

ADVERTITAS LIMITED

ABN 88 156 377 141

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2023**

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Directors

Non-Executive Chairman Mr Joshua Lowcock

Managing Director and Chief Executive Officer Mr Mathew Ratty

Non-Executive Directors Mr Renaud Besnard
Mr Mark McConnell
Mr Andrew Stott

Company Secretary

Ms Susan Park

Principal and Registered Office

Suite 10, 16 Brodie Hall Drive
Bentley WA 6102

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Share Registry

Computershare Investor Services Pty Limited

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Perth WA 6000
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Securities Exchange Listing

Advertitas 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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| | Page |
|----------------------------------------------------------------------------------|-------------|
| Appendix 4D | 2 |
| Directors' Report | 3 |
| Auditor's Independence Declaration | 6 |
| Interim Consolidated Statement of Profit and Loss and Other Comprehensive Income | 7 |
| Interim Consolidated Statement of Financial Position | 8 |
| Interim Consolidated Statement of Cash Flows | 9 |
| Interim Consolidated Statement of Changes in Equity | 10 |
| Notes to the Consolidated Financial Statements | 11 |
| Directors' Declaration | 25 |
| Independent Auditor's Review Report | 26 |

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Reporting period

Current period: Half-year ended 31 December 2023
 Previous corresponding period: Half-year ended 31 December 2022

Results for announcement to market

| | | | | | | |
|-----------------------------------------------------------------|----|-----|----|---------------|------|---------------|
| Revenue from ordinary activities | up | 20% | to | \$1,703,068 | from | \$1,419,047 |
| Loss from ordinary activities after tax attributable to members | up | 27% | to | (\$6,358,937) | from | (\$5,001,278) |
| Net loss for the period attributable to members | up | 27% | to | (\$6,358,937) | From | (\$5,001,278) |

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

At 31 December 2023, the Company reported a net liability position of \$481,054. This net liability position is predominantly due to convertible loan notes which are classified as current liabilities at 31 December 2023. The convertible loan notes mature in April 2024 and have a carrying amount of \$4,131,989. A derivative financial asset associated with the convertible loan notes has also been recognised at 31 December 2023. The convertible loan note derivative has a carrying amount of \$1,322,815 and is included in current assets. The Company anticipates that the convertible loan notes will be converted into equity in accordance with the terms of the convertible loan note agreements and will not be redeemed in cash.

| | 31 December 2023 | 31 December 2022 |
|----------------------------|-------------------------|-------------------------|
| Net tangible asset backing | (0.10) cents | (0.03) cents |

The net tangible asset backing calculation excludes the 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).

ADVERTITAS LIMITED

Directors' Report

The directors present their report together with the consolidated 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 2023 and the independent auditor's review report 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 Joshua Lowcock (Non-Executive Chairman – appointed 17 July 2023)
Mr Stephen Belben (Non-Executive Chairman – resigned 14 July 2023)
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 half-year was the provision of its TrafficGuard® SaaS (software as a service) products. TrafficGuard is the world's first full funnel measurement, verification and fraud prevention solution for digital advertising.

OPERATING AND FINANCIAL REVIEW

Strong revenue growth

Revenue recorded by the Group for the half-year ended 31 December 2023 amounted to \$1,703,068, representing an increase of 20% on revenue of \$1,419,047 recorded in the half-year ended 31 December 2022.

Consistent growth in annual recurring revenue (**ARR**) has continued with ARR from contracts in place at 31 December 2023 reaching circa \$4,430,000. This represents an increase of 54% from 31 December 2022 (ARR of approximately \$2,880,000) and has been underpinned by new contracts and expansions of existing contracts.

As the TrafficGuard products have been commercialised across a range of verticals, the Company has identified the sports betting and gaming verticals as high priority for its sales and marketing efforts given these are the verticals where the Company has proven success, where the sales cycle is shortest and where the annual contract values are the highest.

New contracts with 38 clients were signed in the current half-year, including one of the world's largest sports betting organisations with US operations, and collectively generate ARR of approximately \$1,100,000. Annual contract values from new customers within the online gaming and sports betting verticals totalled circa \$685,000, reflecting the Company's heightened focus on these sectors.

Contract expansions with a number of customers were executed in the half-year to 31 December 2023, including Disney Streaming Services (**DSS**). DSS has renewed TrafficGuard's affiliate verification services and expanded its contract to include TrafficGuard's mobile app download verification. DSS is now utilising 2 of the 4 TrafficGuard products, demonstrating the legitimacy of TrafficGuard's product strategy.

USA market growth momentum

A number of high-profile US-based enterprise sports betting companies have committed to trialling the TrafficGuard products and some early conversions occurred during the current half-year. The United States and South America are a key focus for TrafficGuard given the high level of advertising spend by market participants, and the proven success that the Company has had in the sports betting category.

Launch of Pmax product

The Group increased its product portfolio during the current half-year with the launch of TrafficGuard's Pmax solution for Google's Performance Max product (Google Performance Max).

Google Performance Max is a cross-channel (YouTube, Display, Search, Discover, Gmail, and App) performance advertising solution. It is a high priority for Google, and Google is actively driving adoption and, in some cases, auto upgrading advertisers to Google Performance Max.

The TrafficGuard PMax solution is well positioned to capitalise on increasing marketer demand for transparency across the digital programmatic advertising supply chain.

