

27 February 2020

IXUP Limited 1H20 result and operational highlights

IXUP Limited (ASX: IXU) (“IXUP” or the “Company”), a leading technology company that secures data analytics and collaborations by using advanced encryption, today announced its interim financial results and provides an update on its activities for the half year ended 31 December 2019.

1H20 Highlights

- New key partnerships with nib New Zealand and Velocity Frequent Flyer (signed after balance date), strengthening IXUP’s expansion strategy.
- Successfully completed a \$3 million capital raising to accelerate expansion, fund operating costs and generate working capital.
- Selected to join the Austrade’s Landing Pad program recognising IXUP’s increasing reach and expertise in data security and homomorphic encryption.
- Continued to strengthen relationship with Microsoft enabling the IXUP platform to implement Microsoft Research’s SEAL homomorphic encryption technology, and become one of the first commercially available platforms to deliver this post-quantum technology.
- Continued thought leadership in international encryption research and development space.
- Cost base restructured reflecting a significant reduction in expenses compared to the prior period.
- Increase in R&D tax rebate totalling \$932,782 for FY19.

IXUP CEO and Managing Director, Peter Leihn said: *“We’ve delivered good results in 1H20 in gaining traction with new clients and partners demonstrating that our expansion strategy is beginning to bear fruit. With increasing global demand for data privacy and security and a strong pipeline of potential clients and partners we are confident that IXUP will continue its growth trajectory in the second half of 2020. Our focus continues to be on building a large pipeline of global opportunities and to convert our market leading technology into commercial outcomes. IXUP continues to be uniquely placed to provide solutions for companies seeking to navigate an increasingly complex regulatory and ethical environment for responsibly managing data.”*

-ENDS-

This announcement is authorised by Peter Leihn, CEO.

Media and Investor Relations Enquiries

The Capital Network

Julia Maguire

Executive Director

E: julia@thecapitalnetwork.com.au

P: +61 419 815 386

About IXUP

IXUP Limited (pronounced 'eyes up') (ASX: IXU) is a pioneering technology company specialising in collaborative analytics on encrypted data. Their privacy preserving platform enables sharing and analysis of data sets from multiple sources with 100% control, security and privacy, solving the problems of compliance, data loss and misuse. IXUP was listed in 2017. For more information visit www.ixup.com. IXUP's registered address is Level 3, 5-7 Ross Street, Parramatta NSW 2150.

f1. Company details

Name of entity:	IXUP Limited
ABN:	85 612 182 368
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	58.3% to	37,500
Loss from ordinary activities after tax attributable to the shareholders of IXUP Limited	down	38.4% to	(1,958,533)
Loss for the half-year attributable to the shareholders of IXUP Limited	down	38.4% to	(1,958,533)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,958,533 (31 December 2018: \$3,181,637).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.27</u>	<u>1.00</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim report.

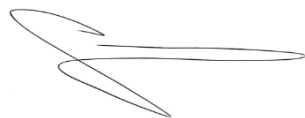
11. Attachments

Details of attachments (if any):

The Interim report of IXUP Limited for the half-year ended 31 December 2019 is attached.

12. Signed

Signed



Grant Paterson
Non-Executive Chairman

Date: 27 February 2020

IXUP Limited

ABN 85 612 182 368

Interim report - 31 December 2019

Directors	Dean Joscelyne (Executive Director) Cliff Rosenberg (Non-Executive Director) (Resigned 2 July 2019) Grant Paterson (Acting Chairman and Non-Executive Director) Scott Wilkie (Non-Executive Director) (Appointed 2 July 2019) Freya Smith (Non-Executive Director) (Appointed 2 July 2019) Peter Leihn (Managing Director) (Appointed 2 July 2019)
Company secretary (joint)	Andrew Whitten
Registered office	Level 3 5-7 Ross St Parramatta NSW 2150
Principal place of business	Level 3 5-7 Ross St Parramatta NSW 2150
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone 1300 554 474 Email: registrars@linkmarketservices.com.au
Auditor	William Buck Audit (WA) Pty Ltd Level 3, 15 Labouchere Road South Perth WA 6151
Solicitors	Automic Legal Pty Ltd (An Automic Group company)
Bankers	St George Bank Limited
Stock exchange listing	IXUP Limited shares are listed on the Australian Securities Exchange. ASX code: IXU
Website	www.ixup.com
Place of Incorporation	Victoria, Australia

