

**ASX RELEASE**

**26 February 2021**

## **Adveritas' customer base rapidly grows over H1 FY21**

### **Key H1 FY21 highlights**

- **Rapidly growing base of paying customers and trials being undertaken**
  - ~167% increase in TrafficGuard Freemium subscribers to c1,440 (vs 30 June 2020)
  - ~150% increase in customer numbers, with over 100 revenue-generating clients (vs 30 June 2020) driven by strong conversions from Freemium to fee paying “land and expand” customers
- **New enterprise level customers added to a growing pipeline, with conversions into paying customers expected over H2 FY21**
- **Strong growth opportunities underpinned by cross-selling and up-selling, industry recognition and investment in growing sales team**
- **Well capitalised with \$6.7 million cash and no debt, supporting accelerated growth initiatives**

Adveritas Limited (**Company** or **Adveritas**) (**ASX: AV1**) is pleased to announce its results for the six months ended 31 December 2020 (**H1 FY21**), a period that saw it deliver strong growth in its customer base despite the COVID-19 environment, reflecting the increasing demand for TrafficGuard’s ad-fraud protection services.

### **H1 FY21 financial results overview (vs H1 FY20)**

- On face value, revenue is down 37% to \$462k (H1 FY20: \$737k). However, real revenue growth of 8% was achieved as H1 FY 20 included:
  - \$176k from the Company’s non-core software, nxus, an existing platform not yet available for widespread commercial use
  - \$133k from the Company’s inaugural TrafficGuard client, Mpire Network Inc, to whom services were not provided during H1 FY21
- Operating EBITDA loss of \$5.7 million (H1 FY20: loss of \$5.5 million) as the Company continues scaling up to address the tremendous global growth opportunities available to it in the multi-billion dollar digital advertising industry
- Statutory loss after income tax of \$5.8 million (H1 FY20: loss of \$5.6 million)
- Cash receipts up 14% to \$504k (H1 FY20: \$442k)
- Cash balance at 31 December 2020 of \$6.7 million and no debt

Commenting on the H1 FY20 results, Adveritas Founder & Chief Executive Officer Mat Ratty said: “It has been another strong half year performance, as we delivered strong growth in our customer base, including GVC Australia one of the world’s largest betting agencies.

“Adveritas’ customer base has significantly diversified and expanded to now exceed 100 paying customers utilising a wide range of TrafficGuard protection products, across Google PPC and anti ad-

fraud services for mobile phone app installation. Many of these customers are multi-billion dollar companies that spend many millions of dollars a year on digital advertising and customer acquisition. As 'land and expand customers' there is the potential to significantly scale contracts by increasing the level of service provided.

"Given the subscription nature of the Company's business model, the strong growth in customer numbers achieved during the first half will be reflected in growth in revenue and receipts during the second half and beyond.

"The number of Freemium subscribers and rate of Freemium conversions highlight our rapidly growing global customer base. Having registered a strong 167% increase in Freemium subscribers to 1,440 over the first-half, we are well positioned to further expand our client base as our sales team focuses on conversions. Additionally, a number of large enterprises are trialling TrafficGuard and we expect to convert the majority of these into paying customers."

### **Strategic partnerships generate sales**

Over H1 FY21, TrafficGuard continued to progress its strategic partnerships with agencies and consulting firms, underpinning an increase in sales and paying customer numbers, with a number of new commercial agreements signed.

TrafficGuard signed a 12-month contract with MCN Media brands (MENAT), which allows MCN to seamlessly onboard any of their clients. MCN is a subsidiary of Universal McCann, which is owned by one of the largest agencies in the world. This contract is generating sales momentum with the sales team successfully onboarding the initial client with first revenues booked and TrafficGuard is continuing to be rolled out to a number of other MCN Media clients.

Adveritas continues to be in active conversations with Google regarding intellectual property collaboration and combined marketing to promote TrafficGuard's pay-per-click (PPC) product, with the aim of offering TrafficGuard on Google Marketplace, where tens of thousands of customers search for Google verified solutions to reduce their legal and procurement processes. This collaboration offers the benefits of providing an attractive entry point to onboard Freemium users and will provide valuable insights into ad fraud across multiple verticals and geographies.

### **Strong industry recognition boosts corporate profile**

During H1 FY21, TrafficGuard received several awards for its innovative anti ad-fraud technology. TrafficGuard won a MarTech Breakthrough Award for Best PPC Optimisation Platform at the MarTech Breakthrough Awards ceremony held in September 2020, listed amongst other winners including Shopify, The Trade Desk and Adobe.

TrafficGuard was listed as one of Australia's Most Innovative Companies by *The Australian Financial Review*, placing 8<sup>th</sup> on the Technology list from over 600 nominated organisations across Australia and New Zealand. In addition, early this year TrafficGuard was named the Most Effective Anti-Fraud Solution at the *2020 Effective Mobile Marketing Awards*, being recognised for its real-time digital fraud prevention driving increasing returns on digital advertising spend for its customers.

Winning awards has significant positive commercial benefits for TrafficGuard, as it increases market visibility that is then leveraged by the sales team to drive sales growth.

**Expanding pipeline and trials with global companies underpins positive growth outlook**

Commenting on Adveritas' outlook for H2 FY21, Mr Ratty said:

"Having rapidly expanded our paying customer base over the first half, we expect to deliver substantial growth in revenue over the second half and beyond.

"I was delighted to welcome Matt Sutton to Adveritas, who joined as Chief Revenue Officer in January to expand TrafficGuard's reach in global markets. Matt has a history of scaling revenues and a strong background in technology platforms and strategic partnerships. We plan to further expand our sales team and invest in talent in the second half to support growing sales as we further commercialise and scale-up our technology.

"Several key industry verticals rely on significant digital advertising spend to attract customers and have a strong need for ad-fraud prevention to maximise their return on advertising spend. As a result, our sales pipeline continues to rapidly expand across key verticals including gaming, cryptocurrency, insurance and online retail. Our pipeline is centred around opportunities with large national and global businesses with a strong need to optimise their online advertising spend over the long term.

"We are also in advanced discussions and negotiations globally with several enterprise level customers that are currently trialling TrafficGuard. These companies operate in the betting agency, on demand apps, gaming, fintech, and retail industry verticals. We expect to convert a number of these trials into paying customers during the second half.

"As our customer base continues to grow, opportunities to cross-sell and up-sell also increase. Notably, we have the ability to cross-sell Google PPC into mobile app install anti-fraud SaaS solutions and up-sell existing clients into larger data-usage contracts. We have a strong track record of upgrading customer contracts as we develop our client relationships over time, and are well placed to do this with our new customers.

"Having laid the groundwork for rapid growth with a strong pipeline, trials in place with global businesses and a fast expanding customer base, we are well positioned to significantly scale over the second half of FY21 and beyond."

*This announcement is authorised for lodgement by the Board of Adveritas Limited.*

- ENDS -

**For more information, please contact:**

**Investor Enquiries**

Mathew Ratty  
Chief Executive Officer  
Adveritas Limited  
08 9473 2500  
[investor.enquiry@adveritas.com.au](mailto:investor.enquiry@adveritas.com.au)

Ronn Bechler  
Managing Director  
Market Eye  
0400 009 774  
[ronn.bechler@marketeye.com.au](mailto:ronn.bechler@marketeye.com.au)



### **About Adveritas**

Adveritas Ltd (ASX:AV1) creates innovative software solutions that leverage big data to drive business performance. Adveritas' ad fraud prevention software, TrafficGuard, is its first available software as a service. Early adopters of TrafficGuard include LATAM super-app, Rappi and APAC super-app, GO-JEK. Both businesses are well funded with \$2 billion and \$12 billion valuations respectively, and conducting aggressive user acquisition advertising for fast growth. In both cases, TrafficGuard was chosen after a rigorous procurement process that saw the effectiveness of our solution evaluated against a range of competing solutions. For more information, see <https://www.adveritas.com.au/>



### **About TrafficGuard**

TrafficGuard detects, mitigates and reports on ad fraud before it impacts digital advertising budgets. Three formidable layers of protection block both general invalid traffic (GIVT) and sophisticated invalid traffic (SIVT) to ensure that digital advertising results in legitimate advertising engagement. TrafficGuard uses patent-pending technology and proprietary big data accumulated by the performance advertising business previously operated by the Company.

