment of Assets

At the end of each reporting period, the group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Goodwill on business acquisition and the intangible asset that is not yet ready for use is tested for impairment annually, or more frequently if events or changes in circumstances indicated that they might be impaired.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(f) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, 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 and bank overdrafts.

(g) Property, Plant and Equipment

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line or diminishing value basis over the asset's useful life to the group commencing from the time the asset is held ready for use. The following estimated useful lives will be used in the calculation of depreciation:

- Plant and equipment	2 - 15 years
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The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

(h) Intangible Assets

Product Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Expenditure capitalised comprises costs of materials and services. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired. As the asset is not yet available for use, the useful life has not yet been determined.

The R&D refund is recognised on an accrual basis, calculated using actual costs incurred on eligible activities and is subject to potential review by Government for up to 5 years.

Goodwill

Goodwill is calculated as the excess of the:

- consideration transferred,
- amount of any non-controlling interests in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible Assets (Continued)

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(i) Leases

Right-of-use Assets

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

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

The consolidated entity has elected 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 Liabilities

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

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

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

All trade and other payables are non interest bearing.

(k) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on 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.

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 either the American or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the 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.

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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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(m) Financial Assets

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

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

Impairment of financial assets

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

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

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

(n) Principles of Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group 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 group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(o) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Business Combinations (continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(p) Accounting Standards Issued But Not Yet Effective

There are no accounting standards that have not been early adopted for the year ended 30 June 2021 but will be applicable to the group in future reporting periods which are expected to have a material impact on the financial statements.

(q) Application of new and revised Accounting Standards

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

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NOTE 3 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key Estimates - Impairment

The group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for intangible assets and those with a finite useful life but not yet considered ready for use, relevant inputs have been factored into valuation models on the basis of management's expectations regarding the growth of the market and the group's ability to capture market share. Pre-tax discount rates of 11% have been used in all models.

With respect to cash flow projections for the goodwill on business acquisition, the calculations use cash flow projections based on the most readily available modelling work performed for/by the entity. Relevant inputs have been factored into models on the basis of management's expectations regarding potential revenues and the group's ability to capture market share. Pre-tax discount rates of 11% have been used in all models.

The goodwill on business acquisition and intangible asset is tested for impairment annually at the end of the reporting period.

Key Judgements - Product Development

Included within intangible assets at the end of the reporting period is Product Development with a net carrying value of \$3,789,832 (2020: \$6,488,220) being the carrying value of the Product Development intangible asset of \$9,801,097 (2020: \$16,296,263) less the associated Government Grant funding of \$1,000,000 (2020: \$2,568,000) and the R&D refundable tax offsets applied of \$5,011,265 (2020: \$7,240,043). The directors believe that while the development and commercialisation of the technology remains in-progress and the asset is not yet generating economic benefits (beyond customer trials), it is not considered ready for use. A reliable estimate for the useful life of the asset will only be capable of being determined once the asset is assessed as ready for use, after which point, amortisation will commence. The directors are satisfied that it is probable that the intangible asset will generate future economic benefits based on internal financial models and potential project scenario analysis, excluding the GASS TESS asset at the SA Water (Glenelg) site, for which an impairment was recorded this financial year (\$2,933,040).

NOTE 4 SEGMENT REPORTING

There is only one segment which is the entire business, which operates entirely within Australia.