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of IXUP Limited (referred to hereafter as the 'Company', 'parent entity' or 'IXUP') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Cliff Rosenberg	Non-Executive Director (Resigned 2 July 2019)
Dean Joscelyne	Executive Director
Grant Paterson	Acting Chairman and Non-Executive Director
Freya Smith	Non-Executive Director (Appointed 2 July 2019)
Scott Wilkie	Non-Executive Director (Appointed 2 July 2019)
Peter Leihn	Managing Director (Appointed 2 July 2019)

Result of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,958,533 (31 December 2018: \$3,181,637).

Review of operations

During the half-year IXUP has continued to commercialise its privacy preserving analytics platform that secures data analytics and collaboration by using advanced encryption. By enabling analytics on encrypted data, the IXUP platform addresses the residual risk faced by global enterprise and governments in gaining value from data, without compromising the privacy or security of these organisations, their customers or partners. The Company believes that the future demand for the IXUP product will continue to be driven by the desire of organisations to monetise new data assets while addressing security and privacy concerns such as losing control of or revealing identifiable data, as well the need to comply with increasing privacy legislation globally. As IXUP's secure software environment enables sharing and analysis of data sets from multiple sources with 100% control, security and privacy, the platform is well positioned to help organisations solve privacy compliance, data loss and misuse challenges.

Highlights of the year include:

- Enhancements to the IXUP platform to support Artificial Intelligence (AI) capability;
- Five Safes data risk assessment framework capability launched;
- US expansion strategy advanced with selection to Austrade's USA landing pad program;
- New client partnerships (signed after balance date);
- Strengthened board and governance.

IXUP technology enhancements

The company further improved its commercial platform releasing new security and analytics enhancements to support its AI capability. Expanded AI with protected compute was introduced, which lets users perform unencrypted machine learning on data subsets and re-use the results within IXUP's encrypted analytics environment. Further new features were also added including contract specification, DocuSign electronic signature management, enhancements in probabilistic range filtering, improved homomorphic computation performance and improved user experience that supports a more agile data modelling process. SaaS users also benefitted from new enhanced client-side processing and strengthened security through the IXUP Encryption Gateway, ensuring a seamless integration with their systems.

Embedded global Five Safes data framework

The IXUP platform now incorporates the global risk assessment framework Five Safes allowing data custodians to place appropriate controls not just on the data itself but on the manner in which data are accessed. Data management decisions on the IXUP platform are broken up into five 'dimensions': data, projects, people, settings and outputs. By designing and agreeing access upfront, the risks associated with data collaboration can be minimised and a complete governance and audit log can be produced. The framework is expected to become standard for sharing public sector data when the Australian Government introduces legislation to safeguard citizen's data privacy. The capability aligns IXUP with the Office of the National Data Commissioner's data sharing principles and positions the company at the forefront of data analytics services for the \$1.2 billion Australian Commonwealth IT and digital initiatives market.

US expansion strategy

In November 2019, IXUP was selected to join the Austrade Landing Pad program at the San Francisco-based hub, which provides corporate residency and advisory services. Participation in the program supports IXUP's plans for expansion in the USA, the world's largest security market.

