

Seeing Machines Limited

30 March 2022

Half year results and financial report

Seeing Machines Limited (AIM: SEE, “**Seeing Machines**” or the “**Company**”), the advanced computer vision technology company that designs AI-powered operator monitoring systems to improve transport safety, today publishes its unaudited results and financial report for the six months to 31 December 2021 (“**H1 2021**”).

Financial Highlights:

- Total operational revenue of A\$21.7m (H1 2021: A\$18.1m), reflecting comparative growth of c.19.4% on previous period.
 - o Underlying revenue growth¹ using constant currency is 24.6% year on year (exchange rate as at 31 December 2021)
 - o OEM (Automotive and Aviation) revenue of A\$5.2m, representing a 69% increase on the previous period (H1 2021: A\$3.1m)
 - Includes a 170% increase in royalty revenue derived from the installation of the Group’s DMS technology of \$2.1m (H1 2021: A\$0.78m)
 - o Annual Recurring Revenue including royalties increased by 9.3% since 30 June 2021 to A\$18.8m (FY2021: A\$17.2m)
 - o Aftermarket (Fleet and Off-Road) revenue grew by 9% to A\$16.4m (H1 2021: A\$15m)
 - o Aftermarket Monitoring Service Revenues including royalties grew by 16% to A\$6.7m (H1 2021: A\$5.8m)
- Net loss reduced by 17.8% to A\$13.8m (H1 2021: A\$16.8m)
- Cash at 31 December 2021 of A\$79.3m (31 December 2020: A\$52.4m)

OEM (Automotive and Aviation) Highlights:

- Global momentum calling for Driver Monitoring System (DMS) technology for enhanced safety continues and saw the USA introduce legislation that would require DMS to reduce risks of distracted and drunk driving.
- Seeing Machines announced the largest driver and occupant monitoring system technology award to date and was appointed by a new Tier 1 partner for a leading German automaker, with an initial

¹ This refers to underlying growth rates at constant currency or adjusting for currency so business results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of Seeing Machines business performance. To present this information, current period results and comparative period results are converted into Australian dollars at the 31 December 2021 exchange rate.

lifetime value of A\$125m. This brings total cumulative initial lifetime value of all Company won automotive programs to more than A\$325m.

- With over nine vehicle models now past start of production, there are more than 250,000 cars on roads featuring Seeing Machines technology, representing an increase of 108% since 30 June 2021. A further 30 distinct vehicle models, featuring Seeing Machines technology, are expected to launch by early 2023.
- Key commercial traction in Aviation, as Airservices Australia announced that it will collaborate with Seeing Machines Aviation to enhance safety in Air Traffic Management, and Air Ambulance Victoria announced its use of Seeing Machines in the world-first pilot fatigue detection system.
- Seeing Machines and Collins Aerospace, the world's largest Tier 1 Avionics company, have signed a collaboration agreement to jointly market co-developed solutions across the Aviation industry.

Aftermarket Highlights:

- Guardian, the Company's Aftermarket driver distraction and fatigue technology, is now fitted to 36,933 individual vehicles, a 16.2% increase of 5,000 connections over the six month period (FY 2021: 31,771 units).
- The Company signed a Global Framework Agreement with Shell Global Solutions International B.V. for the provision of Guardian, to enhance safety across its worldwide operations.
- EROAD Limited, a leading transportation technology company that offers fleet management software and products, has integrated Seeing Machines Guardian technology into its fleet management software to help combat driver fatigue and make roads safer.
- Seeing Machines established a European sales team, headquartered in Amsterdam, the Netherlands, to lead the next phase of its business development and focus on growing demand in Europe for the Company's Aftermarket driver safety technology, Guardian.

Investment Highlights:

- On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the "New Ordinary Shares") at a price of 11 pence per New Ordinary Share, raising gross proceeds of approximately US\$41,000,000 (the "Placing"). The net proceeds of the Placing are being used to accelerate a range of features to meet technology demands and for general working capital and corporate purposes, as well as to strengthen the Company's balance sheet.

