Fastbrick Robotics Limited (ASX:FBR)

Preliminary Final Report/Appendix 4E

30 June 2017

Reporting period: **Financial year ended 30 June 2017**

Previous corresponding period: Financial year ended 30 June 2016

				$A'000
Revenues from ordinary activities	Up	386%	to	1,446
Loss from ordinary activities after tax attributable to members	Down	78%	to	1,294
Loss for the period attributable to members	Down	78%	to	1,294

Dividends		Amount per security	Franked amount per security
Reporting period:	Final dividend	nil	nil
	Interim dividend	nil	nil
Previous corresponding period:	Final dividend	nil	nil
	Interim dividend	nil	nil

Record date for determining entitlements to the dividend.	Not applicable

Refer separate ASX announcement regarding commentary on FY17 results and business outlook.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 June 2017 $	30 June 2016 $
Revenue	3	1,445,840	297,658
Expenses			
Professional services		490,789	359,874
Administration expenses		669,134	43,897
Directors' and employees benefits		578,790	249,078
Patent costs		188,919	51,279
Hadrian research costs		-	1,183,557
ASX Listing fee and Reverse Takeover costs		-	4,184,206
Share based payments	7	763,707	-
Depreciation		48,375	4,902
Loss before tax		**1,293,874**	**5,779,135**
Income tax expense		-	-
Loss for the period		**1,293,874**	**5,779,135**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		**-**	**-**
Total comprehensive loss for the period		**1,293,874**	**5,779,135**
Basic loss per share in cents per share		0.18	1.38
Diluted loss per share in cents per share		0.18	1.16

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2017

	Notes	30 June 2017 $	30 June 2016 $
Assets			
Current			
Cash and cash equivalents		8,650,755	3,821,407
Trade and other receivables		757,345	29,262
Other current assets		105,917	8,942
Current assets		**9,514,017**	**3,859,611**
Non-current			
Property, plant and equipment		207,775	61,970
Development costs	4	2,591,887	-
Non-current assets		**2,799,6622**	**61,970**
Total assets		**12,313,679**	**3,921,581**
Liabilities			
Current			
Trade and other payables	5	475,859	126,048
Provisions		101,310	26,743
Finance lease		13,235	-
Current liabilities		**590,404**	**152,791**
Non-current			
Finance lease		40,552	-
Non- current liabilities		**40,552**	**-**
Total liabilities		**630,956**	**152,791**
Net assets		**11,682,723**	**3,768,790**
Equity			
Equity attributable to owners of the parent:			
Share capital	6	19,303,138	11,094,038
Share option reserve		2,125,507	1,126,800
Accumulated losses		(9,745,922)	(8,452,048)
Total equity		**11,682,723**	**3,768,790**

Note: This statement should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Share capital $	Share option reserve $	Accumulated Losses $	Total equity $
Balance at 1 July 2016	**11,094,038**	**1,126,800**	**(8,452,048)**	**3,768,790**
Loss for the period	-	-	(1,293,874)	**(1,293,874)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the period	**11,094,038**	**1,126,800**	**(9,745,922)**	**2,474,916**
Transactions with owners:				
Performance rights issued to employees and directors (refer to Note 7)	-	914,071	-	**914,071**
Options to be issued to employee (refer to Note 7)	-	84,636	-	**84,636**
Shares issued to consultants (refer to Note 7)	20,000	-	-	**20,000**
Shares issued to investor (refer to Note 6)	8,000,000	-	-	**8,000,000**
Shares issued upon exercise of options	189,100	-	-	**189,100**
Transactions with owners:				
Balance at 30 June 2017	**19,303,138**	**2,125,507**	**(9,745,922)**	**11,682,723**