For more information about TrafficGuard's comprehensive fraud mitigation, see <https://www.trafficguard.ai>



**Adveritas Limited**

ABN 88 156 377 141

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## **Half-Year Financial Report**

31 December 2020

## Adveritas Limited

Corporate directory

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### Directors

|                                               |                                                           |
|-----------------------------------------------|-----------------------------------------------------------|
| Non-Executive Chairman                        | Mr Stephen Belben                                         |
| Managing Director and Chief Executive Officer | Mr Mathew Ratty                                           |
| Non-Executive Directors                       | Mr Renaud Besnard<br>Mr Mark McConnell<br>Mr Andrew Stott |

### Company Secretary

Ms Susan Park

### Registered and Principal Office

Suite 10, 16 Brodie Hall Drive  
Bentley WA 6102

Telephone: +61 8 9473 2500  
Facsimile: +61 8 9473 2501

### Share Registry

#### **Computershare Investor Services Pty Limited**

Level 11, 172 St Georges Terrace  
Perth WA 6000

Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

### Securities Exchange Listing

Adveritas Limited shares are listed on the Australian Securities Exchange (ASX: AV1)

### Solicitors

#### **Steinepreis Paganin**

Level 4, The Read Building  
16 Milligan Street  
Perth WA 6000

### Bankers

#### **Commonwealth Bank of Australia Limited**

150 St Georges Terrace  
Perth WA 6000

### Auditors

#### **Ernst & Young**

The EY Building  
11 Mounts Bay Road  
Perth WA 6000

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**Reporting period**

|                                |                                  |
|--------------------------------|----------------------------------|
| Current period:                | Half-year ended 31 December 2020 |
| Previous corresponding period: | Half-year ended 31 December 2019 |

**Results for announcement to market**

|                                                                 |      |     |    |               |      |               |
|-----------------------------------------------------------------|------|-----|----|---------------|------|---------------|
| Revenue from ordinary activities                                | down | 37% | to | \$462,258     | from | \$736,913     |
| Loss from ordinary activities after tax attributable to members | up   | 3%  | to | (\$5,771,314) | from | (\$5,574,966) |
| Net loss for the period attributable to members                 | up   | 3%  | to | (\$5,771,314) | from | (\$5,574,966) |

**Dividends**

|         | Amount per share | Franked amount per share |
|---------|------------------|--------------------------|
| Final   | \$ nil           | n/a                      |
| Interim | \$ nil           | n/a                      |

Record date for determining entitlements to dividends: n/a

**Brief explanation necessary to enable the figures above to be understood**

Refer to Directors' Report.

**Net tangible assets**

|                  |                                                               |
|------------------|---------------------------------------------------------------|
| 31 December 2020 | Net tangible asset backing: 1.61 cents per share <sup>1</sup> |
| 31 December 2019 | Net tangible asset backing: 1.24 cents per share <sup>1</sup> |

Notes:

1. This calculation excludes right of use assets and the associated lease liabilities

**Other**

The Company has no equity interests in any associates or joint ventures.

Accounting standards used in relation to the Company's foreign subsidiaries in compiling this financial report are the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



The directors present their report together with the financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as **the Group**) for the half-year ended 31 December 2020 and the independent auditor's review thereon.

## Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Stephen Belben (Non-Executive Chairman)  
Mr Mathew Ratty (Managing Director and Chief Executive Officer)  
Mr Renaud Besnard  
Mr Mark McConnell  
Mr Andrew Stott

## Principal Activities

The Company's principal activity during the period was the provision of comprehensive digital advertising fraud detection and prevention services through its software as a service (SaaS).

## Review of operating results

### Sales momentum

During the current half-year period, the Group continued focussing on its "three by three" sales model which incorporates three pricing models and three routes to market:

| Pricing models                                                                                                                                                                                                                           | Routes to market                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1 Freemium</b><br>This comprises TrafficGuard's detection only service free-of-charge. The strategy is to make this service widely available with the potential to upsell to TrafficGuard's fraud prevention services.                | <b>1 Mass market</b><br>The mass market is accessed through the Freemium offering.                                                                                                                                                                |
| <b>2 Land and expand</b><br>Upgrading from the Freemium model enables clients to subscribe to TrafficGuard's fraud prevention service. This comprises a fixed monthly SaaS fee, with additional charges for excess data usage            | <b>2 Direct sales</b><br>Direct sales occur through the Group's sales force located in Asia Pacific (APAC), the United Kingdom, North America and Latin America (LATAM).                                                                          |
| <b>3 Long-dated contracts</b><br>Once clients fall within the "land and expand" model, there is potential to upgrade their contract to a long-dated contract model which provides benefits to the client on a per data usage cost basis. | <b>3 Third party distribution</b><br>Third party distribution occurs through integrations with Campaign Management Platforms, ad agencies and marketplace services to provide even more options for businesses to find and activate TrafficGuard. |

The Group has experienced momentum across all three pricing models and tracked growth across its key revenue leading indicators, being Freemium subscribers and conversions from Freemium to fee paying clients.

The Group had accumulated approximately 1,440 Freemium subscribers by 31 December 2020 and had over 100 fee paying clients.

Long dated contracts signed during the period include a 12-month contract to the value of ~\$90,000 with GVC Australia, a subsidiary of GVC Holdings PLC which is a top 100 company on the London Stock Exchange. GVC Australia's subsidiaries include Ladbrokes and Neds. High profile contract wins in a particular industry sector, such as GVC in the gaming sector, create multiple expansion opportunities for the Group.

A 12-month contract was also signed with ad agency, MCN Media brands (MENAT), which enables MCN to seamlessly onboard any of their clients onto TrafficGuard. MCN is a subsidiary of Universal McCann. This contract is already generating sales momentum through the onboarding of an initial tranche of clients.

The Group is finalising a partnership with Google for a combined go-to-market strategy of TrafficGuard's pay-per-click (PPC) product. Through integration with Google Cloud Marketplace, customers will be able to consume TrafficGuard's solutions with minimal effort. This partnership, once finalised, will enable TrafficGuard to quickly expand engagement and service to Google customers.

## Industry Recognition

TrafficGuard won a MarTech Breakthrough Award for Best PPC Optimisation Platform at the MarTech Breakthrough Awards ceremony held in September 2020. TrafficGuard was listed amongst other winners including Shopify, The Trade Desk and Adobe.

TrafficGuard was listed as one of Australia's Most Innovative Companies by The Australian Financial Review, placing 8<sup>th</sup> on the Technology list from over 600 nominated organisations across Australia and New Zealand. The prestigious annual list, published by The Australian Financial Review and Boss Magazine, is based on a rigorous assessment process managed by Australia's leading innovation consultancy, Inventium, in conjunction with a panel of industry expert judges. The assessment measures an innovation implemented in the past two years, the problem that the innovation is solving, the quality and uniqueness of the solution and the level of impact that the innovation has had.

Subsequent to the half-year end, TrafficGuard was named the Most Effective Anti-Fraud Solution at the 2020 Effective Mobile Marketing Awards, being recognised for real-time fraud prevention that blocks invalid traffic before it infiltrates campaigns – protecting mobile marketers, agencies and ad networks from the direct and indirect impacts of ad fraud and driving returns on advertising spend.