Capital raised to accelerate growth

The Group raised \$3,025,000 through the issue of new shares in the current half-year. \$800,000 was received in July 2023 as part of Tranche 2 of the placement that was announced on 15 May 2023. \$2,225,000 was received in December 2023, being Tranche 1 of the placement announced on 12 December 2023. The terms of this placement to existing long-term shareholders and new investors who are sophisticated and professional investors are as follows:

- Tranche 1 was unconditional and comprised the issue of 44,500,000 shares at \$0.05 to raise \$2,225,000; and
- Tranche 2 is conditional and comprises the issue of 5,500,000 shares at \$0.05 to raise \$275,000 subject to shareholder approval being obtained at a General Meeting of Shareholders to be held in March 2024. This tranche comprises \$275,000 committed by Non-Executive Chairman, Joshua Lowcock, and Non-Executive Director, Mark McConnell.

The funds raised in the current half-year have strengthened the Group's capital position and balance sheet and will enable the Group to focus on its key growth objectives.

Positive outlook

The Group has a strong growth outlook underpinned by the following:

- Record pipeline, including a growing number of USA prospects that have already commenced trials.
- Strong organic growth driven by large and growing global digital advertising market spend.
- Gaming and Gambling industry focus remains a high priority given the Group's market credentials and its growing customer base within these verticals.
- Further expansion into the US market where it is estimated that there is circa US\$1.9b billion being spent on digital advertising in the sports betting vertical alone.
- Development and release of new product features, such as Smart Ranges, which improve the returns customers receive on their investment in digital advertising (see ASX announcement dated 19 February 2024).
- Price increases being progressively introduced, supported by the development and release of new product features.
- Facilitation of agency group trials where TrafficGuard's technology will be made available across their client base.
- Investment into streamlining the onboarding phase for customers, replacing manual processes with product automation resulting in reduced servicing costs, higher margins and an accelerated sales cycle.
- Ongoing product cross-sell opportunities with 90% of clients currently using only one of the Company's four products.
- Transition enterprise clients to making annual prepayments instead of monthly contract fees which improves cashflow and locks in favourable terms for the clients

In addition, the Group is committed to reducing its cost base. During the month of December 2023, annualised cost savings of circa \$1.7 million were identified, driven largely by an organisational restructure. The cost saving measures were deployed late in the month of December, with the benefits to be realised in the second half of the financial year. These cost reductions, together with the revenue generating factors listed above, provide a visible pathway to the Group becoming cash flow positive

Financial summary

| | 31 December 2023 \$ | 31 December 2022 \$ |
|-------------------------------------------------------------------------------------|---------------------------|---------------------------|
| Revenue from software as a service | 1,703,068 | 1,419,047 |
| Direct sales costs <i>(comprising server hosting, product costs and commission)</i> | (862,433) | (873,816) |
| Employment costs | (5,484,937) | (5,253,929) |
| Marketing costs | (832,900) | (902,373) |
| Administration costs | (796,407) | (724,717) |
| Overheads | (7,976,677) | (7,754,835) |
| Grants received | 773,121 | 1,979,591 |
| Interest and sundry income | 66,292 | 35,407 |
| Finance costs | (423,727) | (417,716) |
| Foreign exchange differences | (52,008) | (40,245) |
| Depreciation | (95,001) | (88,789) |
| Share based payments | (292,179) | (11,035) |

| | 31 December 2023 | 31 December 2022 |
|--------------------------------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Bad debts and expected credit losses / (reversals) | (85,641) | 37,956 |
| Fair value gain / (loss) on convertible loan note derivative | 23,815 | (159,000) |
| Other (expenses) / gains | (85,328) | (1,336,169) |
| Loss before income tax | (6,358,937) | (4,999,619) |

The increase in the loss before income tax in the half-year ended 31 December 2023 from the comparative period is largely driven by the fact that the grant income recognised in the comparative period related to the 2021 and 2022 financial years, whereas the grant income in the current half-year relates only to the 2023 financial year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No event has arisen since 31 December 2023 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

ROUNDING OF AMOUNTS

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

AUDITOR INDEPENDENCE

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 behalf of the directors.



Mathew Ratty
Managing Director and Chief Executive Officer
Perth, Western Australia
Dated 28 February 2024



**Building a better
working world**

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Auditor's independence declaration to the directors of Adveritas Limited

As lead auditor for the review of the half-year financial report of Adveritas Limited for the half-year ended 31 December 2023, 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;
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Cunningham' in a cursive style.

Mark Cunningham
Partner
28 February 2024

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ADVERTITAS LIMITED
Interim Consolidated Statement of Profit and Loss and Other Comprehensive Income
Half-year ended 31 December 2023

For the six months ended

| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
|-----------------------------------------------------------------------------------------------|------|---------------------------|---------------------------|
| Revenue from contracts with customers | 4 | 1,703,068 | 1,419,047 |
| Interest income | | 48,379 | 15,881 |
| Other income | 5(a) | 791,034 | 1,999,117 |
| Employment costs | 5(e) | (5,660,793) | (5,389,251) |
| Marketing costs | 5(f) | (832,900) | (902,373) |
| Server hosting and product costs | | (686,577) | (738,495) |
| Administration costs | 5(b) | (400,634) | (421,626) |
| Compliance costs | 5(c) | (155,495) | (149,770) |
| Consultancy costs | 5(d) | (143,507) | (64,299) |
| Occupancy costs | | (96,771) | (89,021) |
| Expected credit losses (recognised) / reversed and bad debt expense | 5(g) | (85,641) | 37,956 |
| Finance costs | 5(h) | (423,727) | (417,716) |
| Foreign exchange losses | | (52,008) | (40,245) |
| Depreciation | 5(i) | (95,001) | (88,789) |
| Share based payments | 12 | (292,179) | (11,035) |
| Fair value gain / (loss) on convertible loan note derivative | 10 | 23,815 | (159,000) |
| Loss before income tax | | (6,358,937) | (4,999,619) |
| Income tax benefit / (expense) | 6 | - | (1,659) |
| Loss for the year attributable to the members of Adveritas Limited | | (6,358,937) | (5,001,278) |
| Other comprehensive income net of tax | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | (3,521) | (4,097) |
| Total comprehensive loss for the year attributable to the members of Adveritas Limited | | (6,362,458) | (5,005,375) |
| Loss per share attributable to members of Adveritas Limited | | | |
| | | Cents | Cents |
| Basic loss per share | | (0.96) | (1.10) |
| Diluted loss per share | | (0.96) | (1.10) |