	Share capital $	Share option reserve $	Accumulated Losses $	Total equity $
Balance at 1 July 2015	**2,349,114**	**-**	**(2,672,913)**	**(323,799)**
Loss for the period		-	(5,779,135)	**(5,779,135)**
Other comprehensive income	-	-	-	**-**
Total comprehensive loss for the period	**2,349,114**	**-**	**(8,452,048)**	**(6,102,934)**
Transactions with owners:				
Shares issued by Fastbrick IP to Seed Investor	4,000	-	-	**4,000**
Shares issued by Fastbrick Robotics under the Goldwing offer	3,000,000	-	-	**3,000,000**
Shares issued by Fastbrick Robotics under the Public offer	5,750,000	-	-	**5,750,000**
Capital raising costs	(1,512,296)	-	-	**(1,512,296)**
Shares issued by Fastbrick Robotics under the Pivac offer	294,721	-	-	**294,721**
Reverse acquisition	4,208,499	-	-	**4,208,499**
Fastbrick IP shares cancelled on acquisition	(3,000,000)	-	-	**(3,000,000)**
Consultant share-based payment options	-	1,126,800	-	**1,126,800**
Balance at 30 June 2016	**11,094,038**	**1,126,800**	**(8,452,048)**	**3,768,790**

Note: This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 June 2017 $	30 June 2016 $
Operating activities			
Interest received		126,868	45,158
Payments to suppliers and employees		(2,049,315)	(751,165)
R&D refund received		535,868	226,517
Hadrian research costs		-	(1,070,407)
Interest paid – finance lease		(758)	-
Government grants		108,957	-
Option fee received as payment for Fastbrick IP		-	250,000
Net used in operating activities		**(1,278,380)**	**(1,299,897)**
Investing activities			
Purchase of property, plant and equipment		(145,158)	(66,872)
Proceeds from disposals of property, plant and equipment		-	2,500
Hadrian development costs		(1,936,214)	-
Cash acquired via Fastbrick IP transaction		-	82,343
Net cash (used in)/ from investing activities		**(2,081,372)**	**17,971**
Financing activities			
Proceeds from exercise of options		189,100	-
Repayments of loans		-	(266,935)
Proceeds from issue of share capital	6	8,000,000	5,754,000
Capital raising costs		-	(385,497)
Net cash from financing activities		**8,189,100**	**5,101,568**
Net change in cash and cash equivalents		**4,829,348**	**3,819,642**
Cash and cash equivalents, beginning of period		3,821,407	1,765
Cash and cash equivalents, end of period		**8,650,755**	**3,821,407**

Note: This statement should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

1 Nature of operations

Fastbrick Robotics Limited ("the Company") and its controlled subsidiaries ("the Group") is an Australian robotic technology company developing and commercialising digital construction technology solutions. Fastbrick Robotics' revolutionary bricklaying machine Hadrian X™ represents the first application of the Company's underlying intellectual property portfolio. Hadrian X™ is a globally patented 3D robotic bricklaying system and marks the transition to dynamically stabilised robots operating outdoors in uncontrolled environments. Fastbrick Robotics is committed to improving the safety, speed, accuracy, cost and waste management in the global construction industry through utilising the world's latest innovations in mobile robotic technology.

2 General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Fastbrick Robotics Ltd is a for-profit entity for the purpose of preparing the financial statements.

Fastbrick Robotics Ltd is the Group's Ultimate Parent Company. Fastbrick Robotics Ltd is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 122 Sultana Rd West, High Wycombe WA 6057

3 Revenue

		Consolidated	
		30 June 2017	30 June 2016
		$	$
Option fee income	(a)	-	250,000
Interest received		126,868	45,158
Profit on sale of assets		-	2,500
R&D rebate		1,187,462	-
Government grants		131,510	-
		1,445,840	**297,658**

(a) During the previous reporting period, prior to the acquisition, Fastbrick IP received option fee income of $250,000 from DMY Capital Limited.

4 Development costs

Development costs are capitalised when it is probable that the project will be a success considering it's commercial and technical feasibility, the consolidated entity is able to use or sell the asset, the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised over the period of their expected life. Patent costs that relate to projects that are in the development phase are capitalised.

The following tables show the movements in development costs associated with the Hadrian X™:

	Consolidated	
	30 June 2017	**30 June 2016**
	$	**$**
Gross carrying amount	-	-
Additions	2,591,887	-
Disposals	-	-
	2,591,887	**-**
Additions		
Software development	134,404	-
Consultants	57,376	-
Employee benefits	1,535,472	-
Equipment hire	64,599	-
Materials	330,703	-
Occupancy expense	182,959	-
Share based payments	255,000	-
Other	31,374	-
	2,591,887	**-**

5 Trade and other payables

Trade and other payables consist of the following:

	Consolidated	
	30 June 2017	**30 June 2016**
	$	**$**
Trade creditors	267,773	50,749
Accrued expenses	22,638	10,000
Other payables	185,448	65,299
	475,859	**126,048**

All amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

6 Share capital

Ordinary shares

	2017		2016	
	$	No.	$	No.
Ordinary shares, fully paid	**19,303,138**	**764,590,215**	**11,094,038**	**662,661,033**

	$	No.
Movement in ordinary shares on issue		
Shares on issue at 1 July 2016	11,094,038	662,661,033
Shares issued to Hunter Hall Investment Management Limited (i)	8,000,000	98,765,432
Shares issued upon exercise of options	189,101	2,363,750
Shares issued to consultants (refer to Note 7)	20,000	800,000
Shares on issue at 30 June 2017	**19,303,139**	**764,590,215**

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.

126,975,702 ordinary shares are escrowed until 12 November 2017.

The share capital of Fastbrick Robotics Ltd consists only of fully paid ordinary shares; the shares do not have a par value. All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Fastbrick Robotics Ltd.

(i) During the year the Company raised $8 million via the issue of 98,765,432 shares at $0.081 per share to Hunter Hall Investment Management Limited.

7 Share based payments

Shares

On 24 November 2016, 800,000 ordinary shares were granted as consideration for services provided to the Company (2016: nil). The fair value of these ordinary shares was $20,000 (2016: nil). The weighted average fair value of the ordinary shares granted during the current year was $0.025 being the market value of the shares at date of grant being 13 April 2016 (2016: nil).

Options

During the year 10,000,000 options were agreed to be issued by the board pursuant to an executive services employment agreement to the Chief Operating Officer of the Company. The options allotment are subject to shareholder approval expected to be completed during 2017. For the purposes of calculating the share based payment expense of these options, the table below assumes a grant date of 30 June 2017 and expiry date of 30 June 2021. Board approval for the options was provided in April 2017:

Number To be Issued	Grant Date	Expiry Date	Exercise Price (cents)	Fair Value at Approval Date (cents)
1,000,000	30 June 2017	30 June 2021	35 cents	5.83
3,000,000	30 June 2017	30 June 2021	20 cents	5.86
3,000,000	30 June 2017	30 June 2021	20 cents	5.85
3,000,000	30 June 2017	30 June 2021	20 cents	5.82

Note 7 Share based payments continued

The Hull-White option pricing model was used to value these options. Inputs into the valuation model were as stated in the table above, and as follows:

- Spot price: The spot price of the Company's shares was $0.105 per share at the close of trade on 30 June 2017, the closing price immediately prior to Valuation Date.
- Expected future volatility: The share price volatility of the Company at 94.66% for the securities, was calculated and based on assessing historical volatility over recent trading periods.
- Risk free rate: Determined based on volatility yields of Commonwealth bonds using a ten-year bond, the period which most closely corresponds to the maximum life of the Options. The interest rates were measured as the closing rate on the day prior to the Valuation Date. A ten-year bond yielded 2.58% on 30 June 2017 as disclosed by the Reserve Bank of Australia.
- Dividend yield: Assumed dividend yield of 0% as the Company does not have a history of paying dividends and is not expected to declare or pay any dividends over the life of the Rights.

The fair value of these 10,000,000 options agreed to be issued (subject to shareholder approval) to the Chief Operating Officer was $584,487. The accounting expense recognised for the current year is $84,636 based on the share based payment expense during the current year.

The following table illustrates the outstanding options granted, exercised and forfeited during the year.

	2017		2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	80,000,000	3 cents	5,000,000	8 cents
Granted during the year	-	-	75,000,000	2 cents
Exercised during the year	(2,363,750)	8 cents	-	-
Outstanding as at 30 June	**77,636,250**	**3 cents**	**80,000,000**	**3 cents**

The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2017 was 1.18 years (2016: 1.45).

The range of exercise prices for share-based payment options outstanding as at the end of the year was $0.02 to $0.08 (2016: $0.02 to $0.08).

Performance Rights

There were 20,700,000 Performance Rights issued during the current year (2016: 499,999,998 performance rights).

The following table illustrates the outstanding Performance Rights granted, exercised and forfeited during the year.