New client partnerships

Since IXUP introduced its new SaaS distribution model last March that allows customers to use IXUP through accessing the Microsoft Azure cloud services environment directly, the Company has secured a number of new clients. Subsequent to the half-year end in January 2020, IXUP announced that it had signed a six month trial contract with Velocity Frequent Flyer, the multi award-winning loyalty program of Virgin Australia. Velocity Frequent Flyer will trial using the IXUP platform on its software as a secure data analytics service (SaaS) model for a period of six months and, on completion, review the platform and determine next steps. In February 2020, IXUP signed another agreement with nib New Zealand who will trial the platform for an initial one month period.

Board appointments

On 2 July 2019, IXUP appointed Mr Peter Leihn as managing director and Mr Scott Wilkie and Ms Freya Smith as Non-Executive directors of the company. Mr Wilkie was the co-founder and director of Sovereign Cloud Australia and Ms Smith is currently the group general council and company secretary of AUB Group Limited.

Financial position

The company reported sales revenue of \$37,500 for the half-year ended 31 December 2019. IXUP is in the early stages of commercialisation and released its SaaS distribution model to the market in April 2019, securing its first commercial client. The global SaaS market is expected to attain a market size of US \$185.5 billion by 2024 and this distribution model provides significant opportunity for growth as organisations increase their use of SaaS technologies. The company continues to invest in its technology platform and at 31 December 2019 had a cash and term deposits balance of \$3.3 million.

During the half-year the company received an Australian Tax Office R&D tax rebate of \$932,782.

Significant changes in the state of affairs

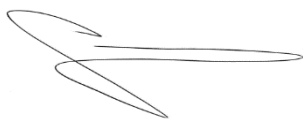
There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Grant Paterson
Chairman

27 February 2020

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF IXUP LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

CM

Conley Manifis
Director

Dated this 27th day of February, 2020

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 3, 15 Labouchere Road
South Perth WA 6151

PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888

williambuck.com

Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Directors' declaration	18
Independent auditor's review report to the members of IXUP Limited	19

General information

The consolidated financial report covers IXUP Limited (the "Company") and its controlled entities (together the "Consolidated Entity" or "Group").

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

Level 3
5-7 Ross St
Parramatta NSW 2150

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2020.

Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at <http://www.ixup.com>.

IXUP Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019



		Consolidated	
	Note	31 December 2019	31 December 2018
		\$	\$
Revenue			
Revenue		37,500	90,000
Cost of sales	3	(2,741)	(39,134)
Gross profit		34,759	50,866
Interest revenue calculated using the effective interest method		4,185	74,845
Research & Development Tax rebate		932,782	712,498
Expenses			
Employee benefits expense	3	(1,693,079)	(2,257,328)
Other Personnel costs (Share-based costs)	3	(275,540)	(226,134)
Depreciation and amortisation expense	3	(37,779)	(298,126)
Occupancy cost	3	(89,656)	(115,477)
Administration costs	3	(828,394)	(1,119,310)
Finance costs	3	(5,811)	(3,471)
Loss before income tax expense		(1,958,533)	(3,181,637)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the shareholders of IXUP Limited		(1,958,533)	(3,181,637)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the shareholders of IXUP Limited		(1,958,533)	(3,181,637)
		Cents	Cents
Basic earnings per share	12	(1.16)	(2.01)
Diluted earnings per share	12	(1.16)	(2.01)

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

		Consolidated 31 December 2019 \$	30 June 2019 \$
Note			
Assets			
Current assets			
		3,026,586	2,005,194
		63,439	35,184
	4	250,000	250,000
		1,443	-
		104,684	49,350
		<u>3,446,152</u>	<u>2,339,728</u>
Non-current assets			
		35,619	47,515
		<u>39,872</u>	<u>-</u>
		<u>75,491</u>	<u>47,515</u>
Total assets		<u>3,521,643</u>	<u>2,387,243</u>
Liabilities			
Current liabilities			
		423,396	542,885
	6	44,169	-
		248,270	263,600
		<u>715,835</u>	<u>806,485</u>
Total liabilities		<u>715,835</u>	<u>806,485</u>
Net assets		<u>2,805,808</u>	<u>1,580,758</u>
Equity			
	7	18,608,818	16,038,325
	8	8,262,088	7,840,393
		(24,065,098)	(22,297,960)
Total equity		<u>2,805,808</u>	<u>1,580,758</u>