ADVERTITAS LIMITED
Interim Consolidated Statement of Financial Position
31 December 2023

| | Note | 31 December 2023 \$ | 30 June 2023 \$ |
|--------------------------------------|------|---------------------------|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 3,599,721 | 6,339,205 |
| Trade and other receivables | 8 | 597,921 | 506,464 |
| Prepayments | | 253,006 | 435,239 |
| Convertible loan note derivative | 10 | 1,322,815 | 1,299,000 |
| TOTAL CURRENT ASSETS | | 5,773,463 | 8,579,908 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 56,404 | 99,779 |
| Right-of-use assets | 9 | 252,634 | 303,161 |
| TOTAL NON-CURRENT ASSETS | | 309,038 | 402,940 |
| TOTAL ASSETS | | 6,082,501 | 8,982,848 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,309,319 | 1,325,799 |
| Income tax payable | | - | 401 |
| Provisions | | 712,590 | 754,404 |
| Lease liabilities | 9 | 138,678 | 130,956 |
| Convertible loan note liability | 10 | 4,131,989 | 3,721,108 |
| TOTAL CURRENT LIABILITIES | | 6,292,576 | 5,932,668 |
| NON-CURRENT LIABILITIES | | | |
| Provisions | | 73,105 | 62,012 |
| Lease liabilities | 9 | 197,874 | 259,323 |
| TOTAL NON-CURRENT LIABILITIES | | 270,979 | 321,335 |
| TOTAL LIABILITIES | | 6,563,555 | 6,254,003 |
| NET (LIABILITIES) / ASSETS | | (481,054) | 2,728,845 |
| EQUITY | | | |
| Contributed equity | 11 | 67,612,103 | 64,658,338 |
| Accumulated losses | | (72,928,349) | (66,569,412) |
| Share based payment reserve | | 4,801,220 | 4,602,426 |
| Foreign currency translation reserve | | 33,972 | 37,493 |
| TOTAL (DEFICIT) / EQUITY | | (481,054) | 2,728,845 |

ADVERTITAS LIMITED
Interim Consolidated Statement of Cash Flows
Half-year ended 31 December 2023

| | | For the six months ended | |
|----------------------------------------------------------------------|------|------------------------------|------------------------------|
| | Note | 31 December 2023 \$ | 31 December 2022 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 2,139,133 | 1,480,276 |
| Payments to suppliers and employees | | (8,394,113) | (7,862,387) |
| Research and development grant income received | | 773,121 | 1,979,591 |
| Other income received | | 5,818 | 16,494 |
| Interest received | | 52,059 | 13,254 |
| Lease liability payments: interest component | | (12,846) | (17,030) |
| Income tax paid | | (2,363) | (1,119) |
| Net cash flows used in operating activities | 7 | <u>(5,439,191)</u> | <u>(4,390,921)</u> |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | (5,388) | (51,619) |
| Proceeds on disposal of plant and equipment | | 2,238 | 60 |
| Deposit on leases property | | - | (6,613) |
| Deferred consideration received on disposal of controlled entity | | - | 120,824 |
| Net cash flows generated by investing activities | | <u>(3,150)</u> | <u>62,652</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 2,925,000 | 2,500,000 |
| Share issue costs paid | | (166,791) | (11,560) |
| Lease liability payments: principal component | | (53,727) | (48,046) |
| Net cash flows provided by financing activities | | <u>2,704,482</u> | <u>2,440,394</u> |
| Net decrease in cash and cash equivalents | | (2,737,859) | (1,887,875) |
| Cash and cash equivalents at the beginning of the period | | 6,339,205 | 5,050,516 |
| Effects of exchange rate changes on cash and cash equivalents | | (1,625) | (10,750) |
| Cash and cash equivalents at the end of the period | 7 | <u>3,599,721</u> | <u>3,151,891</u> |