## Sound balance sheet

The Group reports a cash balance of \$6,719,179 at 31 December 2020 which has been strengthened further post period end through the receipt of a research and development grant of \$1,180,494 (received in January 2021).

## Operating result

The Group recorded a loss before tax from continuing operations of \$5,771,314 (2019: \$5,574,966):

|                                             | 31 December<br>2020<br>\$ | 31 December<br>2019<br>\$ |
|---------------------------------------------|---------------------------|---------------------------|
| <b>Revenue</b>                              | <b>462,258</b>            | 736,913                   |
| <b>Other income</b>                         | <b>407,344</b>            | 11,311                    |
| <b>Overheads</b>                            |                           |                           |
| Server hosting costs                        | (750,140)                 | (1,242,703)               |
| Administration costs                        | (258,579)                 | (247,820)                 |
| Compliance costs                            | (166,273)                 | (146,278)                 |
| Consultancy costs                           | (354,952)                 | (153,690)                 |
| Employment costs                            | (2,982,745)               | (2,865,859)               |
| Occupancy costs                             | (34,282)                  | (35,619)                  |
| Marketing costs                             | (424,760)                 | (453,250)                 |
| Expected credit losses and bad debt expense | -                         | (186,653)                 |

|                                             | 31 December<br>2020 | 31 December<br>2019 |
|---------------------------------------------|---------------------|---------------------|
|                                             | \$                  | \$                  |
| Foreign exchange differences                | (223,538)           | (15,557)            |
| Depreciation                                | (68,442)            | (68,566)            |
| Finance costs                               | (24,134)            | (27,114)            |
|                                             | <b>(5,287,845)</b>  | <b>(5,443,109)</b>  |
| <b>Other expenses</b>                       |                     |                     |
| Share based payments                        | (1,353,071)         | (482,621)           |
| Impairment loss                             | -                   | (113,525)           |
| Expected credit losses and bad debt expense | -                   | (283,935)           |
|                                             | <b>(1,353,071)</b>  | <b>(880,081)</b>    |
| <b>Loss before income tax</b>               | <b>(5,771,314)</b>  | <b>(5,574,966)</b>  |

Revenue in the current period is lower than the comparative period as a result of the SaaS contracts with the Group's former performance marketing business, Mpire Network Inc, being discontinued in February 2020.

Other income in the current period includes \$395,950 received under the Government's JobKeeper, Cash Flow Booster and pay-roll tax stimulus packages.

The server hosting costs expense in the current period is lower than in the comparative period due to the implementation of cost optimisation initiatives.

Consultancy costs in the current period are higher than in the comparative period due to legal fees for the Group's ongoing pursuit of amounts owing by ClearPier Inc under the agreements relating to the sale of Mpire Network Inc.

Foreign exchange differences in the current period are higher than in the comparative period due to the increase in transactions with foreign jurisdictions and the adverse fluctuation of foreign exchange rates.

## Rounding of amounts

Amounts in this report and the financial report have been rounded to the nearest dollar, unless otherwise indicated.

## Auditor's independence declaration

The Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included following the Directors' Report and forms part of the Directors' Report.

## Directors' authorisation

This report is made in accordance with a resolution by the Board of Directors and is signed by authority for and on behalf of the directors.



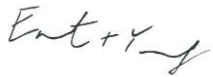
Mathew Ratty  
Managing Director  
Perth, Western Australia  
25 February 2021

## Auditor's independence declaration to the directors of Adveritas Limited

As lead auditor for the review of the financial report of Adveritas Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Mark Cunningham  
Partner  
25 February 2021

## Adveritas Limited

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2020

|                                                                                                 |             |                           |                           | For the six months ended |  |
|-------------------------------------------------------------------------------------------------|-------------|---------------------------|---------------------------|--------------------------|--|
|                                                                                                 | Note        | 31 December<br>2020<br>\$ | 31 December<br>2019<br>\$ |                          |  |
| <b>Revenue</b>                                                                                  | <b>4</b>    | <b>462,258</b>            | <b>736,913</b>            |                          |  |
| <b>Other income</b>                                                                             | <b>5(a)</b> | <b>407,344</b>            | <b>11,311</b>             |                          |  |
| <b>Overheads</b>                                                                                |             |                           |                           |                          |  |
| Server hosting costs                                                                            |             | (750,140)                 | (1,242,703)               |                          |  |
| Administration costs                                                                            | 5(e)        | (258,579)                 | (247,820)                 |                          |  |
| Compliance costs                                                                                | 5(f)        | (166,273)                 | (146,278)                 |                          |  |
| Consultancy costs                                                                               | 5(d)        | (354,952)                 | (153,690)                 |                          |  |
| Employment costs                                                                                | 5(b)        | (2,982,745)               | (2,865,859)               |                          |  |
| Occupancy costs                                                                                 | 5(c)        | (34,282)                  | (35,619)                  |                          |  |
| Marketing costs                                                                                 |             | (424,760)                 | (453,250)                 |                          |  |
| Expected credit losses and bad debt expense                                                     | 5(g)        | -                         | (186,653)                 |                          |  |
| Foreign exchange differences                                                                    |             | (223,538)                 | (15,557)                  |                          |  |
| Depreciation                                                                                    |             | (68,442)                  | (68,566)                  |                          |  |
| Finance costs                                                                                   |             | (24,134)                  | (27,114)                  |                          |  |
|                                                                                                 |             | <b>(5,287,845)</b>        | <b>(5,443,109)</b>        |                          |  |
| <b>Other expenses</b>                                                                           |             |                           |                           |                          |  |
| Share based payments                                                                            | 11          | (1,353,071)               | (482,621)                 |                          |  |
| Impairment loss                                                                                 |             | -                         | (113,525)                 |                          |  |
| Expected credit losses and bad debt expense                                                     | 5(g)        | -                         | (283,935)                 |                          |  |
|                                                                                                 |             | <b>(1,353,071)</b>        | <b>(880,081)</b>          |                          |  |
| <b>Loss before income tax</b>                                                                   |             | <b>(5,771,314)</b>        | <b>(5,574,966)</b>        |                          |  |
| Income tax expense                                                                              | 7           | -                         | -                         |                          |  |
| <b>Loss for the period attributable to the members of Adveritas Limited</b>                     |             | <b>(5,771,314)</b>        | <b>(5,574,966)</b>        |                          |  |
| <b>Other comprehensive income net of tax</b>                                                    |             |                           |                           |                          |  |
| <i>Items that may be reclassified to profit or loss</i>                                         |             |                           |                           |                          |  |
| Exchange differences on translation of foreign operations                                       |             | 183,594                   | (2,206)                   |                          |  |
| <b>Total comprehensive loss for the period attributable to the members of Adveritas Limited</b> |             | <b>(5,587,720)</b>        | <b>(5,577,172)</b>        |                          |  |
| <b>Loss per share attributable to the members of Adveritas Limited</b>                          |             |                           |                           |                          |  |
| Basic loss per share (cents)                                                                    |             | (1.72)                    | (3.15)                    |                          |  |
| Diluted loss per share (cents)                                                                  |             | (1.72)                    | (3.15)                    |                          |  |