IXUP Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019



Consolidated	Issued capital \$	Equity settled reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	16,038,325	7,799,992	(16,134,308)	7,704,009
Loss after income tax expense for the half-year	-	-	(3,181,637)	(3,181,637)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(3,181,637)	(3,181,637)
<i>Transactions with shareholders in their capacity as shareholders:</i>				
Share-based payments	-	226,134	-	226,134
Transfer relating to options and rights expired and/or cancelled	-	(359,289)	359,289	-
Balance at 31 December 2018	<u>16,038,325</u>	<u>7,666,837</u>	<u>(18,956,656)</u>	<u>4,748,506</u>

Consolidated	Issued capital \$	Equity settled reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	16,038,325	7,840,393	(22,297,960)	1,580,758
Adjustment for change in accounting policy	-	-	(4,850)	(4,850)
Balance at 1 July 2019 - restated	16,038,325	7,840,393	(22,302,810)	1,575,908
Loss after income tax expense for the half-year	-	-	(1,958,533)	(1,958,533)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(1,958,533)	(1,958,533)
<i>Transactions with shareholders in their capacity as shareholders:</i>				
Issue of shares	3,168,872	-	-	3,168,872
Share issue costs	(255,979)	-	-	(255,979)
Issue of options as part of capital raising	(342,400)	342,400	-	-
Share-based payments (note 8)	-	275,540	-	275,540
Transfer relating to options and rights expired forfeited	-	(196,245)	196,245	-
Balance at 31 December 2019	<u>18,608,818</u>	<u>8,262,088</u>	<u>(24,065,098)</u>	<u>2,805,808</u>

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

IXUP Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019



		Consolidated	
	Note	31 December 2019	31 December 2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		15,000	99,000
Payments to suppliers and employees		(2,852,631)	(3,673,112)
Interest received		4,185	99,995
Tax R&D benefit received		932,783	875,130
		<u> </u>	<u> </u>
Net cash used in operating activities		(1,900,663)	(2,598,987)
Cash flows from investing activities			
Payments for property, plant and equipment		(6,261)	(93,982)
Proceeds from investments in term deposits		-	6,052,356
		<u> </u>	<u> </u>
Net cash from/(used in) investing activities		(6,261)	5,958,374
Cash flows from financing activities			
Proceeds from issue of shares	7	3,168,872	-
Payment for share issue transaction costs		(238,002)	-
Interest and other finance costs paid		(2,554)	-
		<u> </u>	<u> </u>
Net cash from financing activities		2,928,316	-
Net increase in cash and cash equivalents		1,021,392	3,359,387
Cash and cash equivalents at the beginning of the financial half-year		2,005,194	1,576,127
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial half-year		<u><u>3,026,586</u></u>	<u><u>4,935,514</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the consolidated entity from the adoption of AASB 16 is detailed in note 2.

Note 1. Significant accounting policies (continued)

Right-of-use assets

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

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

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

Lease liabilities

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

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

Going concern

The financial report has been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

The Company has incurred a loss of \$1,958,533 as at 31 December 2019 (as at December 31 2018: \$3,181,637) and experienced, for the same period, net cash outflows from operating activities of \$1,900,663 (2018: \$2,598,987). As at 31 December 2019, the Company had cash and cash equivalents of \$3,026,586 (as at 30 June 2019 \$2,005,194) as well as cash on deposit of \$250,000 (2019: \$250,000).

The Company successfully raised, through a Rights Issue, approximately \$3.2 million (before costs) in November 2019. These funds were raised to ensure the Company had the opportunity to further commercialise its intellectual property over the 12 months from the completed raising. This cash forecast timing objective remains valid as at the date of this report. Notwithstanding this, as the accounting standards require a 12 month view from the date of signing this report, that forecast period extends out 15 months from the capital raising completed in November 2019. As such, the going concern basis is required to assume a further capital raising within that 15 month time period.