ADVERTITAS LIMITED
Interim Consolidated Statement of Changes in Equity
Half-year ended 31 December 2023

| | Contributed equity | Accumulated losses | Share based payments reserve | Foreign currency translation reserve | Total equity |
|-------------------------------------------------------------------------------|--------------------|---------------------|------------------------------|--------------------------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2023 | 64,658,338 | (66,569,412) | 4,602,426 | 37,493 | 2,728,845 |
| Loss for the half-year | - | (6,358,937) | - | - | (6,358,937) |
| <i>Other comprehensive expenditure</i> | | | | | |
| Foreign exchange differences arising on translation of foreign operations | - | - | - | (3,521) | (3,521) |
| Total comprehensive loss for the half- year | - | (6,358,937) | - | (3,521) | (6,362,458) |
| Transactions with equity holders in their capacity as owners | | | | | |
| Ordinary shares issued | 2,925,000 | - | - | - | 2,925,000 |
| Share issue costs | (64,620) | - | - | - | (64,620) |
| Shares issued on conversion of performance rights | 93,385 | - | (93,385) | - | - |
| Share based payments expense | - | - | 292,179 | - | 292,179 |
| | 2,953,765 | - | 198,794 | - | 3,152,559 |
| Balance at 31 December 2023 | 67,612,103 | (72,928,349) | 4,801,220 | 33,972 | (481,054) |
| Balance at 1 July 2022 | 52,169,702 | (55,651,382) | 5,110,814 | 31,251 | 1,660,385 |
| Loss for the half-year | - | (5,001,278) | - | - | (5,001,278) |
| <i>Other comprehensive income</i> | | | | | |
| Net foreign exchange differences arising on translation of foreign operations | - | - | - | (4,097) | (4,097) |
| Total comprehensive loss for the half- year | - | (5,001,278) | - | (4,097) | (5,005,375) |
| Ordinary shares issued | 2,500,000 | - | - | - | 2,500,000 |
| Share issue costs | (11,560) | - | - | - | (11,560) |
| Share based payments expense | - | - | 11,035 | - | 11,035 |
| Transactions with equity holders in their capacity as owners | 2,488,440 | - | 11,035 | - | 2,499,475 |
| Balance at 31 December 2022 | 54,658,142 | (60,652,660) | 5,121,849 | 27,154 | (845,515) |

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

1. CORPORATE INFORMATION

The interim consolidated financial statements of Adveritas Limited and its subsidiaries (collectively, **the Group**) for the six months ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 28 February 2024.

Adveritas is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's registered office is in Bentley, Western Australia.

The nature of operations and principal activities of the Group are the creation of innovative software solutions that leverage big data to drive business performance. TrafficGuard, is the Group's first commercially available software as a service.

2. BASIS OF PREPARATION

a) General information

The interim consolidated financial statements for the six months ended 31 December 2023 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 2023.

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 2023, other than as set out below.

New standards, interpretations and amendments adopted by the Group

(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The Group has assessed that these amendments had no impact on the Group's interim condensed consolidated financial statements.

(ii) Amendments to IAS 108: Definition of Accounting Estimated

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

2. BASIS OF PREPARATION

b) Accounting policies, disclosures, standards and interpretations (continued)

Basis of preparation (continued)

The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

c) 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 2023 for a discussion of the significant estimates and judgments.

d) 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 2023, the Group incurred a net loss after tax of \$6,358,937 and a net cash outflow from operating activities of \$5,439,191. The cash and cash equivalents balance as at 31 December 2023 was \$3,599,721. The Group reported a net current liability position of \$519,113 and a net liability position of \$481,054 at 31 December 2023 which is due to convertible loan notes that mature in April 2024. The convertible loan notes will be converted into equity in accordance with the terms of the convertible loan note agreements and will not be redeemed in cash. At 31 December 2023, the convertible loan note liability was \$4,131,989 and the convertible loan note derivative asset was \$1,322,815, creating a net liability position of \$2,809,174.

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 continuing to grow revenue and raising additional funds, as required. As at the date of this report, the directors are aware that additional funds are required within the near term and they are satisfied that there are reasonable grounds to believe that they will be successful in raising the additional funds to enable the Group to continue operating as a going concern. In forming this view, the directors have considered the ability of the Company to generate sufficient revenues and raise funds as required by way of future capital raisings.

There are inherent uncertainties associated with growing revenue and the successful completion of capital raisings. Should the directors not be able to manage these inherent uncertainties, 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.

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

3. SEGMENT INFORMATION

The Group's operating segments comprise:

- **Product and Engineering:** responsible for the development and maintenance of the Group's proprietary software offerings. These activities are conducted primarily in Australia and 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 the Australia Pacific region, Europe and South-east Asia, .
- **Corporate:** responsible for carrying out the finance and the administration and human resources functions for the Group. These activities are primarily carried out of Australia.

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.

Segment results for the half-year ended 31 December 2023

| | Technology | Sales and marketing | Corporate | Consolidated |
|------------------------------------------------------|--------------------|------------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | - | 1,703,068 | - | 1,703,068 |
| Other income | 773,121 | - | 41,728 | 814,849 |
| Overheads | (3,286,775) | (2,782,314) | (1,993,229) | (8,062,318) |
| Other expenses | - | - | (344,187) | (344,187) |
| EBITDA | (2,513,654) | (1,079,246) | (2,295,688) | (5,888,588) |
| Reconciliation of reportable segment loss | | | | |
| EBITDA | (2,513,654) | (1,079,246) | (2,295,688) | (5,888,588) |
| Interest income | - | - | 48,379 | 48,379 |
| Interest expense | (6,294) | - | (417,433) | (423,727) |
| Depreciation | (57,259) | (8,333) | (29,409) | (95,001) |
| Income tax expense | - | - | - | - |
| Loss after income tax | (2,577,207) | (1,087,579) | (2,694,151) | (6,358,937) |