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NOTES TO THE FINANCIAL STATEMENTS
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	2021 AUD\$	2020 AUD\$
NOTE 5 OTHER INCOME		
Interest Received	18,828	79,198
Rent & Office Recoveries	4,257	22,720
Claim Settlement	46,718	
Provision of services	-	-
Government grants	416,750	309,136
	<u>486,553</u>	<u>411,054</u>
NOTE 6 EXPENSES		
Profit(loss) before income tax includes the following specific expenses:		
Defined contribution superannuation expense	107,841	123,987
Right of Use Assets - Depreciation expense	103,539	252,415
Right of Use Assets - Interest expense	104,249	85,743
	<u>315,629</u>	<u>462,145</u>
NOTE 7 AUDITORS' REMUNERATION		
Audit services		
Amounts paid/payable to BDO for audit/review of the financial statements of the group	31,225	37,000
Amounts paid/payable to a related practice of the auditor for corporate finance services	-	-
	<u>31,225</u>	<u>37,000</u>
NOTE 8 INCOME TAX EXPENSE		
Income Tax expense/(benefit) comprises:		
Current tax expense		
Current tax expense/(benefit)	-	-
Adjustments for previous years	-	-
Total current income tax expense	<u>-</u>	<u>-</u>
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Total income tax expense/(benefit) in profit or loss	<u>-</u>	<u>-</u>
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Profit/(Loss) from operations before tax	(5,974,178)	(2,865,958)
Income tax calculated at 26.0%	(1,553,286)	(788,138)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	1,553,286	788,138
Non-deductible expenses	81,795	29,862
Assessable income not included in profit/loss	4,160	64,900
Other reconciling items	(49,319)	(48,893)
Timing differences on deferred tax assets not recognised	503	(34,226)
Tax losses not recognised	1,516,147	776,495
Tax expense	<u>-</u>	<u>-</u>
NOTE 9 CASH AND CASH EQUIVALENTS		
Cash at bank	5,704,957	4,395,479
Cash term deposits	-	-
	<u>5,704,957</u>	<u>4,395,479</u>
An amount of \$295,113 included as cash has been set aside to support a bank guarantee issued to the landlord of the rented premises.		
NOTE 10 TRADE AND OTHER RECEIVABLES		
Trade receivables	696	63,000
R&D refundable tax offset	538,577	1,367,937
Other receivables	5,097	5,868
	<u>544,370</u>	<u>1,436,805</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

	2021 AUD\$	2020 AUD\$
NOTE 11 INTANGIBLE ASSETS		
Product Development		
Product Development - Intellectual Property		
Intangible assets under development - at cost	9,801,097	16,296,263
Government Grants applied	(1,000,000)	(2,568,000)
R&D Refundable Tax Offset applied	(5,011,265)	(7,240,043)
	<u>3,789,832</u>	<u>6,488,220</u>
Reconciliation of Product Development - Intellectual Property		
Balance at the beginning of the year	6,488,220	5,109,045
Additions	1,376,133	3,278,550
Government Grants applied	(16,000)	(236,000)
R&D Refundable Tax Offset applied	(1,125,481)	(1,663,375)
GAS TESS Impairment	(2,933,040)	-
Closing carrying value	<u>3,789,832</u>	<u>6,488,220</u>

Intellectual property consists of TESS (thermal energy storage system) development of bulk energy storage solutions.

No amortisation has been recognised as the intellectual property is not available for use as at 30 June 2021. The intangible asset is tested for impairment annually. The government grant relates to accelerating the commercialisation of the group's intellectual property.

The recoverable amount of the group's Product Development intangible asset has been determined by a value-in-use calculation using a discounted cash flow model, based on an 8 year projection period approved by management.

The following key assumptions were used in the discounted cash flow model:

- 11% pre-tax discount rate;
- No revenue earned until 2024;
- Major project deliverables in 2024, 2027, and 2030.

The discount rate of 11% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the revenue presented in the model is justified, based on the potential indicated in the market.

There were no other key assumptions.

Goodwill on business acquisition

Goodwill on business acquisition	(Note 19)	1,871,468	1,871,468
		<u>1,871,468</u>	<u>1,871,468</u>
Reconciliation of goodwill on business acquisition			
Balance at the beginning of the year		1,871,468	-
Purchase of SiliconAurora Pty Ltd		-	1,871,468
Closing carrying value		<u>1,871,468</u>	<u>1,871,468</u>

Goodwill is tested for impairment annually.

The recoverable amount of the group's goodwill intangible asset has been determined by a value-in-use calculation using a discounted cash flow model, based on an 11 year projection period approved by management.