The ability of the Company to continue to trade as a going concern is primarily dependent on the completion of a further successful capital raising within the noted 15 month period. The Company has a successful history of raising funds when required.

Notwithstanding the importance of successful capital raising, the Company has other mechanisms in its cash flow management, including:

- Commercialisation of its intellectual property, to deliver future revenue;
- Deferral or reduction of expenditure, through agreements with people significantly aligned to the future of the Company, being major shareholders who are management / Board members; and
- Recognising that the priority of the Board and management remains revenue growth and cost reduction, through items such as premises consolidation

Note 1. Significant accounting policies (continued)

Whilst the directors acknowledge there are timing risks associated with the completion of successful capital raisings which have a direct impact on the Company's ability to meet liabilities when due, the directors believe that this will be successful.

However, if the capital raising and other factors mentioned above do not eventuate, there is a material uncertainty that may cast doubt as to whether the Company will continue as a going concern and, therefore, whether the Company will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Note 2. Impact on the adoption of AASB16

The consolidated entity has adopted AASB 16 using the modified retrospective approach where the cumulative effect of adopting the standard is recognised in opening retained earnings at 1 July 2019, with no restatement of prior year comparative information. As a result of adopting AASB 16, the consolidated entity has changed its accounting policies which are included in note 1. Practical expedients applied on transition and the impact on the adoption of AASB 16 are detailed below.

Practical expedients applied on transition

In applying AASB 16 for the first time, the consolidated entity has used the following practical expedients on transition:

- elected not to reassess whether a contract is, or contains a lease at the date of the initial application. Instead for contracts entered into before the transition date, the consolidated entity relied on assessments made applying AASB 117 Leases and Interpretation 4: Determining whether an Arrangement contains a lease;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the use of a single discount rate to a portfolio of leases with similar characteristics.

Impact of adoption

On the date of initial application, the consolidated entity recognised lease liabilities in relation to leases which has previously been classified as 'operating leases' under the principals of AASB 117 Leases. The lease liabilities are measured at the present value of minimum lease payments for the lease term, discounted using a weighted average incremental borrowing rate of 10.0%.

The associated right-of-use assets for property and equipment leases were measured on a retrospective basis as if the new rules had always been applied.

	1 July 2019 \$
Reconciliation of lease liabilities	
Non-cancellable operating leases at 30 June 2019	264,054
Discount using the lessee's incremental borrowing rate of at the rate of initial application	(5,239)
Short-term leases not recognised as a right-of-use asset	(194,157)
Lease liabilities recognised on 1 July 2019	<u>64,658</u>

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Note 2. Impact on the adoption of AASB16 (continued)

	1 July 2019 \$	31 December 2019 \$
Right-of-use assets	59,807	39,872
Lease liabilities	64,657	44,169

The net impact on accumulated losses on 1 July 2019 was an increase of \$4,850

Note 3. Expenses

	Consolidated 31 December 2019 \$	31 December 2018 \$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	2,741	39,134
<i>Depreciation and amortisation</i>		
Depreciation and amortisation	37,779	298,126
<i>Administrative Costs</i>		
Professional adviser and legal costs	272,461	277,925
Consulting costs paid to entities related to directors	94,160	267,404
Recruitment costs	22,667	86,672
Advertising and promotion	114,584	123,444
Travel and accommodation	68,868	130,521
Software licences	41,544	14,062
Other	214,110	219,282
	828,394	1,119,310
<i>Employee benefits expense</i>		
Personnel costs	1,693,079	2,257,328
<i>Occupancy costs</i>		
Occupancy costs	89,656	115,477
<i>Finance costs</i>		
Interest and finance charges paid/payable on lease liabilities	2,810	-
Other finance costs	3,001	3,471
Finance costs expensed	5,811	3,471
<i>Share-based payments expense</i>		
Share-based payments expense	275,540	226,134

Note 4. Current assets - other financial assets

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Term deposits	250,000	250,000

Term deposits have maturity dates of more than 3 months but less than 12 months.