Segment results for the half-year ended 31 December 2022

| | Technology | Sales and marketing | Corporate | Consolidated |
|------------------------------------------------------|------------------|------------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | - | 1,419,047 | - | 1,419,047 |
| Other income | 1,979,591 | 13,574 | 5,952 | 1,999,117 |
| Overheads | (2,690,825) | (3,280,338) | (1,798,727) | (7,769,890) |
| Other expenses | - | - | (157,269) | (157,269) |
| EBITDA | (711,234) | (1,847,717) | (1,950,044) | (4,508,995) |
| Reconciliation of reportable segment loss | | | | |
| EBITDA | (711,234) | (1,847,717) | (1,950,044) | (4,508,995) |
| Interest income | - | - | 15,881 | 15,881 |
| Interest expense | (8,515) | - | (409,201) | (417,716) |
| Depreciation | (54,298) | (6,618) | (27,873) | (88,789) |
| Income tax benefit | - | (1,659) | - | (1,659) |
| Loss after income tax | (774,047) | (1,855,994) | (2,371,237) | (5,001,278) |

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

3. SEGMENT INFORMATION (continued)

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2023 and 30 June 2023, respectively.

| Segment assets and liabilities at 31 December 2023 | Technology | Sales and marketing | Corporate | Consolidated |
|---------------------------------------------------------------|-------------------|--------------------------------|------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Assets | 825,589 | 769,024 | 4,487,888 | 6,082,501 |
| Liabilities | 782,503 | 891,928 | 4,889,124 | 6,563,555 |

| Segment assets and liabilities at 30 June 2023 | Technology | Sales and marketing | Corporate | Consolidated |
|-----------------------------------------------------------|-------------------|--------------------------------|------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Assets | 1,100,353 | 881,957 | 7,000,538 | 8,982,848 |
| Liabilities | 904,896 | 508,016 | 4,841,091 | 6,254,003 |

Geographic information

| | Consolidated | |
|--------------------------------------------------------------------------|---------------------------------|-----------------------------|
| | For the six months ended | |
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Revenue from external customers by customer location¹: | | |
| Australia | 218,650 | 173,365 |
| Foreign countries (refer to note 4.1 for further details) | 1,484,418 | 1,245,682 |
| Total | 1,703,068 | 1,419,047 |
| Non-current operating assets by location² | | |
| Australia | 40,902 | 81,991 |
| United States | 366 | 367 |
| Asia Pacific | 7,040 | 15,311 |
| Europe | 1,453 | 5,089 |
| Other | 6,643 | 6,878 |
| Total | 56,404 | 109,636 |

Notes:

- Included in revenue from foreign countries is revenue arising from sales shown in the sales and marketing segment from one customer which amounted to \$105,461 (31 December 2022: \$86,710).
- Non-current assets for this purpose consist of property, plant and equipment.

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

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 |
| | 2023 | 2022 |
| | \$ | \$ |
| Revenue by type of goods or services | | |
| Revenue from the sale of software as a service | 1,703,068 | 1,419,047 |
| Total revenue from contracts with customers | 1,703,068 | 1,419,047 |
| Revenue by timing of revenue recognition | | |
| Services transferred over time | 1,703,068 | 1,419,047 |
| Total revenue from contracts with customers | 1,703,068 | 1,419,047 |
| Revenue by geographical region | | |
| North America | 172,896 | 158,797 |
| Latin America | 17,442 | 116,640 |
| Asia Pacific | 349,279 | 416,354 |
| Australia | 218,650 | 173,365 |
| Europe | 843,293 | 493,663 |
| Other | 101,508 | 60,228 |
| Total revenue from contracts with customers | 1,703,068 | 1,419,047 |

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ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

5. OTHER INCOME, OVERHEADS AND OTHER EXPENSES

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

| | Consolidated | |
|-----------------------------------------------------------------|---------------------------------|-----------------------------|
| | For the six months ended | |
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| (a) Other income | | |
| Research and development grant ¹ | 773,121 | 1,979,591 |
| Miscellaneous income | 17,913 | 19,526 |
| | 791,034 | 1,999,117 |
| (b) Administration costs | | |
| IT costs | 116,438 | 138,732 |
| Office and general administration costs | 156,023 | 153,117 |
| Corporate travel | 128,173 | 129,777 |
| | 400,634 | 421,626 |
| (c) Compliance costs | | |
| Accounting fees | 18,170 | 10,618 |
| ASX compliance fees | 68,663 | 63,507 |
| Audit and tax compliance fees | 68,042 | 72,863 |
| Regulatory body fees | 620 | 2,782 |
| | 155,495 | 149,770 |
| (d) Consultancy costs | | |
| Legal fees | 57,111 | 80,163 |
| Reversal of legal fees over accrued in a prior period | - | (175,431) |
| Recovery of legal fees under legal settlement agreement | - | (93,176) |
| Investor relations | 38,349 | 30,420 |
| Other | 48,047 | 222,323 |
| | 143,507 | 64,299 |
| (e) Employment costs | | |
| Salaries and wages | 4,980,698 | 4,207,679 |
| Ancillary employment costs | 585,706 | 758,018 |
| Other | 94,389 | 423,554 |
| | 5,660,793 | 5,389,251 |
| (f) Marketing costs | | |
| Advertising and marketing materials | 375,319 | 282,070 |
| Public relations | 116,312 | 323,416 |
| Travel, entertainment, trade shows and events | 341,268 | 296,887 |
| | 832,900 | 902,373 |
| (g) Expected credit losses and bad debt expense | | |
| Trade receivables: bad debt expense | 54,267 | 15,055 |
| Trade receivables: expected credit loss recognised //(reversed) | 31,374 | (53,011) |
| | 85,641 | (37,956) |
| (h) Finance costs | | |
| Interest expense on lease liabilities (Note 9) | 12,844 | 17,030 |
| Interest on convertible loan notes (Note10) | 410,881 | 400,686 |
| Other | 2 | - |
| | 423,727 | 417,716 |