The following key assumptions were used in the discounted cash flow model:

- 11% pre-tax discount rate;
- Consistent revenue beginning in FY2023
- Revenue and CAPEX based on modelling recently performed for the Group;
- Financing mix unknown, however model based on 100% debt in order to consider impacts of interest and debt repayments

The discount rate of 11% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the revenue presented in the model is justified, based on modelling work referred to above.

There were no other key assumptions.

NOTE 12 NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

Land and buildings - right-of-use	1,766,174	2,256,668
Less: Accumulated depreciation	(164,672)	(1,130,532)
	<u>1,601,502</u>	<u>1,126,136</u>

Additions to the right-of-use assets during the year were \$570,436

NOTE 13 TRADE AND OTHER PAYABLES

Trade and other payables	395,133	297,339
Other payables and accruals	213,686	57,800
	<u>608,819</u>	<u>355,139</u>

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			2021 AUD\$	2020 AUD\$
NOTE 14 NON-CURRENT LIABILITIES - LEASE LIABILITIES				
Lease liabilities			1,255,232	975,485
Lease Type	Term	Rate Applied to Lease Liability		
Tripartite Agreement - Pastoral Lease	40 years	6.23%	965,089	975,485
Office Space	2 years & 2 months, 1 year right of renewal	4.98%	290,143	-
			<u>1,255,232</u>	<u>975,485</u>

NOTE 15 CONTRIBUTED EQUITY

	2021 No. of Shares	2021 AUD\$	2020 No. of Shares	2020 AUD\$
Share capital				
Ordinary shares - authorised, issued and fully paid opening balance	172,904,923	29,197,369	172,389,923	29,097,294
Employee Share Scheme - Conversion of Performance Rights	942,500	173,013	515,000	100,075
Share Purchase Plan	26,463,035	3,175,540	-	-
Costs of issue	-	(59,493)	-	-
Ordinary shares - authorised, issued and fully paid closing balance	<u>200,310,458</u>	<u>32,486,429</u>	<u>172,904,923</u>	<u>29,197,369</u>

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the group in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Ordinary shares have no par value.

Capital Management

Management controls the capital of the group in order to ensure that the group can fund its operations and continue as a going concern.

The group's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the group since the prior year and the objectives for managing capital have been met.

NOTE 16 EARNINGS PER SHARE

	2021 AUD\$	2020 AUD\$
<i>Earnings per share for profit (loss)</i>		
Profit (loss) after income tax	(5,974,178)	(2,865,958)
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd	<u>(5,974,178)</u>	<u>(2,865,958)</u>
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd used in calculating diluted earnings per share	<u>(5,974,178)</u>	<u>(2,865,958)</u>
	Cents	Cents
Basic earnings per share	(3.11)	(1.66)
Diluted earnings per share	(3.11)	(1.66)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	191,870,410	172,612,635
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares if dilutive	-	-
Convertible notes	-	-
	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>191,870,410</u>	<u>172,612,635</u>

The 4,625,000 performance rights have not been taken into account when calculating diluted earnings per share as they are anti dilutive.

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NOTE 17 SHARE BASED PAYMENTS

350,000 shares were issued to key management personnel in this financial year as part of the group's Performance Rights plan. In the year ended 30 June 2020 150,000 shares were issued to key management personnel during the financial year.

A Performance Rights plan was established by the group in the 2019 financial year, whereby the group may, at the discretion of the board, grant Performance Rights (PR) over ordinary shares in the group to certain employees of the group. The PR are issued for nil consideration and are granted in accordance with performance guidelines established by the board.