Outlook:

- Seeing Machines continues to trade within the range of consensus expectations for FY2022.²

There is considerable accelerating momentum for the business, with current market conditions presenting a significant opportunity to capture an even greater market share as a number of structural tailwinds continue to support application of the Company's technology. The current 'active RFQ' pipeline, with program opportunities exceeding a cumulative total of A\$1bn, underpins the board's view that Seeing Machines will have an increased market share by 2025.

² Market expectations for FY2022 are for revenue of A\$55.6m and EBITDA of A\$(32.7m)

Paul McGlone, CEO of Seeing Machines commented: *“These results demonstrate positive momentum across the company. Our Automotive business continues to grow with more cars starting production, generating high-margin royalty revenue. This is underpinned by our increasing confidence in ongoing RFQ processes as we focus on feature development and integration options to support OEM demands, in partnership with our Tier 1 customers. Aftermarket is experiencing similar positive momentum with growth in our direct business resulting in a more profitable business model and a growing sales pipeline through our expanding global team.*

“There are obviously challenges with the current geopolitical and global inflationary environment and supply chain that affect the market as a whole. We are focused on mitigating these risks as they are identified and are confident in our ability to continue to grow the business.”

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Seeing Machines (LSE: SEE), a global company founded in 2000 and headquartered in Australia, is an industry leader in vision-based monitoring technology that enable machines to see, understand and assist people. Seeing Machines’ technology portfolio of AI algorithms, embedded processing and optics, power products that need to deliver reliable real-time understanding of vehicle operators. The technology spans the critical measurement of where a driver is looking, through to classification of their cognitive state as it applies to accident risk. Reliable “driver state” measurement is the end-goal of Driver Monitoring Systems (DMS) technology. Seeing Machines develops DMS technology to drive safety for Automotive, Commercial Fleet, Off-road and Aviation. The company has offices in Australia, USA, Europe and Asia, and supplies technology solutions and services to industry leaders in each market vertical.

Review of Operations

Financial Results

The Company's total sales revenue for H1 FY2022 (excluding foreign exchange gains and finance income) increased by 19.4% to A\$21.7m (H1 FY2021: A\$18.1m).

Business unit	31 Dec 2021	31 Dec 2020	Variance
	\$'000	\$'000	%
OEM	5,243	3,103	69
Aftermarket	16,421	15,040	9
Sales Revenue	21,664	18,143	19

Royalty revenue, derived from installation of Seeing Machines' Driver Monitoring System (DMS) technology, increased by 170% to A\$2.1m compared to the same period last year (H1 FY2021: A\$0.78m) as vehicles start production across a number of Automotive OEM programs. This demonstrates the significant ramp up of royalty revenues, earned at a substantial margin, that is set to continue as more of these programs are delivered.

Monitoring services revenue in Aftermarket grew by 16% to A\$6.7m for the half-year, compared to A\$5.8m for the same period last year. Installed Guardian units increased by over 5,000 to 36,933 connected units representing a 16.2% growth in connections over the six-month period (FY21: 31,771 units), demonstrating ongoing momentum for the Aftermarket business, despite ongoing challenges posed by COVID-19 and supply chain pressures.

The Company continued to invest in its core technology development to further strengthen our competitive moat, rapidly expand features and leverage systems approach across global OEM and Aftermarket industries. As a result, Seeing Machines incurred total research and development expenses of A\$18.1m during the six-months ended 31 December 2021 (2020: A\$8.9m), of which A\$11.8m (2020: nil) was capitalised.

Customer support and operations cost categories increased to A\$4.3m (2020: A\$3.2m) and A\$5.8m (2020: A\$3.5m) respectively in line with strengthening of business pursuit and emerging markets activities to support increased pipeline and channel market expansion.

On 23 November 2021, Seeing Machines issued 277,123,492 new ordinary shares of no par value each (the "New Ordinary Shares") at a price of 11 pence per New Ordinary Share, raising gross proceeds of approximately US\$41,000,000 (the "Placing"). The net proceeds of the Placing are being used to accelerate a range of features to meet technology demands and for general working capital and corporate purposes, as well as to strengthen the Company's balance sheet.