Note 5. Non-current assets - right of Use Assets

The consolidated entity leases two buildings for its offices, with lease terms of 3 years. Both leases commenced on 1 January 2018 and terminate on 31 December 2020 with an option to renew for a period of 3 years. In December 2019 the Company gave notice that it would cancel the lease of one of its offices early at the end of February 2020. This is deemed to be a short-term lease and has been expensed as incurred and not capitalised as right-of-use asset.

Note 6. Current liabilities - lease liabilities

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Lease liability	44,169	-

This balance relates to the application of the new AASB 16 in effect from 1 July 2019. Refer to note 5 for detail.

Note 7. Equity - issued capital

	Consolidated			
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	221,821,186	158,443,751	18,608,818	16,038,325

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2019	158,443,751	16,038,325
Issue of shares	26 November 2019	39,490,590	1,974,530
Issue of shares	6 December 2019	23,886,845	1,194,342
Share issue costs		-	(255,979)
Issue of unlisted options to Cygnet Capital as fees		-	(342,400)
Balance	31 December 2019	221,821,186	18,608,818

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Note 8. Equity – settled reserves

	Consolidated	
	31 December 2019	30 June 2019
	\$	\$
Other Equity-settled reserves	1,839,662	1,839,662
Options reserve	6,422,426	6,000,731
	<u>8,262,088</u>	<u>7,840,393</u>

Options reserve

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

	Other Equity-settled reserve \$	Options reserve \$	Total \$
Consolidated			
Balance at 30 June 2018	1,839,662	5,960,330	7,799,992
Share based payments	-	465,416	465,416
Transfer relating to options and rights expired and/or cancelled	-	(425,015)	(425,015)
Balance at 30 June 2019	<u>1,839,662</u>	<u>6,000,731</u>	<u>7,840,393</u>
Share based payments	-	275,540	275,540
Transfer relating to options and rights forfeited	-	(196,245)	(196,245)
Issue of options as part of capital raising	-	342,400	342,400
Balance at 31 December 2019	<u>1,839,662</u>	<u>6,422,426</u>	<u>8,262,088</u>

Options

Details	Date	Options
Balance	1 July 2019	65,918,136
Issue of plan options to employees and directors	2 July 2019	1,000,000
Issue of unlisted options to Cygnet Capital	9 December 2019	10,000,000
Cancelled due to forfeiture during the period		(866,667)
Balance	31 December 2019	<u>76,051,469</u>

During the half year ended 31 December 2019:

- On 2 July 2019 IXUP issued 1,000,000 Unlisted Options to directors with an exercise price of 25 cents and an expiry date of 14 November 2022. Vesting occurs over 3 years in equal instalments and have no other vesting conditions besides the holder continuing to act as a director of the Company. The Unlisted Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.022 per Unlisted Option which is \$5,724 recognised during the half-year ended 31 December 2019 as part of Share-based payments.
- On 9 December 2019 IXUP issued 10,000,000 Unlisted Options to Cygnet Capital with an exercise price of 10 cents and an expiry date of 31 November 2023. The Unlisted Options have been valued using the Black Scholes Model with independent advice. The calculated Black Scholes Valuation is \$0.043 per Unlisted Option which is \$342,400 recognised during the half-year ended 31 December 2019 as part of Capital raising costs.
- \$26,532 was recognised relating to Plan Options issued in 2017 to employees and directors.
- \$52,235 was recognised relating to Plan Options issued in 2018 to employees and directors.
- \$17,005 was recognised relating to Plan Options issued in 2019 to employees and directors.
- 866,667 Plan Options were forfeited relating to employees and directors who left the Company and did not meet vesting conditions.