Set out below are summaries of PR's outstanding at the end of the financial year:

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
2/04/2019	1/07/2020	\$0.00	250,000	-	(75,000)	(175,000)	-
2/04/2019	15/01/2021	\$0.00	775,000	-	(125,000)	(650,000)	-
2/04/2019	15/01/2022	\$0.00	875,000	-	-	(875,000)	-
2/04/2019	15/01/2023	\$0.00	750,000	-	-	(250,000)	500,000
23/07/2020	31/07/2020	\$0.00	-	742,500	(542,500)	(200,000)	-
23/07/2020	1/07/2021	\$0.00	-	250,000	-	-	250,000
23/07/2020	15/01/2021	\$0.00	-	600,000	(200,000)	(400,000)	-
23/07/2020	15/01/2022	\$0.00	-	400,000	-	(400,000)	-
23/07/2020	1/07/2022	\$0.00	-	100,000	-	-	100,000
23/07/2020	15/01/2023	\$0.00	-	1,000,000	-	-	1,000,000
30/11/2020	30/11/2021	\$0.00	-	700,000	-	(200,000)	500,000
30/11/2020	30/11/2022	\$0.00	-	600,000	-	(200,000)	400,000
9/04/2021	15/07/2021	\$0.00	-	250,000	-	-	250,000
9/04/2021	31/07/2021	\$0.00	-	100,000	-	-	100,000
9/04/2021	1/09/2021	\$0.00	-	100,000	-	-	100,000
9/04/2021	15/01/2022	\$0.00	-	325,000	-	-	325,000
9/04/2021	15/01/2023	\$0.00	-	100,000	-	-	100,000
9/04/2021	15/01/2024	\$0.00	-	500,000	-	-	500,000
9/04/2021	31/12/2021	\$0.00	-	500,000	-	-	500,000
			<u>2,650,000</u>	<u>6,267,500</u>	<u>(942,500)</u>	<u>(3,350,000)</u>	<u>4,625,000</u>
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2/04/2019	1/07/2019	\$0.00	75,000	-	(70,000)	(5,000)	-
2/04/2019	14/01/2020	\$0.00	200,000	-	(150,000)	(50,000)	-
2/04/2019	15/01/2020	\$0.00	725,000	-	(295,000)	(430,000)	-
2/04/2019	1/07/2020	\$0.00	350,000	-	-	(100,000)	250,000
2/04/2019	15/01/2021	\$0.00	925,000	-	-	(150,000)	775,000
2/04/2019	15/01/2022	\$0.00	975,000	-	-	(100,000)	875,000
2/04/2019	15/01/2023	\$0.00	1,100,000	-	-	(350,000)	750,000
			<u>4,350,000</u>	<u>-</u>	<u>(515,000)</u>	<u>(1,185,000)</u>	<u>2,650,000</u>
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

There are no Performance Rights exercisable at the end of the financial year.

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial year was 0.94 years (2020: 1.12).

During the year the expense recognised in relation to the valuation of these Performance Rights was \$253k.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18 CASH FLOW INFORMATION	2021 AUD\$	2020 AUD\$
Reconciliation of profit after income tax to net cash flow from operating activities		
Loss for the year	(5,974,178)	(2,865,958)
Non-cash flows in profit/(loss):		
- Depreciation and Amortisation	136,772	300,221
- Share Based Payments	252,949	93,932
- Foreign exchange differences	274	(15,400)
- Asset Impairment	2,933,040	
Change in operating assets and liabilities		
- (increase)/decrease in trade and other receivables	771	(5,851)
- (increase)/decrease in other current assets	11,161	73,333
- Increase/(decrease) in trade and other payables	241,393	(73,990)
- increase/(decrease) in employee benefits	4,363	(113,502)
Net cash flow from operating activities	<u>(2,393,455)</u>	<u>(2,607,214)</u>

NOTE 19 BUSINESS COMBINATION

On 13 December 2019 1414 Degrees Ltd acquired 100% of the issued shares in SolarReserve II Pty Ltd (Renamed to SiliconAurora Pty Ltd). SiliconAurora owns the advanced Aurora Solar Energy Project ("Aurora Project") near Port Augusta in South Australia. The group proposes to develop the Aurora Project, which has approval for 70MW of solar photovoltaic (PV) and 150MW of concentrated solar thermal plant (CSP) systems, and intends to demonstrate its world leading TESS-GRID technology.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	AUD\$
Cash paid	<u>2,000,000</u>
Total purchase consideration	<u>2,000,000</u>
The assets and liabilities recognised as a result of the acquisition are as follows:	
	Fair Value AUD\$
Cash	1,000
GST Receivable	8,809
Property, plant and equipment	85,601
Right-of-use assets	1,052,115
Lease liabilities - Current	(110,000)
Lease liabilities - Non-Current	(908,993)
Net identifiable assets acquired	<u>128,532</u>
Add: Goodwill (Note 11)	<u>1,871,468</u>
	<u>2,000,000</u>