Cash and cash equivalents at 31 December totaled A\$79.3m (2020: A\$52.4m).

We highlight this report is unaudited. There is no requirement for the interim financial statements to be subject to review by the external auditor.

Interim Consolidated Statement of Financial Position – Unaudited

AS AT	Notes	Consolidated	
		31 Dec 2021 Unaudited A\$000	30 Jun 2021 Audited A\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	79,261	47,393
Other short-term deposits		472	472
Trade and other receivables	6	17,633	19,851
Inventories	7	7,039	2,627
Other current assets		5,348	5,438
TOTAL CURRENT ASSETS		109,753	75,781
NON-CURRENT ASSETS			
Property, plant & equipment	8	3,347	3,361
Intangible assets	9	21,477	9,540
Right-of-use assets		3,847	4,252
TOTAL NON-CURRENT ASSETS		28,671	17,153
TOTAL ASSETS		138,424	92,934
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	9,218	8,839
Lease liabilities	11	998	918
Provisions		5,579	4,893
Contract liabilities		1,733	772
TOTAL CURRENT LIABILITIES		17,528	15,422
NON-CURRENT LIABILITIES			
Provisions		261	192
Lease liabilities	11	4,772	5,272
TOTAL NON-CURRENT LIABILITIES		5,033	5,464
TOTAL LIABILITIES		22,561	20,886
NET ASSETS		115,863	72,048
EQUITY			
Contributed equity	14	312,822	257,382
Accumulated losses		(215,821)	(202,046)
Other reserves		18,862	16,712
Equity attributable to the owners of the parent		115,863	72,048
TOTAL EQUITY		115,863	72,048

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

Interim Consolidated Statement of Comprehensive Income – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Notes	Consolidated	
		2021 Unaudited A\$000	2020 Unaudited A\$000
Sale of goods and licence fees		11,480	9,159
Rendering of services		10,184	8,981
Research revenue		-	3
Revenue	3	21,664	18,143
Cost of sales		(11,528)	(11,804)
Gross profit		10,136	6,339
Net gain/(loss) in foreign exchange		164	(2,002)
Finance income		219	196
Other (expense) / income		(9)	1,672
Expenses			
Research and development expenses	4	(6,286)	(8,853)
Customer support and marketing expenses		(4,327)	(3,194)
Operations expenses		(5,790)	(3,476)
General and administration expenses		(7,530)	(7,186)
Finance costs		(239)	(267)
Loss before tax		(13,662)	(16,771)
Income tax expense		(113)	-
Loss after income tax		(13,775)	(16,771)
Loss for the period attributable to:			
Equity holders of the parent		(13,775)	(16,771)
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		172	(22)
Other comprehensive income/(loss) net of tax		172	(22)
Total comprehensive loss		(13,603)	(16,793)
Total comprehensive loss attributable to:			
Equity holders of the parent		(13,603)	(16,793)
Total comprehensive loss for the period		(13,603)	(16,793)
Loss per share for loss attributable to the ordinary equity holders of the parent:			
Basic loss per share	13	(0.01)	(0.01)
Diluted loss per share	13	(0.01)	(0.01)

The above interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Consolidated Statement of Changes in Equity – Unaudited