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

5. OTHER INCOME, OVERHEADS AND OTHER EXPENSES (continued)

| | Consolidated | |
|-----------------------------------------------|---------------------------------|-----------------------------|
| | For the six months ended | |
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| (i) Depreciation | | |
| Depreciation of property, plant and equipment | 44,474 | 38,262 |
| Depreciation of right-of-use asset | 50,527 | 50,527 |
| | 95,001 | 88,789 |

Notes

1. Research and development grant income is received from the Australian government in relation to qualifying research and development activities carried out within Australia. Grant income relating to FY23 was received in the current half-year whereas grant income relating to FY21 and FY22 was received in the comparative period.

6. INCOME TAX EXPENSE

| | Consolidated | |
|------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|
| | For the six months ended | |
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Major components of income tax expense for the period are: | | |
| <i>Current income tax</i> | | |
| Current income tax (charge) / benefit | - | (1,659) |
| <i>Deferred income tax</i> | | |
| Deferred income tax charge relating to origination and reversal of temporary differences | - | - |
| Income tax expense reported in income statement | - | (1,659) |

Reconciliation

The Group calculates the income tax for the period using the tax rate that would be applicable to the expected total annual earnings. A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the period is as follows:

| | Consolidated | |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|
| | For the six months ended | |
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Accounting loss before tax | (6,358,937) | (4,999,619) |
| Income tax benefit at the statutory income tax rate of 25% (2022: 25%) | 1,589,734 | 1,249,905 |
| Adjusted for: | | |
| Non-deductible share-based payment expenses | (73,045) | (2,759) |
| Non-deductible fair value loss on convertible loan note derivative | - | (39,750) |
| Non-deductible effective interest on convertible loan notes | (69,186) | (69,191) |
| Other non-deductible expenses | (16,444) | (5,756) |
| Non-assessable grant income | 193,280 | 494,898 |
| Non-assessable fair value gain on convertible loan note derivative | 5,954 | - |
| Tax losses utilised | 16,882 | 6,694 |
| Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations | 200 | (2,125) |
| Tax losses and temporary differences not recognised as a deferred tax asset | (1,647,375) | (1,633,575) |
| Income tax expense | - | (1,659) |

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

7. CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--------------------------------------------------------|---------------------|-----------------|
| | 31 December 2023 | 30 June 2023 |
| | \$ | \$ |
| Cash at bank, on hand and in electronic money accounts | 3,599,721 | 6,339,205 |

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

8. TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|------------------------------------------|---------------------|-----------------|
| | 31 December 2023 | 30 June 2023 |
| | \$ | \$ |
| CURRENT | | |
| Trade receivables (a) | 640,116 | 529,207 |
| Allowance for expected credit losses (b) | (141,700) | (110,326) |
| Net trade receivables | 498,416 | 418,881 |
| Income tax refund receivable | 4,521 | 2,559 |
| Sundry receivables | 30,426 | 28,173 |
| Deposits | 48,674 | 48,694 |
| GST receivables | 15,884 | 8,157 |
| Other receivables | 99,505 | 87,583 |
| | 597,921 | 506,464 |

(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 30-60 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(k) and 2(s) of the Group's annual financial statements for the year ended 30 June 2023.

(b) Allowance for expected credit losses

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

| | Consolidated | |
|------------------------------------------------------------------------|---------------------|-----------------|
| | 31 December 2023 | 30 June 2023 |
| | \$ | \$ |
| Allowance for expected credit losses: trade receivables | | |
| Opening balance | 110,326 | 58,861 |
| Reversal of expected credit losses recognised in prior period | (67,360) | - |
| Allowance for expected credit losses recognised in current period | 98,734 | 51,465 |
| Closing balance | 141,700 | 110,326 |
| Allowance for expected credit losses: deferred consideration | | |
| Opening balance | - | 55,470 |
| Reversal of expected credit losses recognised in prior period (note 1) | - | (53,011) |
| Impact of movement in foreign exchange rate | - | (2,459) |
| Closing balance | - | - |

Notes:

- During the comparative period, the allowance for expected credit losses relating to the deferred consideration owing by ClearPier Inc was reversed as the outstanding balances were paid in full.

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

8. TRADE AND OTHER RECEIVABLES (continued)

(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 in 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 18 of the Group's annual financial statements for the year ended 30 June 2023.

9. RIGHT OF USE ASSETS AND LEASE LIABILITIES

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 AASB 16 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 period:

| | Consolidated | |
|------------------------|-----------------------------|-------------------------|
| | 31 December 2023 | 30 June 2023 |
| | \$ | \$ |
| Office Premises | | |
| Opening balance | 303,161 | 404,215 |
| Depreciation expense | (50,527) | (101,054) |
| Closing balance | <u>252,634</u> | <u>303,161</u> |

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

| | Consolidated | |
|-------------------------------|-----------------------------|-------------------------|
| | 31 December 2023 | 30 June 2023 |
| | \$ | \$ |
| Lease Liabilities | | |
| Opening balance | 390,279 | 486,371 |
| Interest expense | 12,844 | 34,061 |
| Lease payments | (66,571) | (130,153) |
| Closing balance | <u>336,552</u> | <u>390,279</u> |
| Current lease liabilities | 138,678 | 130,956 |
| Non-current lease liabilities | <u>197,874</u> | <u>259,323</u> |
| | <u>336,552</u> | <u>390,279</u> |