The goodwill is attributable to SiliconAurora's approval of 70MW of PV and 150MW of CSP systems, access to land resources and development activity to progress an expanded renewable energy project and demonstrate the Group's TESS-GRID technology. Documentation and contracts were obtained as part of the purchase, however these do not qualify for separate recognition.

NOTE 20 CONTINGENCIES

Contingent Liabilities

At 30 June 2021 those charged with governance of the group note that there are no known contingent liabilities (2020: nil).

NOTE 21 RELATED PARTY

(a) Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.
There were no transactions with related parties during the year ended 30 June 2021

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 21 RELATED PARTY (continued)

(b) Director and Director-related Interests in the group

Disclosures relating to director and director-related interests, as well as key management personnel are set out in Note 22 below and the remuneration report included in the director's report.

NOTE 22 KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to KMP of the group during the year are as follows:

	2021 AUD\$	2020 AUD\$
Short-term employee benefits	823,291	831,690
Post-employment benefits	67,339	70,641
Other long term benefits	13,112	8,911
Share-based payments	50,800	19,817
Total KMP compensation	954,542	931,060

These amounts represent the group's employee benefits and shared-based-payments expense for the year.

NOTE 23 FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2021 AUD\$	2020 AUD\$
Financial Assets			
Financial Assets at amortised cost:			
Cash and cash equivalents	9	5,704,957	4,395,479
Trade and other receivables - R&D tax refund	10	538,577	1,367,937
Total financial assets		6,243,534	5,763,416
Financial Liabilities			
Financial Liabilities at amortised cost:			
Trade and other payables	13	608,819	355,139
Total financial liabilities		608,819	355,139

General objectives, policies and processes

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Market Risk

The group's activities have no material exposure to financial risks of changes in interest rates. The group analyses its risk by considering sensitivity on its interest rate exposures and determining the potential impact on its effected expenses and revenue of movements in these rates. If the potential variance is material then management may seek to minimise this exposure but it does not consider this to be the case at this time.

The group 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 risk is measured using sensitivity analysis and cash flow forecasting.

Credit Risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group, except for the Australian Taxation Office which is the counterparty to the R&D refundable tax offset shown in note 10. Trade receivables represent the maximum exposure to credit risk, credit quality is considered good.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 23 FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The directors manage liquidity risk by monitoring forecast cash flows and ensuring that the group's operations are adequate to meet liabilities due.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	AUD\$ 2021	AU\$ 2020	AU\$ 2021	AU\$ 2020	AUD\$ 2021	AUD\$ 2020	AUD\$ 2021	AUD\$ 2020
Financial liabilities due for settlement								
Trade and other payables	608,819	355,139	-	-	-	-	608,819	355,139
Lease Liabilities	315,000	110,000	333,104	68,202	922,128	927,221	1,570,232	1,105,423
	<u>923,819</u>	<u>465,139</u>	<u>333,104</u>	<u>68,202</u>	<u>922,128</u>	<u>927,221</u>	<u>2,179,051</u>	<u>1,460,562</u>
Financial assets - cash flows realisable								
Cash at bank	5,704,957	4,395,479	-	-	-	-	5,704,957	4,395,479
Trade and other receivables	538,577	1,367,937	-	-	-	-	538,577	1,367,937
Cash term deposits	-	-	-	-	-	-	-	-
	<u>6,243,534</u>	<u>5,763,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,243,534</u>	<u>5,763,416</u>

Sensitivity Analysis

Interest rate risk

At 30th June 2021 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$5,704,957. A +/-1% change in interest rates during the year ended 30th June 2021 will result in a +/- change in net interest income of \$57,050.