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Contributed Equity A\$000	Accumulated Losses A\$000	Foreign Currency Translation Reserve A\$000	Employee Equity Benefits & Other Reserve A\$000	Total Equity A\$000
As at 1 July 2020	217,204	(184,626)	(1,516)	15,147	46,209
Loss for the period	-	(16,771)	-	-	(16,771)
Other comprehensive loss	-	-	(22)	-	(22)
Total comprehensive loss	<u>-</u>	<u>(16,771)</u>	<u>(22)</u>	<u>-</u>	<u>(16,793)</u>
Transactions with owners in their capacity as owners:					
Issue of new shares	27,526	-	-	-	27,526
Share-based payments	-	-	-	1,943	1,943
At 31 December 2020 - Unaudited	<u>244,730</u>	<u>(201,397)</u>	<u>(1,538)</u>	<u>17,090</u>	<u>58,885</u>
As at 1 July 2021	257,382	(202,046)	(1,685)	18,397	72,048
Loss for the period	-	(13,775)	-	-	(13,775)
Other comprehensive income	-	-	172	-	172
Total comprehensive loss	<u>-</u>	<u>(13,775)</u>	<u>172</u>	<u>-</u>	<u>(13,603)</u>
Transactions with owners in their capacity as owners:					
Issue of new shares	56,855	-	-	-	56,855
Capital raising costs	(1,415)	-	-	-	(1,415)
Share-based payments	-	-	-	1,978	1,978
At 31 December 2021 - Unaudited	<u>312,822</u>	<u>(215,821)</u>	<u>(1,513)</u>	<u>20,375</u>	<u>115,863</u>

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

Interim Consolidated Statement of Cash Flows – Unaudited

FOR THE SIX-MONTH PERIOD ENDED
31 DECEMBER

	Notes	2021 Unaudited A\$000	2020 Unaudited A\$000
Operating activities			
Receipts from customers		25,919	18,519
Payments to suppliers		(36,641)	(32,556)
Receipt of government grants		-	1,565
Interest received		219	45
Interest paid		(239)	(267)
Income tax paid		(113)	-
Net cash flows used in operating activities		(10,855)	(12,694)
Investing activities			
Purchase of property, plant and equipment	8	(304)	(92)
Payments for intangible assets (patents, licences and trademarks)	9	(181)	(190)
Payments for intangible assets (capitalised development costs)	4, 9	(11,783)	-
Maturity of term deposits		-	180
Net cash flows (used in)/from investing activities		(12,268)	102
Financing activities			
Proceeds from issue of new shares		56,855	28,160
Cost of capital raising		(1,415)	(634)
Principal repayment of lease liabilities		(421)	-
Repayment of borrowings		-	(700)
Net cash flows from financing activities		55,019	26,826
Net increase in cash and cash equivalents		31,896	14,030
Net (decrease)/increase due to foreign exchange difference		(28)	193
Cash and cash equivalents at 1 July		47,393	38,138
Cash and cash equivalents at 31 December	5	79,261	52,361

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

Notes to the Interim Consolidated Financial Statements – Unaudited

1 Corporate information

Seeing Machines Limited (the “Company”) is a limited liability company incorporated and domiciled in Australia and listed on the AIM market of the London Stock Exchange. The address of the Company’s registered office is 80 Mildura Street, Fyshwick, Australian Capital Territory, Australia.

Seeing Machines Limited and its subsidiaries (the “Group”) provide operator monitoring and intervention sensing technologies and services for the automotive, mining, transport and aviation industries.

The interim consolidated financial report of the Group (the “interim financial report”) for the six-month period ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 30 March 2022.

2 Basis of preparation and changes to the Group’s accounting policies

(a) Basis of preparation

The interim financial report for the six-month period ended 31 December 2021 has been prepared in accordance with AASB 134 Interim Financial Reporting in order to fulfil the reporting requirements of Rule 18 of the London Stock Exchange’s AIM Rules for Companies issued July 2016.

The interim financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Group’s annual consolidated financial statements as at 30 June 2021.

There is no requirement for the interim financial report to be subject to audit or review by the external auditor and accordingly no audit or review has been conducted.

(b) New standards, interpretations and amendments adopted by the Group

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 June 2021, except for the adoption of new amendments to the existing standards as set out below.

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021.

(i) **Amendments to existing standards effective and adopted with no significant impact to the Group**

There has been no significant impact due to the adoption of any of the following standards or amendments thereto.

AASB 2020-8	<i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2</i>
AASB 2021-3	<i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021</i>

(ii) **New and amended standards and interpretations that have been issued but not yet effective or early adopted by the Group**

At the date of authorisation of the interim financial report, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective.