# Adveritas Limited

Interim Consolidated Statement of Financial Position as at 31 December 2020

|                                      |      | As at               |                  |
|--------------------------------------|------|---------------------|------------------|
|                                      | Note | 31 December<br>2020 | 30 June<br>2020  |
|                                      |      | \$                  | \$               |
| <b>Assets</b>                        |      |                     |                  |
| <b>Current assets</b>                |      |                     |                  |
| Cash and cash equivalents            | 8    | 6,719,179           | 8,351,840        |
| Trade and other receivables          | 9    | 263,269             | 401,058          |
| Prepayments                          |      | 192,397             | 163,487          |
| <b>Total current assets</b>          |      | <b>7,174,845</b>    | <b>8,916,385</b> |
| <b>Non-current assets</b>            |      |                     |                  |
| Plant and equipment                  |      | 28,951              | 38,104           |
| Right-of-use assets                  | 10   | 555,795             | 606,322          |
| Goodwill                             |      | 34,000              | 34,000           |
| <b>Total non-current assets</b>      |      | <b>618,746</b>      | <b>678,426</b>   |
| <b>Total assets</b>                  |      | <b>7,793,591</b>    | <b>9,594,811</b> |
| <b>Liabilities</b>                   |      |                     |                  |
| <b>Current liabilities</b>           |      |                     |                  |
| Trade and other payables             |      | 810,635             | 769,873          |
| Interest bearing liabilities         | 10   | 96,878              | 90,597           |
| Provisions                           |      | 595,945             | 550,862          |
| <b>Total current liabilities</b>     |      | <b>1,503,458</b>    | <b>1,411,332</b> |
| <b>Non-current liabilities</b>       |      |                     |                  |
| Interest bearing liabilities         | 10   | 513,314             | 557,678          |
| Provisions                           |      | 62,369              | 46,664           |
| <b>Total non-current liabilities</b> |      | <b>575,683</b>      | <b>604,342</b>   |
| <b>Total liabilities</b>             |      | <b>2,079,141</b>    | <b>2,015,674</b> |
| <b>Net assets</b>                    |      | <b>5,714,450</b>    | <b>7,579,137</b> |
| <b>Equity</b>                        |      |                     |                  |
| Contributed equity                   | 15   | 42,953,281          | 39,941,684       |
| Accumulated losses                   |      | (43,340,933)        | (37,569,619)     |
| Share based payment reserve          |      | 5,877,971           | 5,166,535        |
| Foreign currency translation reserve |      | 224,131             | 40,537           |
| <b>Total equity</b>                  |      | <b>5,714,450</b>    | <b>7,579,137</b> |

## Adveritas Limited

Interim Consolidated Statement of Cash Flows for the Half-Year Ended 31 December 2020

|                                                                        |      | For the six months ended |                     |
|------------------------------------------------------------------------|------|--------------------------|---------------------|
|                                                                        | Note | 31 December<br>2020      | 31 December<br>2019 |
|                                                                        |      | \$                       | \$                  |
| <b>Cash flows from operating activities</b>                            |      |                          |                     |
| Receipts from customers                                                |      | 504,004                  | 441,794             |
| Payments to suppliers and employees                                    |      | (4,891,660)              | (4,931,914)         |
| Other income received                                                  |      | 533,876                  | 4,646               |
| Interest received                                                      |      | 8,937                    | 7,928               |
| Interest paid                                                          |      | (24,134)                 | (27,114)            |
| <b>Net cash flows used by operating activities</b>                     |      | <b>(3,868,977)</b>       | <b>(4,504,660)</b>  |
| <b>Cash flows from investing activities</b>                            |      |                          |                     |
| Purchase of plant and equipment                                        |      | (6,989)                  | (7,343)             |
| Proceeds on disposal of plant and equipment                            |      | 1,292                    | -                   |
| Proceeds on disposal of controlled entity                              | 6    | -                        | 29,458              |
| <b>Net cash flows used / inflows generated by investing activities</b> |      | <b>(5,697)</b>           | <b>22,115</b>       |
| <b>Cash flows from financing activities</b>                            |      |                          |                     |
| Proceeds from issues of shares                                         |      | 2,393,000                | 5,891,129           |
| Share issue costs paid                                                 |      | (49,588)                 | (348,231)           |
| Lease liability payments                                               |      | (38,083)                 | (35,259)            |
| <b>Net cash flows provided by financing activities</b>                 |      | <b>2,305,329</b>         | <b>5,507,639</b>    |
| <b>Net (decrease)/increase in cash and cash equivalents</b>            |      | <b>(1,569,345)</b>       | <b>1,025,094</b>    |
| <b>Cash and cash equivalents at the beginning of the period</b>        |      | <b>8,351,840</b>         | <b>2,046,991</b>    |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>    |      | <b>(63,316)</b>          | <b>(9,744)</b>      |
| <b>Cash and cash equivalents at the end of the period</b>              |      | <b>6,719,179</b>         | <b>3,062,341</b>    |

# Adveritas Limited

Interim Consolidated Statement of Changes in Equity for the Half-Year Ended 31 December 2020

|                                                                               | Contributed equity<br>\$ | Accumulated losses<br>\$ | Share based payments reserve<br>\$ | Foreign currency translation reserve<br>\$ | Total equity<br>\$ |
|-------------------------------------------------------------------------------|--------------------------|--------------------------|------------------------------------|--------------------------------------------|--------------------|
| <b>Balance at 1 July 2020</b>                                                 | <b>39,941,684</b>        | <b>(37,569,619)</b>      | <b>5,166,535</b>                   | <b>40,537</b>                              | <b>7,579,137</b>   |
| Loss for the half-year                                                        | -                        | (5,771,314)              | -                                  | -                                          | (5,771,314)        |
| <i>Other comprehensive income</i>                                             |                          |                          |                                    |                                            |                    |
| Net foreign exchange differences arising on translation of foreign operations | -                        | -                        | -                                  | 183,594                                    | 183,594            |
| Total comprehensive loss for the half-year                                    | -                        | (5,771,314)              | -                                  | 183,594                                    | (5,587,720)        |
| Ordinary shares issued                                                        | 2,393,000                | -                        | -                                  | -                                          | 2,393,000          |
| Share issue costs                                                             | (23,038)                 | -                        | -                                  | -                                          | (23,038)           |
| Shares issued on conversion of performance rights                             | 641,635                  | -                        | (641,635)                          | -                                          | -                  |
| Share based payments expense                                                  | -                        | -                        | 1,353,071                          | -                                          | 1,353,071          |
| Transactions with equity holders in their capacity as owners                  | 3,011,597                | -                        | 711,436                            | -                                          | 3,723,033          |
| <b>Balance at 31 December 2020</b>                                            | <b>42,953,281</b>        | <b>(43,340,933)</b>      | <b>5,877,971</b>                   | <b>224,131</b>                             | <b>5,714,450</b>   |
| <b>Balance at 1 July 2019</b>                                                 | <b>26,305,580</b>        | <b>(28,082,260)</b>      | <b>3,905,193</b>                   | <b>15,973</b>                              | <b>2,144,486</b>   |
| Loss for the half-year                                                        | -                        | (5,574,966)              | -                                  | -                                          | (5,574,966)        |
| <i>Other comprehensive income</i>                                             |                          |                          |                                    |                                            |                    |
| Net foreign exchange differences arising on translation of foreign operations | -                        | -                        | -                                  | (2,206)                                    | (2,206)            |
| Total comprehensive loss for the half-year                                    | -                        | (5,574,966)              | -                                  | (2,206)                                    | (5,577,172)        |
| Ordinary shares issued                                                        | 5,891,129                | -                        | -                                  | -                                          | 5,891,129          |
| Share issue costs                                                             | (366,421)                | -                        | -                                  | -                                          | (366,421)          |
| Share based payments Expense                                                  | -                        | -                        | 482,621                            | -                                          | 482,621            |
| Transactions with equity holders in their capacity as owners                  | 5,524,708                | -                        | 482,621                            | -                                          | 6,007,329          |
| <b>Balance at 31 December 2019</b>                                            | <b>31,830,288</b>        | <b>(33,657,226)</b>      | <b>4,387,814</b>                   | <b>13,767</b>                              | <b>2,574,643</b>   |



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## 1. Corporate information

The interim consolidated financial statements of Adveritas Limited and its subsidiaries (collectively, **the Group**) for the six months ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 25 February 2021.