At 30th June 2020 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$4,395,479. A +/-1% change in interest rates during the year ended 30th June 2020 will result in a +/- change in net interest income of \$43,955.

Management has considered that both a positive and negative 1% variance is sufficient to illustrate the potential variations in interest income.

Foreign currency risk

	Assets		Liabilities	
	2021 AUD\$	2020 AUD\$	2021 AUD\$	2020 AUD\$
Cash at bank held in or trade payables denominated in				
US dollars	772	1,493	-	-
Euros	510	4,303	-	14,661
	<u>1,282</u>	<u>5,796</u>	<u>-</u>	<u>14,661</u>

The group had net assets denominated in foreign currencies of \$1,282 as at 30 June 2021 (2020: net liability of \$8,865).

Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2020: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the group's profit before tax for the year would have been \$128 lower/\$64 higher (2020: \$887 higher/\$443 lower) and equity would have been \$128 lower/\$64 higher (2020: \$887 higher/\$443 lower).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

The actual foreign exchange loss for the year ended 30 June 2021 was \$497 (2020: loss of \$21,472).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 24 COMMITMENTS FOR EXPENDITURE

There are no capital commitments as at 30 June 2021 (2020: nil)

NOTE 25 SUBSEQUENT EVENTS

The company has new leadership at Management and Board level, with the appointment of Matthew Squire as Chief Executive Officer and Tony Sacre as Chair of the Board. These appointments significantly enhance the commercial, strategic and governance capabilities of the Company.

NOTE 26 PARENT ENTITY INFORMATION

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

Statement of Profit or Loss and Other Comprehensive Income

	2021 AUD\$	2020 AUD\$
Loss after income tax	(4,835,687)	(2,526,376)
Total comprehensive income	<u>(4,835,687)</u>	<u>(2,526,376)</u>

Statement of Financial Position

	2021 AUD\$	2020 AUD\$
Total Current Assets	6,380,048	5,974,166
Total Assets	<u>12,655,784</u>	<u>14,604,064</u>
Total Current Liabilities	(528,977)	130,388
Total Liabilities	<u>(207,763)</u>	<u>145,294</u>
Equity		
Contributed equity	32,486,429	29,197,369
Share Based Payments Reserve	196,904	116,968
Accumulated losses	(19,691,254)	(14,855,567)
Total Equity/(Deficiency)	<u>12,992,079</u>	<u>14,458,770</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 2021.

Contingent Liabilities

The parent entity had no contingent liabilities as at 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 2021.

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2.

NOTE 27 RESTATEMENT OF PRIOR PERIOD

The group determined that an error was made in the initial accounting for the right of use asset and lease liability on acquisition of SiliconAurora Pty Ltd on 13 December 2019. A formula calculation error had resulted in an overstatement of the right of use asset and lease liability which has been corrected in the comparative figures to this financial report. The impact on each of the affected financial statement line items for the prior period is shown below.

	As previously reported	Adjustment	As restated
30 June 2020			
Right of use asset	2,674,765	(1,548,629)	1,126,136
Total assets	<u>17,213,774</u>	<u>(1,548,629)</u>	<u>15,665,145</u>
Lease liability	2,619,581	(1,514,158)	1,105,423
Total liabilities	<u>3,080,254</u>	<u>(1,514,158)</u>	<u>1,566,096</u>
Accumulated losses	(15,180,817)	(34,471)	(15,215,288)
Other equity	29,314,337	-	29,314,337
Total equity	<u>14,133,520</u>	<u>(34,471)</u>	<u>14,099,049</u>
Depreciation and amortisation expense	342,076	(41,855)	300,221
Finance costs	29,555	56,188	85,743
(Loss) before tax for the year	<u>(2,851,625)</u>	<u>14,333</u>	<u>(2,865,958)</u>

NOTE 28 INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business / Country of incorporation	Ownership Interest 2021	2020
SiliconAurora Pty Ltd	Australia	100%	100%
Aurora FinCo Pty Ltd	Australia	100%	100%

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29 DEFERRED TAXES

The balance comprises temporary differences attributable to:

	2021	2020
Deferred tax assets attributable to:		
Tax losses - Australia	689,660	1,210,045
Capital Raising Costs - 5yr write-off	290,552	420,749
Employee benefits	27,395	26,384
Superannuation accrual	10,858	11,385
Interest accrual	15,571	-
Lease liability	313,808	622,411
	<u>1,347,844</u>	<u>2,290,974</u>
Set-off deferred tax liabilities pursuant to set-off provisions:		
Deferred tax liabilities attributable to:		
Intangible assets	(947,458)	(1,622,055)
Accrued interest revenue	(10)	(228)
Right of use asset	(400,376)	(668,691)
	<u>(1,347,844)</u>	<u>(2,290,974)</u>
Net deferred tax asset/(liability) balance	<u>-</u>	<u>-</u>

The amount of gross tax losses relating to Australian operations that are carried forward is \$14,171,581 (2020: \$8,197,403).

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of 1414 Degrees Limited, the directors of the group declare that:

- 1 The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are prepared in accordance with Australian Accounting Standards and present fairly the group's financial position as at 30 June 2021 and its performance for the year ended on that date.
- 2 The group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- 3 In the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.
- 4 The directors have been given the declarations as required by s295A of the Corporations Act.

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



Tony Sacre
Chairman and Non-Executive Director

Sydney

Dated this 30th day of September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 1414 DEGREES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 1414 Degrees Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

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.

Intangible Asset - Product Development

Key audit matter	How the matter was addressed in our audit
The carrying value of the intangible asset product development - intellectual property as set out in note 11 is a key audit matter due to: ▶ The significance of the total balance. ▶ The level of audit procedures undertaken to evaluate management's application of the recognition criteria for internally generated intangible assets required by AASB 138 Intangible Assets. ▶ The level of judgment applied by management and inherent subjectivity in their assessment of the potential impairment of the asset and compliance with the requirements of AASB 136 Impairment of Assets.	Our audit procedures included, but were not limited to: ▶ Assessing the composition of development costs and the capitalisation criteria against the requirements of AASB 138 - Intangible Assets. ▶ Agreeing a sample of additions to supporting documentation, and ensuring the amounts were appropriately capitalised. ▶ Obtaining an understanding of the key processes and controls associated with the allocation of costs to the product development category. ▶ Assessing the results of trials of the prototype product and the potential market size for similar applications of the technology. ▶ Considering and evaluating assumptions contained within management's impairment assessment and assessing the discount rate applied. ▶ Performing a sensitivity analysis on the key financial assumptions of the forecasted cash flows and discount rate in the model and considering the likelihood of such movements in these key assumptions.

Intangible Asset - Goodwill

Key audit matter	How the matter was addressed in our audit
The carrying value of the intangible asset goodwill on business acquisition as set out in note 11 is a key audit matter due to: ▶ The significance of the total balance. ▶ The level of audit procedures undertaken to evaluate management's application of the recognition criteria for goodwill required by AASB 138 Intangible Assets. ▶ The level of judgment applied by management and inherent subjectivity in their assessment of the potential impairment of the asset and compliance with the requirements of AASB 136 Impairment of Assets.	Our audit procedures included, but were not limited to: ▶ Assessing the activities of the subsidiary in the period and management plans for future development of the relevant site. ▶ Vouching the on-going third party support of the development agreement. ▶ Considering and evaluating assumptions contained within management's impairment assessment and assessing the discount rate applied. ▶ Performing a sensitivity analysis on the key financial assumptions of the forecasted cash flows and discount rate in the model and considering the likelihood of such movements in these key assumptions.



Other information

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

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of 1414 Degrees Limited, for the year ended 30 June 2021, 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.

A stylized, handwritten signature of 'BDO' in blue ink.

BDO Audit (SA) Pty Ltd

A handwritten signature of 'Paul Gosnold' in blue ink.

Paul Gosnold
Director

Adelaide, 30 September 2021



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**DECLARATION OF INDEPENDENCE
BY PAUL GOSNOLD
TO THE DIRECTORS OF 1414 DEGREES LIMITED**

As lead auditor of 1414 Degrees Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of 1414 Degrees Limited and the entities it controlled during the period.