Standard / Amendment	Effective for annual reporting periods beginning on or after
AASB 17 and AASB 2020-5	<i>Insurance Contracts and Amendments to Australian Accounting Standards – Insurance Contracts</i>
	1 January 2023

AASB 2014-10; AASB 2015-10; and AASB 2017-5

Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128; and Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

1 January 2022
(Editorial corrections in AASB 2017-5 applied from 1 January 2018)

Notes to the Interim Consolidated Financial Statements – Unaudited

2 Basis of preparation and changes to the Group’s accounting policies (continued)

(b) New standards, interpretations and amendments adopted by the Group (continued)

(ii) *New and amended standards and interpretations that have been issued but not yet effective or early adopted by the Group (continued)*

Standard / Amendment	Effective for annual reporting periods beginning on or after
AASB 2020-1 and AASB 2020-6	1 January 2022
<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	
AASB 2020-3	1 January 2022
<i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	
AASB 2021-2	1 January 2023
<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	

In addition, at the date of authorisation of the interim financial report the following IASB Standards and IFRS Interpretations Committee Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued:

Standard / Amendment	Effective for annual reporting periods beginning on or after
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - <i>Amendments to IAS 12</i>	1 January 2023

The Group is currently in the process of assessing the impact of the above standards or amendments.

3 Segment information

a. Segment revenue based on operating segment

The following table presents revenue and net profit/(loss) information for the Group’s operating segments for the six-month periods ended 31 December 2021 and 2020, respectively:

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER Unaudited	Segment Revenue		Segment Profit/(Loss)	
	2021 A\$000	2020 A\$000	2021 A\$000	2020 A\$000
OEM	5,243	3,103	(6,495)	(7,515)
Aftermarket	16,421	15,040	844	(267)
Other	-	-	(8,124)	(8,989)
Total	21,664	18,143	(13,775)	(16,771)

Notes to the Interim Consolidated Financial Statements – Unaudited

3 Segment information (continued)

b. Revenue from contracts with customers

In the following tables, revenue segments have been disaggregated by type of goods or services which also reflects the timing of revenue recognition.

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2021 Unaudited	OEM A\$000	Aftermarket A\$000	Total A\$000
Revenue Types			
Sales at a point in time			
Consulting	-	839	839
Hardware and Installations	519	6,869	7,388
Royalties	2,099	-	2,099
Sales over time			
Driver Monitoring	-	6,726	6,726
Non-recurring Engineering	2,625	-	2,625
Licencing and royalties	-	1,987	1,987
Total revenue	<u>5,243</u>	<u>16,421</u>	<u>21,664</u>

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2020 Unaudited	OEM A\$000	Aftermarket A\$000	Total A\$000
Revenue Types			
Sales at a point in time			
Paid Research	3	-	3
Consulting	-	544	544
Hardware and Installations	221	6,679	6,900
Royalties	778	-	778
Sales over time			
Driver Monitoring	-	5,811	5,811
Non-recurring Engineering	2,101	253	2,354
Licencing and royalties	-	1,753	1,753
Total revenue	<u>3,103</u>	<u>15,040</u>	<u>18,143</u>

c. Geographic information

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER Unaudited	2021 A\$000	2020 A\$000
Revenues from external customers		
Australia	7,943	6,882
North America	10,038	5,420
Asia-Pacific (excluding Australia)	1,832	2,010
Europe	1,042	3,202
Other	809	629
Total revenue from external customers	<u>21,664</u>	<u>18,143</u>

The revenue information above is based on the locations of the customers.

Notes to the Interim Consolidated Financial Statements – Unaudited

4 Research and development expenses

Research and development expense relates to ongoing investment in the Group's core technology.

The Group incurred total research and development expenses of A\$18,069,000 during the six-months ended 31 December 2021 (2020: A\$8,853,000), of which A\$11,783,000 (2020: nil) were capitalised.

As part of the assessment of research and development expenses at 30 June 2021, total costs of A\$8,311,000 were capitalised for the year ended 30 June 2021, of which A\$3,134,000 pertained to the six-month period ended 31 December 2020.