Adveritas Limited (**Company**) is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The principal activity of the Group is the provision of digital advertising fraud detection and prevention services through its software as a service.

## 2. Basis of preparation

### a) General information

The interim consolidated financial statements for the six months ended 31 December 2020 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2020.

The half-year consolidated financial statements are presented in Australian dollars.

### b) Accounting policies, disclosures, standards and interpretations

#### Basis of preparation

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date. The Group will assess the impact of these new standards during the reporting period to which they are applicable. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2020, other than as set out below.

#### New standards, interpretations and amendments adopted by the Group

##### (i) Amendments to AASB 3: *Definition of a Business*

The amendment to AASB 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the interim consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

##### (ii) Amendments to AASB 101 and AASB 108: *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the interim consolidated financial statements of the Group, nor is there expected to be any future impact on the Group.

### b) Significant estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Refer to the most recent annual financial report for the year ended 30 June 2020 for a discussion of the significant estimates and judgments.

## 2. Basis of preparation (continued)

### c) Going concern

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

During the half-year ended 31 December 2020, the Group incurred a net loss after tax of \$5,771,314 and a net cash outflow from operating activities of \$3,902,492. The cash and cash equivalents balance as at 31 December 2020 was \$6,719,179. The Group's net current asset position at 31 December 2020 was \$5,671,387.

The ability of the Group to pay its trade creditors, employee entitlements, and continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and/or raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by generating sufficient revenues and/or raising further funds as required. In forming this view, the directors have considered the ability of the Company to raise funds by way of a capital raising.

There are inherent uncertainties associated with the successful completion of a capital raising. Should the directors not be able to manage these inherent uncertainties and successfully secure funding, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

## 3. Segment information

The Group's operating segments comprise:

- **Technology:** responsible for the development and maintenance of the Group's proprietary software offerings. These activities are conducted primarily at the Group's Australian head office and at its office in Croatia; and
- **Sales and marketing:** responsible for deploying the Group's sales and marketing initiatives and for providing ongoing customer service. These activities are carried out by sales and marketing personnel and consultants located in Australia, Singapore, England, Latin America and the United States.

Costs allocated to the "other" segment include:

- Occupancy costs and general office administration costs for the Perth head office; and
- Employment costs relating to corporate and management team located in Perth.

In the prior year, the sales and marketing segment was not presented separately, it was included in the "other" segment. Due to the increase in the Group's sales and marketing initiatives in the current year, the sales and marketing segment has been separately presented. In addition, the prior year segment results, assets and liabilities have been restated to present the sales and marketing segment separately from the "other" segment.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

### 3. Segment information (continued)

**For the six months ended  
31 December 2020**

|                | Technology  | Sales and marketing | Other       | Consolidated |
|----------------|-------------|---------------------|-------------|--------------|
|                | \$          | \$                  | \$          | \$           |
| Revenue        | -           | 462,258             | -           | 462,258      |
| Other income   | -           | -                   | 398,876     | 398,876      |
| Overheads      | (2,267,648) | (1,470,627)         | (1,202,668) | (4,940,943)  |
| Other expenses | -           | -                   | (1,607,397) | (1,607,397)  |
| EBITDA         | (2,267,648) | (1,008,369)         | (2,411,189) | (5,687,206)  |

**Reconciliation of reportable segment loss**

|                       |             |             |             |             |
|-----------------------|-------------|-------------|-------------|-------------|
| EBITDA                | (2,267,648) | (1,008,369) | (2,411,189) | (5,687,206) |
| Interest income       | -           | -           | 8,468       | 8,468       |
| Interest expense      | (15,452)    | -           | (8,682)     | (24,134)    |
| Depreciation          | (48,174)    | (645)       | (19,623)    | (68,442)    |
| Loss after income tax | (2,331,274) | (1,009,014) | (2,431,026) | (5,771,314) |

**For the six months ended  
31 December 2019**

|                | Technology  | Sales and marketing | Other       | Consolidated |
|----------------|-------------|---------------------|-------------|--------------|
|                | \$          | \$                  | \$          | \$           |
| Revenue        | -           | 736,913             | -           | 736,913      |
| Other income   | -           | -                   | 4,646       | 4,646        |
| Overheads      | (2,797,443) | (1,358,634)         | (1,459,730) | (5,615,807)  |
| Other expenses | -           | -                   | (611,703)   | (611,703)    |
| EBITDA         | (2,797,443) | (621,721)           | (2,066,787) | (5,485,951)  |

**Reconciliation of reportable segment loss**

|                       |             |           |             |             |
|-----------------------|-------------|-----------|-------------|-------------|
| EBITDA                | (2,797,443) | (621,721) | (2,066,787) | (5,485,951) |
| Interest income       | -           | -         | 6,665       | 6,665       |
| Interest expense      | (16,552)    | -         | (10,562)    | (27,114)    |
| Depreciation          | (46,439)    | (1,218)   | (20,909)    | (68,566)    |
| Loss after income tax | (2,860,434) | (622,939) | (2,091,593) | (5,574,966) |

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2020 and 30 June 2020, respectively.

**As at  
31 December 2020**

|             | Technology | Sales and marketing | Other     | Consolidated |
|-------------|------------|---------------------|-----------|--------------|
|             | \$         | \$                  | \$        | \$           |
| Assets      | 1,111,132  | 270,459             | 6,412,000 | 7,793,591    |
| Liabilities | 1,148,592  | 231,275             | 699,274   | 2,079,141    |

**As at  
30 June 2020**

|             | Technology | Sales and marketing | Other     | Consolidated |
|-------------|------------|---------------------|-----------|--------------|
|             | \$         | \$                  | \$        | \$           |
| Assets      | 888,392    | 329,573             | 8,376,846 | 9,594,811    |
| Liabilities | 1,111,046  | 172,592             | 732,036   | 2,015,674    |

### 3. Segment information (continued)

#### Geographic information

|                                                                         | Consolidated             |                |
|-------------------------------------------------------------------------|--------------------------|----------------|
|                                                                         | For the six months ended |                |
|                                                                         | 31 December              | 31 December    |
|                                                                         | 2020                     | 2019           |
|                                                                         | \$                       | \$             |
| <b>Revenue from external customer by customer location<sup>1</sup>:</b> |                          |                |
| Australia                                                               | 72,515                   | 73             |
| Foreign countries (refer to note 4 for further details)                 | 389,743                  | 736,840        |
|                                                                         | <b>462,258</b>           | <b>736,913</b> |
| <b>Non-current operating assets by location<sup>2</sup>:</b>            |                          |                |
| Australia                                                               | 57,205                   | 79,930         |
| United States                                                           | 1,922                    | -              |
| Asia Pacific                                                            | -                        | 462            |
| Other                                                                   | 3,824                    | 1,290          |
| <b>Total</b>                                                            | <b>62,951</b>            | <b>81,682</b>  |

#### Notes:

1. Included in revenue from foreign countries is the revenue arising from sales in the technology segment from one customer which amounted to \$184,836 (31 December 2019: \$306,940).
2. Non-current assets for this purpose consist of property, plant and equipment and goodwill.