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

9. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

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

| | Consolidated | |
|---------------------------------------------------------------------------|---------------------------------|--------------------|
| | For the six months ended | |
| | 31 December | 31 December |
| | 2023 | 2022 |
| | \$ | \$ |
| Right-of-use-assets | | |
| Depreciation of right-of-use-assets | 50,527 | 50,527 |
| Interest expense on lease liabilities associated with right-of-use-assets | 12,844 | 17,030 |
| Short term or low value asset leases | | |
| <i>Included in occupancy costs</i> | | |
| Rent expense - short-term lease | 80,217 | 69,034 |
| <i>Included in administration costs</i> | | |
| Rent expense - low-value assets | - | - |
| Total amount recognised in profit or loss | 143,588 | 136,591 |

The Group had total cash outflows for leases of \$66,571 in the current period (2022: \$65,076).

The Group has a lease contract that includes extension and termination options. The extension option was exercised on 1 July 2021. Options of these nature are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercised significant judgement in electing to exercise the extension option and will exercise judgement in considering whether the termination option is likely to be exercised.

10. CONVERTIBLE LOAN NOTE

The Company has 3,000,000 convertible notes on issue, each with a face value of \$1. The loan notes have a maturity date of 12 April 2024, at which point they will be automatically converted into fully paid ordinary shares in the Company. The Company may elect to redeem all or some of the convertible notes at any time prior to the maturity date.

The convertible notes are unsecured, carry no right to participate in any offering of securities by the Company or the right to vote any a general meeting of the Company.

The convertible notes are not transferable without prior written consent of the Company.

Interest

Interest accrues on the convertible notes at the rate of 8% per annum from the date of issue of the convertible notes up to (but excluding) the date on which the convertible notes are converted or redeemed. Interest is capitalised at the end of each calendar quarter and is to be satisfied in arrears upon the earlier of the redemption or conversion of the convertible notes.

Where the convertible notes are converted into ordinary shares, the accrued interest will be fully satisfied through the issue of conversion shares at the conversion price.

Where the convertible notes are redeemed, the Company will pay to the noteholders an additional interest payment so that the total interest received by the noteholders in respect of those convertible notes is equivalent to the amount they would have received had the relevant convertible notes been held till maturity.

Conversion

The convertible notes, together with all accrued unpaid interest, will automatically convert into fully paid ordinary shares in the Company on the maturity date. The conversion shares will be issued at a share price equal to 80% of the 90-day VWAP, unless such amount is:

- greater than \$0.17 in which case the conversion price will be \$0.17; or
- such amount is less than \$0.08 in which case the conversion price will be \$0.08.

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

10. CONVERTIBLE LOAN NOTE (continued)

Convertible loan note derivative

The fact that there is a maximum conversion price of \$0.17 and a minimum conversion price of \$0.08 creates an embedded derivative feature within the convertible loan notes that is required to be recognised separately. The convertible loan note derivative was initially recognised at fair value and is adjusted to reflect the carrying amount of the convertible debt at each reporting date, with subsequent changes to the fair value being recognised in the profit and loss.

Set out below is the carrying amount of the convertible loan note derivative and the movements during the period:

| | Consolidated | |
|------------------------------------------|---------------------|----------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$ | \$ |
| Carrying amount at beginning of period | 1,299,000 | 828,000 |
| Fair value gain recognised in the period | 23,815 | 471,000 |
| Carrying amount at period end | 1,322,815 | 1,299,000 |
| | | |
| The balance is split as follows: | | |
| Current portion | 1,322,815 | 1,299,000 |
| Non-current portion | - | - |
| | 1,322,815 | 1,299,000 |

Effective interest rate

In accordance with AASB 9, the Group is required to determine the effective interest rate applicable to the convertible loan notes and apply that effective interest rate such that the carrying amount of the convertible loan note at maturity is equal to its fair value, being the aggregate of the face value of the loan notes, the interest capitalised thereon and the conversion premium arising from the fact that the conversion price will be 80% of the 90-day VWAP, subject to minimum and maximum conversion prices.

The Group has determined the effective interest rate to be 21.3%. An additional interest charge of \$276,746 (2022: \$276,766) has been recognised in addition to interest of \$134,135 (2022: \$123,920) determined in accordance with the terms of the convertible loan note agreements.

Set out below is the carrying amount of the convertible loan note liability and the movements during the period:

| | Consolidated | |
|-------------------------------------------------------------------------------|---------------------|--------------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$ | \$ |
| Opening balance | (3,721,108) | (2,955,982) |
| Fair value on recognition | | - |
| Interest capitalised in accordance with the convertible loan note instruments | (134,135) | (250,765) |
| Amortisation of conversion premium | (276,746) | (514,361) |
| Carrying amount at period end | (4,131,989) | (3,721,108) |
| | | |
| The balance is split as follows: | | |
| Current portion | (4,131,989) | (3,721,108) |
| Non-current portion | | - |
| | (4,131,989) | (3,721,108) |

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

10. CONVERTIBLE LOAN NOTE (continued)

The following are the amounts recognised in profit or loss in relation to the convertible loan notes and the convertible loan note derivative:

| | Consolidated | |
|------------------------------------------------------------------------------|---------------------------------|-----------------------------|
| | For the six months ended | |
| | 31 December 2023 | 31 December 2022 |
| | \$ | \$ |
| Other expenses | | |
| Fair value gain / (loss) on convertible loan note derivative | 23,815 | (159,000) |
| Finance costs | | |
| Interest recognised in accordance with the convertible loan note instruments | (134,135) | (123,920) |
| Amortisation of conversion premium | (276,746) | (276,766) |
| Total effective interest expense | <u>(410,881)</u> | <u>(400,686)</u> |
| Total amount recognised in profit or loss | <u>(387,066)</u> | <u>(559,686)</u> |