5 Cash and cash equivalents

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 Dec 2021 Unaudited A\$000	30 June 2021 Audited A\$000
Cash at bank	29,307	47,393
Cash held for enhanced yield deposit (maturing on 10 January 2022)	49,954	-
Total cash and cash equivalents	79,261	47,393

On 10 December 2021 the Group entered into an enhanced yield deposit with HSBC for principal amount of GBP 27,000,000. This is classified as short-term, maturing on 10 January 2022 with an interest rate of 4.75%.

6 Trade and other receivables

Current	31 Dec 2021 Unaudited A\$000	30 June 2021 Audited A\$000
Trade receivables (net of provisions)	16,673	19,427
Deferred finance income	(237)	(302)
	16,436	19,125
Other receivables	1,197	726
Total trade and other receivables - current	17,633	19,851

The Group recognised nil impairment losses on receivables and contract assets arising from contracts with customers for the six-month period ended 31 December 2021 (2020: A\$27,000).

7 Inventories

	31 Dec 2021 Unaudited A\$000	30 Jun 2021 Audited A\$000
Finished goods (at lower of cost and net realisable value)	7,052	2,640
Provision for obsolescence	(13)	(13)
Total inventories at the lower of cost and net realisable value	7,039	2,627

Notes to the Interim Consolidated Financial Statements – Unaudited

8 Property, plant and equipment

Acquisitions and disposals

During the six-month period ended 31 December 2021, the Group acquired assets with a cost of A\$304,000 (2020: A\$92,000).

No assets were disposed by the Group during the six-month period ended 31 December 2021.

9 Intangible assets

During the six-month period ended 31 December 2021, the Group incurred expenditure of A\$11,964,000 (2020: A\$190,000) related to intangibles. A\$181,000 (2020: A\$190,000) of this expenditure related to patent and trademark applications and licences. A\$11,783,000 (2020: nil) related to capitalised development costs.

A\$1,000 (2020: nil) of intangibles relating to trademark applications were disposed by the Group during the six-month period ended 31 December 2021.

10 Trade payables

At 31 December 2021, the balance of the trade payables was A\$2,372,000 (30 June 2021: A\$2,186,000), of which an amount of A\$2,123,000 (30 June 2021: A\$2,043,000) was aged less than 60 days; and an amount of A\$249,000 (30 June 2021: A\$144,000) was aged over 60 days.

11 Lease liabilities

	31 Dec 2021 Unaudited A\$000	30 June 2021 Audited A\$000
Current		
Lease liabilities	998	918
Non-current		
Lease liabilities	4,772	5,272
Total lease liabilities	5,770	6,190

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

	<=6 months A\$000	6-12 months A\$000	>1 year A\$000	Total A\$000	Carrying Value A\$000
AT 31 DEC 2021					
Lease liabilities	697	712	5,638	7,047	5,770
AT 30 JUN 2021					
Lease liabilities	685	694	6,345	7,724	6,190

12 Dividends paid

No interim dividends or distributions have been made to members during the six-month period ended 31 December 2021 (2020: nil) and no interim dividends or distributions have been recommended or declared by the directors in respect of the six-month period ended 31 December 2021 (2020: nil).

Notes to the Interim Consolidated Financial Statements – Unaudited

13 Earnings per share

The following table reflects the income and share data used in the basic and diluted earnings per share computations:

Earnings used in calculating earnings per share

FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER	Consolidated	
	2021 A\$000	2020 A\$000
<i>For basic and diluted earnings per share:</i>		
Net loss	<u>(13,775)</u>	<u>(16,771)</u>
Net loss attributable to ordinary equity holders of the Company	<u>(13,775)</u>	<u>(16,771)</u>

Weighted average number of shares

AT 31 DECEMBER	2021 Thousands	2020 Thousands
Weighted average number of ordinary shares for basic earnings per share	<u>3,931,717</u>	<u>3,506,736</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>3,931,717</u>	<u>3,506,736</u>

14 Share capital

	Consolidated	
	31 Dec 2021 Unaudited A\$000	30 June 2021 Audited A\$000
Ordinary shares	<u>312,822</u>	<u>257,382</u>
Total contributed equity	<u>312,822</u>	<u>257,382</u>

Number of ordinary shares

	Consolidated	
	31 Dec 2021 Unaudited Thousands	30 June 2021 Audited Thousands
Issued and fully paid	<u>4,155,419</u>	<u>3,875,618</u>

Fully paid shares carry one vote per share and carry the right to dividends.