### 4. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers.

|                                                    | Consolidated             |                |
|----------------------------------------------------|--------------------------|----------------|
|                                                    | For the six months ended |                |
|                                                    | 31 December              | 31 December    |
|                                                    | 2020                     | 2019           |
|                                                    | \$                       | \$             |
| <b>Revenue by type of goods or services</b>        |                          |                |
| Revenue from the sale of software as a service     | 462,258                  | 736,913        |
| <b>Total revenue from contracts with customers</b> | <b>462,258</b>           | <b>736,913</b> |
| <b>Revenue by timing of revenue recognition</b>    |                          |                |
| Services transferred over time                     | 462,258                  | 736,913        |
| <b>Total revenue from contracts with customers</b> | <b>462,258</b>           | <b>736,913</b> |
| <b>Revenue by geographical region</b>              |                          |                |
| North America                                      | 52,549                   | 307,109        |
| Latin America                                      | 236,593                  | 251,329        |
| Asia Pacific                                       | 76,336                   | 177,928        |
| Australia                                          | 72,515                   | 73             |
| Middle East                                        | 18,761                   | 255            |
| Other                                              | 5,504                    | 219            |
| <b>Total revenue from contracts with customers</b> | <b>462,258</b>           | <b>736,913</b> |

## 5. Other income and expense items

This note provides a breakdown of the items included in other income, various overheads and other expenses shown in the Statement of Profit or Loss and Other Comprehensive Income.

|                                                                |                  | Consolidated             |             |
|----------------------------------------------------------------|------------------|--------------------------|-------------|
|                                                                |                  | For the six months ended |             |
|                                                                |                  | 31 December              | 31 December |
|                                                                |                  | 2020                     | 2019        |
|                                                                |                  | \$                       | \$          |
| <b>(a) Other income</b>                                        |                  |                          |             |
| Interest income                                                | 8,468            | 6,665                    |             |
| JobKeeper and Cash Flow Booster stimulus income                | 378,450          | -                        |             |
| Pay-roll tax rebate                                            | 17,500           | -                        |             |
| Miscellaneous income                                           | 2,926            | 4,646                    |             |
|                                                                | <b>407,344</b>   | <b>11,311</b>            |             |
| <b>(b) Employment costs</b>                                    |                  |                          |             |
| Salaries and wages                                             | 2,489,547        | 2,397,552                |             |
| Ancillary employment costs                                     | 486,762          | 432,195                  |             |
| Other                                                          | 6,436            | 36,112                   |             |
|                                                                | <b>2,982,745</b> | <b>2,865,859</b>         |             |
| <b>(c) Occupancy costs</b>                                     |                  |                          |             |
| Rent and variable outgoings                                    | 19,023           | 17,326                   |             |
| Other                                                          | 15,259           | 18,293                   |             |
|                                                                | <b>34,282</b>    | <b>35,619</b>            |             |
| <b>(d) Consultancy costs</b>                                   |                  |                          |             |
| Legal                                                          | 282,127          | 72,341                   |             |
| Investor relations                                             | 24,092           | 61,426                   |             |
| Other                                                          | 48,733           | 19,923                   |             |
|                                                                | <b>354,952</b>   | <b>153,690</b>           |             |
| <b>(e) Administration costs</b>                                |                  |                          |             |
| IT costs                                                       | 178,362          | 114,483                  |             |
| Office and general administration costs                        | 73,045           | 83,680                   |             |
| Travel                                                         | 7,172            | 49,657                   |             |
|                                                                | <b>258,579</b>   | <b>247,820</b>           |             |
| <b>f) Compliance costs</b>                                     |                  |                          |             |
| Accounting fees                                                | 5,395            | 5,861                    |             |
| ASX compliance fees                                            | 91,252           | 90,248                   |             |
| Audit, tax advice and compliance fees                          | 69,080           | 49,822                   |             |
| Regulatory body fees                                           | 546              | 347                      |             |
|                                                                | <b>166,273</b>   | <b>146,278</b>           |             |
| <b>(g) Expected credit losses and bad debt expense</b>         |                  |                          |             |
| Trade receivables bad debt expense                             | -                | 35,312                   |             |
| Trade receivables expected credit loss recognised / (reversed) | -                | 151,341                  |             |
|                                                                | -                | <b>186,653</b>           |             |
| Other receivables: expected credit loss                        | -                | 283,935                  |             |
|                                                                | -                | <b>283,935</b>           |             |

## 6. Discontinued Operation

On 31 July 2018, the Group disposed of 90% of its equity interest in Mpire Network Inc, to ClearPier Inc for a cash consideration of US\$666,817, of which US\$370,454 was received upfront and US\$296,363 was deferred. The purchase consideration also included a maximum of US\$4,445,442 under a 3 year profit share agreement. In addition, under the terms of the Sale and Purchase Agreement, the Group is due to receive a working capital adjustment amount of US\$163,158.

An expected credit loss of \$567,869 has been recognised in prior year in relation to the deferred consideration and working capital adjustment balances owing at 31 December 2020.

No amounts have been recognised as a profit or loss on disposal of Mpire Network Inc in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current period (2019: nil).

No amounts have been recognised as a profit or loss after tax from discontinued operations in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current period (2019: nil).

The net cash flows generated from the sale of Mpire Network Inc are as follows:

|                                                         | For the six months ended |                     |
|---------------------------------------------------------|--------------------------|---------------------|
|                                                         | 31 December<br>2020      | 31 December<br>2019 |
|                                                         | \$                       | \$                  |
| Cash proceeds received: upfront purchase consideration  | -                        | -                   |
| Cash proceeds received: deferred purchase consideration | -                        | 29,458              |
| Cash sold as part of the disposal of Mpire Network      | -                        | -                   |
| Net cash inflow on date of disposal                     | -                        | 29,458              |

## 7. Income tax expense

The Group calculates the income tax for the period using the tax rate that would be applicable to the expected total annual earnings. The income tax amount applicable to the accounting loss before income tax at the statutory income tax rate is reconciled to the income tax amount at the Company's effective income tax rate for the period below:

|                                                                                                                                | Consolidated             |                     |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------|
|                                                                                                                                | For the six months ended |                     |
|                                                                                                                                | 31 December<br>2020      | 31 December<br>2019 |
|                                                                                                                                | \$                       | \$                  |
| Accounting profit / (loss) before tax from continuing operations                                                               | (5,771,314)              | (5,574,966)         |
| Income tax benefit at the statutory income tax rate of 27.5% (2019: 27.5%)                                                     | 1,587,111                | 1,533,115           |
| Adjusted for:                                                                                                                  |                          |                     |
| Non-deductible share-based payments                                                                                            | (372,094)                | (132,721)           |
| Other non-deductible amounts                                                                                                   | (15,699)                 | (110,703)           |
| Non-assessable income                                                                                                          | 20,625                   | -                   |
| Tax losses and temporary differences not recognised as a deferred tax asset                                                    | (1,219,943)              | (1,292,412)         |
| Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations | -                        | 2,721               |
|                                                                                                                                | -                        | -                   |

## 8. Cash and cash equivalents

|                      | Consolidated |           |
|----------------------|--------------|-----------|
|                      | 31 December  | 30 June   |
|                      | 2020         | 2020      |
|                      | \$           | \$        |
| Cash at bank on hand | 6,719,179    | 8,351,840 |

Cash at bank and on hand earns interest at floating rates based on daily at call bank deposit and savings rates.

## 9. Trade and other receivables

|                                                    | Consolidated |           |
|----------------------------------------------------|--------------|-----------|
|                                                    | 31 December  | 30 June   |
|                                                    | 2020         | 2020      |
|                                                    | \$           | \$        |
| <b>CURRENT</b>                                     |              |           |
| Trade receivables (a)                              | 424,189      | 465,934   |
| Allowance for expected credit losses (b)           | (248,845)    | (279,633) |
| Net trade receivables                              | 175,344      | 186,301   |
| Deferred consideration receivable (e)              | 567,869      | 567,869   |
| Allowance for expected credit loss (b)             | (567,869)    | (567,869) |
| Net deferred consideration receivable              | -            | -         |
| Income tax refund receivable                       | 20,869       | 21,358    |
| JobKeeper and Cash Flow Booster funding receivable | -            | 135,000   |
| Sundry receivables                                 | 632          | 2,013     |
| Deposits                                           | 35,940       | 35,966    |
| GST receivable                                     | 30,484       | 20,420    |
| Other receivables                                  | 87,925       | 214,757   |
|                                                    | 263,269      | 401,058   |

### (a) Trade receivables

Trade receivables are amounts due from customers for the sale of the Group's software as a service. Trade receivables are generally due for settlement within 45 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(k) and 2(u) of Group's annual financial statements for the year ended 30 June 2020.