Note 8. Equity - equity (continued)

Performance Rights

Details	Date	Performance Rights
Balance	1 July 2019	4,000,000
Issue of performance rights to directors	2 July 2019	12,000,000
Cancelled due to forfeiture during the period		<u>(1,250,000)</u>
Balance		<u><u>14,750,000</u></u>

During the half-year ended 31 December 2019:

- IXUP issued 12,000,000 Performance Rights in July 2019 to directors with nil exercise price. The rights have been valued with reference to market price, adjusted for probability of vesting between 40% to 90% and an expense of \$140,000 has been recognised during the half-year ended 31 December 2019 as part of Share-based payments. Vesting occurs in equal instalments subject to revenue targets and tenure conditions being achieved.
- \$29,167 was recognised relating to Performance Rights issued in 2018.
- \$11,111 was recognised relating to Performance Rights issued in 2017.
- 1,250,000 Performance Rights were cancelled relating to directors who left the Company and did not meet the vesting conditions.

Note 9. Contingent liabilities

There are no contingent liabilities as at the date of signing this report.

Note 10. Related party transactions

Parent entity

IXUP Limited is the parent entity.

Transactions with related parties

Mr Dean Joscelyne is the ultimate controlling party of YDCJ Pty Ltd atf YDCJ Unit Trust and Destria Pty Ltd.

Mr Cliff Rosenberg is the beneficial owner of Rosenberg Trading Pty Ltd.

Mr Tim Ebbeck is the beneficial owner of Ebbeck Family Trust t/as Ebbeck TIG Consulting.

Mr Grant Paterson is a partner in GTP Legal.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The following transactions occurred with related parties and are GST inclusive:

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Payment for goods and services:		
Payment to Rosenberg Trading Pty Ltd for consulting services	-	33,266
Payment to Ebbeck Family Trust t/as Ebbeck TIG Consulting for consulting services	-	102,920
Payment/Accrual to YDCJ Pty Ltd atf YDCJ Unit Trust as landlord for company premises	84,194	83,217
Payment/Accrual to Mr Dean Joscelyne as landlord for company premise and office services	34,625	33,786
Payment to GTP Legal for consulting services (from date of appointment of Mr Paterson)	31,434	14,215

Note 10. Related party transactions (continued)

Receivable from and payable to related parties

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

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$	\$
Amounts owed to related parties:		
YDCJ Pty Ltd atf YDCJ Unit Trust	27,470	13,869
Mr Dean Joscelyne	54,296	5,631
Rosenberg Trading Pty Ltd	-	5,500
GPT Legal	7,541	-

Loans to/from related parties

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

Terms and conditions

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

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 12. Earnings per share

	Consolidated	
	31 December	31 December
	2019	2018
	\$	\$
Loss after income tax attributable to the shareholders of IXUP Limited	<u>(1,958,533)</u>	<u>(3,181,637)</u>
	Cents	Cents
Basic earnings per share	(1.16)	(2.01)
Diluted earnings per share	(1.16)	(2.01)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>169,545,486</u>	<u>158,443,751</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>169,545,486</u>	<u>158,443,751</u>

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Grant Paterson
Chairman

27 February 2020

IXUP Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of IXUP Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 6 to 18, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 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, we have not become aware of any matter that makes us believe that the half-year financial report of IXUP Limited on pages 6 to 18 is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements which indicates that the Group incurred a net loss before income tax of \$1,958,533 and a net cash outflow from operations of \$1,900,663 for the half year ended 31 December 2019. As stated in Note 1, these events or conditions, along with other matters set forth in Note 1, indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

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, we

CHARTERED ACCOUNTANTS & ADVISORS

Level 3, 15 Labouchere Road
South Perth WA 6151

PO Box 748
South Perth WA 6951

Telephone: +61 8 6436 2888

williambuck.com

have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its 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 IXUP Limited, 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of IXUP Limited, would be in the same terms if given to the directors as at the time of this auditor's review report

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

CM

Conley Manifis
Director
Dated this 27th day of February, 2020