The Company has no set authorised share capital and shares have no parvalue.

Movement in ordinary shares:

	Shares Thousands	A\$000
As at 1 July 2021	3,875,618	257,382
Shares issued	279,801	56,855
Transaction costs	-	(1,415)
As at 31 December 2021	<u>4,155,419</u>	<u>312,822</u>

Notes to the Interim Consolidated Financial Statements – Unaudited

15 Share-based payments

LTI 2021 - Performance rights or share options offers - Executive and key staff

From 1 July 2015, senior staff and other key staff are offered long term incentive (LTI) performance rights or share options. Under this structure, the staff are only able to exercise the rights, and have new ordinary shares issued to them, if any performance, market and vesting conditions are met. These conditions typically include a performance condition requiring the staff member to achieve a minimum “meets expectations” rating and some rights have included a market condition in the form of a minimum Target Share Price (TSP). The vesting period ranges from 9 months to 5 years from the end of the relevant financial year or grant date. Performance rights or options are often offered as part of the annual remuneration review and may be offered at other times. Any offer of performance rights or options requires Board approval and, when granted, is announced to the market.

In November 2021 the Company awarded a total of 64,996,414 performance rights in respect of ordinary shares to Executive and key staff to be issued at nil cost.

14,845,702 of the performance rights under the LTI have been awarded in recognition of the past achievement of the Company's objectives in FY2021. The rights were valued at the spot rate of the shares at grant date, and the value is amortised over the vesting period. The rights vest annually over 3 years in equal tranches with the first vesting date being 1 July 2022 and require the employee to remain continuously employed by the Company until each relevant vesting date. If an employee leaves before the rights vest and the service condition is therefore not met, the rights lapse.

In some cases, for ‘good leavers’, determined on a discretionary basis by management, options are prorated for service in the current period and that portion are vested on termination, and the remaining rights are cancelled.

The remaining 50,150,712 performance rights have been granted under Key Person Agreements in respect of a total of 27 nominated key people. These people have been identified as having key roles directly related to the Company's long-term success and the allocation of accelerated performance rights has been implemented by the Board to successfully retain these employees and affirm successful delivery on a range of projects and customer commitments. These awards have an accelerated grant with delayed vesting taking place on 1 July 2024 and require the employee to remain continuously employed by the Company until the vesting date. If an employee leaves before the rights vest and the service condition is therefore not met, the rights lapse.

There is no cash settlement of the rights.

16 Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties during the six-month period ended 31 December 2021 and 2020:

		Balance 1-Jul A\$000	Granted as Remuneration A\$000	Acquired or sold for cash A\$000	Balance 31-Dec A\$000
Director shares:					
Directors' securities	2021	5,714	-	238	5,952
Directors' securities	2020	6,837	1,604	-	8,441

17 Commitments

As at 31 December 2021, the group had commitments of A\$32,598,000 (31 December 2020: A\$23,674,000) relating to the manufacturing contract for the Group's Guardian 2.1 product for the period January 2022 to March 2023 (31 December 2020: January 2021 to January 2022).

Notes to the Interim Consolidated Financial Statements – Unaudited

18 Events after the reporting period

Other than the matters outlined below, there have been no matters that have occurred subsequent to the reporting date, which have significantly affected, or may significantly affect, the Group's operations, results or state of affairs in future periods.

- As noted in cash and cash equivalents (refer Note 5), the enhanced yield deposit matured on 10 January 2022. The strike rate of the transaction was 0.5365 GBP/AUD, resulting in a principal amount of A\$50,326,000 and interest of A\$203,000.