### (b) Allowance for expected credit losses

The movement in the allowance for expected credit losses is set out below:

|                                                                | Consolidated |          |
|----------------------------------------------------------------|--------------|----------|
|                                                                | 31 December  | 30 June  |
|                                                                | 2020         | 2020     |
|                                                                | \$           | \$       |
| <b>Allowance for expected credit losses: trade receivables</b> |              |          |
| Opening balance                                                | 279,633      | 35,603   |
| Allowance for expected credit losses recognised                | -            | 279,633  |
| Trade receivables written off                                  | -            | (35,603) |
| Impact of movement in foreign exchange rates                   | (30,788)     | -        |
| Closing balance                                                | 248,845      | 279,633  |

## 9. Trade and other receivables (continued)

|                                                                     | Consolidated |         |
|---------------------------------------------------------------------|--------------|---------|
|                                                                     | 31 December  | 30 June |
|                                                                     | 2020         | 2020    |
|                                                                     | \$           | \$      |
| <b>Allowance for expected credit losses: deferred consideration</b> |              |         |
| Opening balance                                                     | 567,869      | -       |
| Allowance for expected credit losses recognised                     | -            | 567,869 |
| Closing balance                                                     | 567,869      | 567,869 |

### (c) Fair values of trade and other receivables

The fair value of trade and other receivables is assumed to approximate their carrying amounts due to their relatively short-term nature.

### (d) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 19 of the Group's annual financial statements for the year ended 30 June 2020.

### (e) Deferred consideration receivable

The deferred consideration receivable relates to the disposal of Mpire Network Inc. on 31 July 2018. Refer further to Note 6.

## 10. Right of use assets

The Group is the lessee in lease contracts for office premises and various items of office equipment. Leases of office premises generally have lease terms of between 1 and 10 years, while office equipment generally has a lease term between 1 and 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

In the case of leases of office premises and low value office equipment with lease terms of 12 months or less, the Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions under AAS16 on leases. In the case of leases of office premises with lease terms over 12 months, the Group has recognised a right-of-use asset and an associated lease liability.

Set out below are the carrying amounts of right-of-use assets and the movements during the year:

|                         | Consolidated |           |
|-------------------------|--------------|-----------|
|                         | 31 December  | 30 June   |
|                         | 2020         | 2020      |
|                         | \$           | \$        |
| <b>Office Premises:</b> |              |           |
| Opening balance         | 606,322      | 707,376   |
| Depreciation expense    | (50,527)     | (101,054) |
| Closing balance         | 555,795      | 606,322   |



## 10. Right of use assets (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

|                               | Consolidated |           |
|-------------------------------|--------------|-----------|
|                               | 31 December  | 30 June   |
|                               | 2020         | 2020      |
|                               | \$           | \$        |
| <b>Lease Liabilities:</b>     |              |           |
| Opening balance               | 648,275      | 707,376   |
| Interest expense              | 24,134       | 54,245    |
| Lease payments                | (62,217)     | (113,346) |
| Closing balance               | 610,192      | 648,275   |
| Current lease liabilities     | 96,878       | 90,597    |
| Non-current lease liabilities | 513,314      | 557,678   |
|                               | 610,192      | 648,275   |

The following are the amounts recognised in profit or loss in relation to leased assets:

|                                                                           | Consolidated |             |
|---------------------------------------------------------------------------|--------------|-------------|
|                                                                           | 31 December  | 31 December |
|                                                                           | 2020         | 2019        |
|                                                                           | \$           | \$          |
| <b>Right-of-use-assets</b>                                                |              |             |
| Depreciation of right-of-use-assets                                       | 50,527       | 50,513      |
| Interest expense on lease liabilities associated with right-of-use-assets | 24,134       | 27,114      |
| <b>Short term or low value asset leases</b>                               |              |             |
| <i>Included in occupancy costs</i>                                        |              |             |
| Rent expense - short-term lease                                           | 19,023       | 17,326      |
| <i>Included in administration costs</i>                                   |              |             |
| Rent expense - low-value assets                                           | 875          | 875         |
| Total amount recognised in profit and loss                                | 94,559       | 95,828      |

The Group had total cash outflows for leases of \$62,217 in the current period (2019: \$62,373).

The Group has a lease contract that includes extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (refer to Group's annual financial statements for the year ended 30 June 2020, Note 2(c)(ii)(a)).

## 11. Share-based payments

The share-based payments expense recognised during the period is comprised as follows:

|                                                                                    | 31 December 2020 |                  | 31 December 2019           |                |
|------------------------------------------------------------------------------------|------------------|------------------|----------------------------|----------------|
|                                                                                    | Number issued    | \$               | Number issued <sup>2</sup> | \$             |
| Options granted as consideration for investor relations services                   | 1,500,000        | 91,456           | -                          | -              |
| Options granted under the Performance Rights and Options Plan in FY18 <sup>1</sup> |                  |                  | -                          | 60,471         |
| Options granted to non-executive directors                                         | 5,000,000        | 289,154          | -                          | -              |
| Shares issued under Employee Share Plan in FY18 <sup>1</sup>                       | -                | 1,644            | -                          | 3,777          |
| Performance rights granted (classes H-O) <sup>1,2</sup>                            | -                | (115,846)        | -                          | 298,664        |
| Performance rights granted (classes P-R) <sup>1</sup>                              | -                | 358,705          | 6,000,000                  | 88,038         |
| Performance rights granted (class S) <sup>1</sup>                                  | -                | 264,700          | 2,500,000                  | 5,303          |
| Performance rights granted (class T) <sup>1</sup>                                  | 9,000,000        | 449,183          | -                          | -              |
| Options granted under the Performance Rights and Options Plan in FY19 <sup>1</sup> | -                | 14,075           | 600,000                    | 11,368         |
| Shares to be issued as consideration for investor relation services                |                  |                  | -                          | 15,000         |
|                                                                                    |                  | <b>1,353,071</b> |                            | <b>482,621</b> |

Notes:

1. There are vesting conditions attached to these securities. The fair value at grant date is recognised over the vesting period.
2. In the current period, the probability of achieving the milestones attached to these performance rights was reduced, resulting in a credit to the share-based payments expense.

### Options

For the six months ended 31 December 2020, a share-based payments expense of \$380,610 was recognised in relation to options granted during the period (2019: \$11,369). The weighted average fair value of options granted during the six months ended 31 December 2020 was \$0.06 (2019: \$0.06).

During the period, 5,000,000 share options were granted to non-executive directors and 1,500,000 to an investor relations company for services received.

The fair value at grant date was estimated using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of the options granted to the non-executive directors is 3 years and is 2 years for the options granted to the investor relations company. There is no cash settlement of the options.

The fair value of options granted during the period was estimated on the date of grant using the following assumptions:

|                         | Granted in the period ended<br>31 December 2020 |            | Granted in the period ended<br>31 December 2019 |            |
|-------------------------|-------------------------------------------------|------------|-------------------------------------------------|------------|
| Exercise price          | \$0.15                                          | \$0.18     | \$0.15                                          | \$0.20     |
| Expiry date             | 3/07/2023                                       | 17/11/2022 | 19/08/2021                                      | 21/11/2021 |
| Dividend yield          | 0.00%                                           | 0.00%      | 0.00%                                           | 0.00%      |
| Expected volatility     | 92.25%                                          | 94.99%     | 107.99%                                         | 101.02%    |
| Risk-free interest rate | 0.26%                                           | 0.10%      | 0.87%                                           | 0.79%      |

## 11. Share-based payments (continued)

### Performance Rights

During the period, 9,000,000 performance rights were granted to key management personnel and employees (2019: 8,500,000).