Paul Gosnold
Director

BDO Audit (SA) Pty Ltd

Adelaide, 30 September 2021

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 September 2021.

Share Capital

- 200,560,458 fully paid Ordinary Shares are held by 3,650 individual Shareholders.
- 3,375,000 Unlisted Performance Rights with various performance hurdles are held by 8 individual holders.
- All Ordinary Shares carry one vote per share.
- There is no current on-market buyback.

Distribution of Equity Securities

The number of shareholders, by size of holding, in each class are:

<u>Range</u>	<u>Securities</u>	<u>%</u>	<u>No. of holders</u>	<u>%</u>
100,001 and Ove	16,088	0.01%	50	1.37%
10,001 to 100,0	2,435,376	1.21%	777	21.29%
5,001 to 10,000	6,879,071	3.43%	918	25.15%
1,001 to 5,000	53,977,551	26.91%	1,638	44.88%
1 to 1,000	137,252,372	68.43%	267	7.32%
Total	200,560,458	100.00%	3,650	100.00%
Unmarketable Parcels at 10.0 cents per share			736	20.16%

Substantial Shareholders

(As disclosed in substantial holding notices given to the Company)

	<u>No. of Shares Hel</u>	<u>%</u>
FOCEM PTY LTD <TOWARNIE SUPER FUND A/C>	12,653,000	6.31%

Twenty largest holders of Quoted Ordinary Shares

<u>Rank</u>	<u>Name</u>	<u>No. of Shares Hel</u>	<u>%</u>
1	FOCEM PTY LTD <TOWARNIE SUPER FUND A/C>	12,653,000	6.31
2	AMMJOHN PTY LTD	5,439,868	2.71
3	MR JOHN HENRY MOSS + MRS WENDY ELIZABETH MOSS <MOSS RETIREMENT A/C>	5,249,188	2.62
4	MR ROBERT JOHN KEITH SHEPHERD + MRS LYNETTE DOROTHY SHEPHERD <RJK SHEPHERD & ASSOC SF A/C>	5,150,470	2.57
5	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	4,689,600	2.34
6	MEWTWO GLOBAL INVESTMENTS LLC	4,333,333	2.16
7	MR HAROLD TOMBLIN + MRS JUDITH JOHNSTON <HAROLD TOMBLIN S/F A/C>	4,206,976	2.10
8	CITICORP NOMINEES PTY LIMITED	3,449,791	1.72
9	MR JOHN LANGLEY HANCOCK	2,778,333	1.39
10	MS SUSAN JOHNSON <LATENT HEAT HOLDINGS A/C>	2,657,448	1.33
11	BENGER SUPERANNUATION PTY LIMITED <BENGER SUPER FUND A/C>	2,300,000	1.15
12	MR JONATHAN WHALLEY + MRS MARTINE ANNE WHALLEY <YURREBILLA FUND A/C>	2,180,708	1.09
13	LHO LA PTY LTD <ACME FOUNDATION A/C>	2,000,000	1.00
13	RANAT INVESTMENTS PTY LTD <MARANANGA A/C>	2,000,000	1.00
15	KNIGHTS VALLEY LTD	1,666,500	0.83
16	MR IAN ROSS BURDON + MS CATHERINE LOUISE TAYLOR	1,500,000	0.75
16	MR IAN ROSS BURDON + MS CATHERINE LOUISE TAYLOR <IAN BURDON S/F A/C>	1,500,000	0.75
16	MR TREVOR WRIGHT + MRS OLIVE WRIGHT <WRIGHT FAMILY SUPERFUND A/C>	1,500,000	0.75
19	MS MARETTA ALYSSA LAYTON	1,257,000	0.63
20	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,254,006	0.63
	Total	67,766,221	33.79
	Balance of register	132,794,237	66.21
	Grand total	200,560,458	100.00%

1414DEGREES.COM.AU



1414 DEGREES LTD

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