11. CONTRIBUTED EQUITY

(a) Issued capital

| | Consolidated | |
|-----------------------------|-----------------------------|-------------------------|
| | 31 December 2023 | 30 June 2023 |
| | \$ | \$ |
| Ordinary shares, fully paid | <u>67,612,103</u> | <u>64,658,338</u> |

(b) Movements in share capital

| | 31 December 2023 | | 30 June 2023 | |
|----------------------------------------------------------------------|---------------------------|--------------------------|---------------------|-------------------|
| | Number | \$ | Number | \$ |
| Shares on issue at beginning of period | 647,430,784 | 64,658,338 | 445,108,505 | 52,169,702 |
| Shares issued on exercise of performance rights | 1,200,000 | 93,385 | - | - |
| Shares issued pursuant to a placement at \$0.048 per share | 14,583,334 | 700,000 | - | - |
| Shares issued pursuant to a placement at \$0.05 per share | 44,500,000 | 2,225,000 | - | - |
| Shares issued pursuant to a placement at \$0.10 per share | - | - | 25,000,000 | 2,500,000 |
| Shares issued pursuant to a placement at \$0.085 per share | - | - | 47,176,471 | 4,010,000 |
| Shares issued pursuant to a placement at \$0.10 per share | - | - | 5,000,000 | 500,000 |
| Shares issued pursuant to a placement at \$0.048 per share | - | - | 76,021,640 | 3,649,039 |
| Shares issued pursuant to a share purchase plan at \$0.048 per share | - | - | 5,354,155 | 257,000 |
| Shares issued pursuant to a share purchase plan at \$0.048 per share | - | - | 43,770,013 | 2,100,961 |
| Share issue costs | - | (64,620) | - | (528,364) |
| Shares on issue at end of period | <u>707,714,118</u> | <u>67,612,103</u> | <u>647,430,784</u> | <u>64,658,338</u> |

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

11. CONTRIBUTED EQUITY (continued)

(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.

12. SHARE BASED PAYMENTS

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

| | 31 December 2023 | | 31 December 2022 | |
|--------------------------------------------|------------------|----------------|------------------|---------------|
| | Number granted | \$ | Number granted | \$ |
| Performance rights: class U ^{1,2} | | | - | (58,491) |
| Performance rights: class V ¹ | - | 83,912 | 4,000,000 | 47,988 |
| Performance rights: class W ¹ | - | 25,028 | 1,000,000 | 4,124 |
| Performance rights: class X ¹ | - | 29,261 | 1,000,000 | 17,414 |
| Performance rights: class Z ¹ | - | 153,978 | | |
| | | 292,179 | | 11,035 |

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 comparative 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

During the half-year ended 31 December 2023, no options were granted (2022: nil). As a result, no share-based payments expense was recognised in relation to options (2022: nil).

Performance Rights

During the current period no performance rights were granted to key management personnel and employees (2022: 6,000,000). Consequently, for the six months ended 31 December 2023, no share-based payments expense was recognised in relation to performance rights granted during the period (2022: \$69,526).

Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted fully paid ordinary shares in the Company up to the value of \$1,000 per annum 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 which is 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 under this plan during the current half-year (2022: nil). The share-based payment expense is recognised over the period of employment of the eligible employees. No amount was recognised in the current half-year (2022: nil).

ADVERTITAS LIMITED
Notes to the Interim Consolidated Financial Statements
Half-year ended 31 December 2023

13. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments – Group as lessee

Future minimum rentals payable under short-term and low-value leases are as follows:

| | Consolidated | |
|---------------------------------------------|---------------------|----------------|
| | 31 December | 30 June |
| | 2023 | 2023 |
| | \$ | \$ |
| Within one year | 12,756 | 12,993 |
| After one year but not more than five years | - | - |
| More than five years | - | - |
| | 12,756 | 12,993 |
| | 12,756 | 12,993 |

(b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (30 June 2023: nil).

(c) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (30 June 2023: nil).

14. 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 | 31 December |
| | | 2023 | 2022 |
| Livelynk Group Pty Ltd ¹ | Australia | 100 | 100 |
| TrafficGuard Pty Ltd ² | Australia | 100 | 100 |
| TrafficGuard APAC Pte Ltd ² | Singapore | 100 | 100 |
| TrafficGuard US Inc ² | United States | 100 | 100 |
| Appenture d.o.o ² | Croatia | 100 | 100 |
| TrafficGuard UK Limited ² | United Kingdom | 100 | 100 |
| TrafficGuard LATAM Ltda ² | Brazil | 100 | 100 |

Notes:

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

15. EVENTS AFTER BALANCE SHEET DATE

No event has arisen since 31 December 2023 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

ADVERTITAS LIMITED
Directors' Declaration

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 2023 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 2023 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(d), 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
28 February 2024



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

Conclusion

We have reviewed the accompanying half-year financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, 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 the Group does not comply 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 2023 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(d) in the interim consolidated financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate 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' responsibilities 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.

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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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2023 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*.

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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Cunningham'.

Mark Cunningham
Partner
28 February 2024

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