For the six months ended 31 December 2020, a share-based payments expense of \$449,183 was recognised in relation to performance rights granted during the period (2019: \$93,341).

The fair value at grant date was estimated using the Black-Scholes pricing model, taking into account the terms and conditions upon which the performance rights were granted.

The fair value of performance rights granted during the period was estimated on the date of grant using the following assumptions:

#### 31 December 2020

|                         | Class T    | Class T    |
|-------------------------|------------|------------|
| Exercise price          | Nil        | Nil        |
| Expiry date             | 30/06/2023 | 30/06/2023 |
| Dividend yield          | 0.00%      | 0.00%      |
| Expected volatility     | 92.25%     | 87.74%     |
| Risk-free interest rate | 0.26%      | 0.27%      |

#### 31 December 2019

|                         | Classes P-R | Classes P-R | Class S    | Class S    |
|-------------------------|-------------|-------------|------------|------------|
| Exercise price          | Nil         | Nil         | Nil        | Nil        |
| Expiry date             | 30/06/2021  | 30/06/2021  | 03/05/2022 | 03/05/2022 |
| Dividend yield          | 0.00%       | 0.00%       | 0.00%      | 0.00%      |
| Expected volatility     | 97.55%      | 96.24%      | 92.34%     | 92.18%     |
| Risk-free interest rate | 0.75%       | 0.84%       | 0.88%      | 0.89%      |

### Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted fully paid ordinary shares up to the value of \$1,000 in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is calculated at \$1,000 divided by the weighted average closing price of the Company's share price based on the closing ASX market prices over the five trading days before, but not including, the issue date, rounded down to the nearest whole number.

No shares were issued during the current period (2019: nil). The share-based payment expense is recognised over the period of employment of the eligible employees. An amount of \$1,644 was recognised in the current period (2019: \$3,777).

## 12. Financial instruments

The Group's principal financial instruments comprise receivables, payables and cash and cash equivalents which arise directly from its operations.

#### Fair values

Fair values of financial assets and liabilities approximate to carrying values due to their short term to maturity.

### 13. Related party disclosure

The interim consolidated financial statements include the financial statements of Adveritas Limited and the entities listed in the following table.

|                                        | Country of incorporation | % Equity interest |                  |
|----------------------------------------|--------------------------|-------------------|------------------|
|                                        |                          | 31 December 2020  | 31 December 2019 |
| Livelynk Group Pty Ltd <sup>1</sup>    | Australia                | 100               | 100              |
| TrafficGuard Pty Ltd <sup>2</sup>      | Australia                | 100               | 100              |
| TrafficGuard APAC Pte Ltd <sup>2</sup> | Singapore                | 100               | 100              |
| TrafficGuard US Inc <sup>2</sup>       | United States            | 100               | 100              |
| Appenture d.o.o <sup>2</sup>           | Croatia                  | 100               | 100              |

Notes:

- equity interest is held directly by Adveritas Limited.
- equity interest is held directly by Livelynk Group Pty Ltd.

### 14. Commitments and contingencies

#### a) Operating Lease Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

|                    | Consolidated<br>31 December 2020 | 30 June 2020<br>\$ |
|--------------------|----------------------------------|--------------------|
| Within one year    | 2,747                            | 2,845              |
| More than one year | -                                | -                  |
|                    | <u>2,747</u>                     | <u>2,845</u>       |

#### b) Property, Plant and Equipment Commitments

At balance date, the Group had no contractual obligations to purchase plant and equipment (30 June 2020: nil).

#### c) Contingent Liabilities

At balance date, the Group had no pending legal claims or other contingent liabilities (30 June 2020: nil).

### 15. Contributed equity

#### a) Issued capital

|                             | Consolidated<br>31 December 2020<br>\$ | 30 June 2020<br>\$ |
|-----------------------------|----------------------------------------|--------------------|
| Ordinary shares, fully paid | <u>42,953,281</u>                      | <u>39,941,684</u>  |

## 15. Contributed equity (continued)

### b) Movements in share capital

|                                                                         | 31 December 2020 |            | 30 June 2020 |            |
|-------------------------------------------------------------------------|------------------|------------|--------------|------------|
|                                                                         | Number           | \$         | Number       | \$         |
| Balance at the beginning of the period                                  | 320,386,408      | 39,941,684 | 158,898,924  | 26,305,580 |
| Shares issued on exercise of options                                    |                  |            | 1,300,225    | 145,023    |
| Shares issued on exercise of unlisted options                           | 2,620,000        | 393,000    | -            | -          |
| Shares issued on exercise of performance rights                         | 6,250,000        | 641,635    | -            | -          |
| Shares issued pursuant to a placement at \$0.055 per share <sup>1</sup> | -                | -          | 33,975,543   | 1,868,655  |
| Shares issued pursuant to a placement at \$0.075 per share <sup>1</sup> | -                | -          | 33,333,333   | 2,500,000  |
| Shares issued pursuant to a placement at \$0.075 per share <sup>1</sup> | -                | -          | 28,710,000   | 2,871,000  |
| Shares issued pursuant to a placement at \$0.17 per share <sup>1</sup>  | -                | -          | 20,706,759   | 3,520,149  |
| Shares issued pursuant to a Share Purchase Plan                         | -                | -          | 40,928,222   | 3,069,601  |
| Shares issued pursuant to a placement at \$0.075 per share <sup>1</sup> | 26,666,667       | 2,000,000  | -            | -          |
| Shares issued as consideration for placement services                   | -                | -          | 1,439,286    | 79,161     |
| Shares issued as consideration for investor relations services          | -                | -          | 1,094,116    | 82,500     |
| Shares issue costs <sup>2</sup>                                         | -                | (23,038)   | -            | (499,985)  |
| Balance at the end of the period                                        | 355,923,075      | 42,953,281 | 320,386,408  | 39,941,684 |

Notes:

1. Placements were made to sophisticated and professional investors.
2. Share issue costs is made up as follows:

|                                                                        | Consolidated     |              |
|------------------------------------------------------------------------|------------------|--------------|
|                                                                        | 31 December 2020 | 30 June 2020 |
|                                                                        | \$               | \$           |
| Share issue costs paid during the period/ year                         | (16,074)         | (387,310)    |
| Share issue costs included in trade and other payables at balance date | (6,964)          | (33,514)     |
| Fair value of shares issued as consideration for placement services    | -                | (79,161)     |
|                                                                        | (23,038)         | (499,985)    |

### c) Ordinary Shares

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

## 16. Events after the balance sheet date

No event has arisen since 31 December 2020 that would be likely to materially affect the operations of the Group or its state of affairs which has not otherwise been accounted for or disclosed in this financial report.

## Adveritas Limited

### Directors' declaration

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In accordance with a resolution of the directors of Adveritas Limited, I state that:

In the opinion of the directors:

- (a) The consolidated financial statements and notes of Adveritas Limited for the half-year ended 31 December 2020 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) Subject to note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board.



**Mathew Ratty**  
**Managing Director**

Perth, Western Australia  
25 February 2021

## Independent auditor's review report to the members of Adveritas Limited

### Report on the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2020, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Material uncertainty related to going concern

We draw attention to Note 2(c) in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

#### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

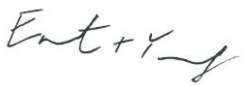
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001*.

including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Mark Cunningham  
Partner  
Perth  
25 February 2021