	2017 No.	2016 No.
Outstanding at 1 July	499,999,998	-
Granted during the year	20,700,000	499,999,998
Performance rights at 30 June	**520,699,998**	**499,999,998**

Note 7 Share based payments continued

On 24 November 2016 the shareholders approved the issue of 17,000,000 unlisted Performance Rights to directors of Fastbrick Robotics. These Performance Rights have no escrow period and are split into the following classes:

(i) **5,666,668 Performance Rights Class A**
Vesting condition for Class A; Upon the Company shares achieving a 10 day VWAP of $0.20.
Milestone date is 3 years from the date of grant.
Expiry date is 10 business days from the applicable milestone date.
If unconverted, Class A Performance Rights will expire after 36 months from the date of issue;

(ii) **5,666,668 Performance Rights Class B**
Vesting condition for Class B; Upon the Company shares achieving a 10 day VWAP of $0.25.
Milestone date is 3 years from the date of grant.
Expiry date is 10 business days from the applicable milestone date
If unconverted, Class B Performance Rights will expire after 36 months from the date of issue; and

(iii) **5,666,664 Performance Rights Class C**
Vesting condition for Class C; Upon the Company signing a binding global partnering agreement with a major global partner for the sale, distribution, licensing and/or manufacturing of the Company's IP and/or commercial bricklaying machine.

Milestone date is 3 years from the date of grant.
Expiry date is 10 business days from the applicable milestone date
If unconverted, Class C Performance Rights will expire after 36 months from the date of issue.

The Hoadley pricing model was used to value these Performance Rights. Inputs into the valuation model were as stated in points (i) to (iii) above, and as follows:

- Spot price: The spot price of the Company's shares was $0.11 per share at the close of trade on 23 November 2016, the last date the Company's shares traded prior to the Valuation Date.
- Expected future volatility: Assumed volatility of 120% for the securities. This is calculated based on historical volatility over recent trading periods.
- Risk free rate: Determined based on volatility yields of Commonwealth bonds using three-year bonds, the period which most closely corresponds to the lives of the Rights. The interest rates are measured as the closing rate on the day prior to the Valuation Date. A three-year bond yielded 1.88% on 23 November 2016 as disclosed by the Reserve Bank of Australia.
- Dividend yield: Assumed a dividend yield of 0% as the Company does not have a history of paying dividends and is not expected to declare or pay any dividends over the life of the Rights.

The fair value of these 17,000,000 Performance Rights granted during the year was $1,785,000. The accounting expense recognised for the current year is $529,071, based on the number of Performance Rights vested during the current year.

On 20 March 2017, 2,700,000 performance rights were awarded to employees of Fastbrick Robotics under the employee incentive share plan. These performance rights have no escrow period and are split into the following classes:

(i) **1,350,000 Performance rights Class A**
Vesting condition for Class A; Successful and fully operational completion of build of the Hadrian X™ by 31 December 2017. Hadrian X™ to successfully demonstrate key features as outlined in the Hadrian X™ launch Video.
Expiry date: 20 March 2020
If unconverted, Class A Performance Rights will expire on 31 December 2017.

Note 7 Share based payments continued

(ii) **1,350,000 Performance rights Class B**
Vesting condition for Class B; Upon successful demonstration of the Company's robotic home building technology as proven by the construction of a Full Home Structure within 3 days from commencement of construction by the Company's robotic home building technology on the site.
Expiry date: 20 March 2020
If unconverted, Class B Performance Rights will expire on 12 November 2018.

The fair value of these 2,700,000 performance rights granted during the year was $270,000, based on a closing share price of $0.10 per share on 20 March 2017 (Grant Date). All performance rights vested during the year. 2,550,000 performance shares were issued to technical and engineering employees and as such $255,000 was capitalised to development costs. The remaining 150,000 performance shares were issued to corporate staff and as such $15,000 was expensed in the current period.

On 11 May 2017, a further 1,000,000 performance rights were agreed to be issued to the Chief Operating Officer of Fastbrick Robotics under the employee incentive share plan. These Performance Rights have no escrow period and are split into the following classes:

(i) 500,000 Performance rights Class A
Vesting condition for Class A; Successful and fully operational completion of build of the Hadrian X™ by 31 December 2017. Hadrian X™ to successfully demonstrate key features as outlined in the Hadrian X™ launch Video.
Expiry date: 21 April 2020
If unconverted, Class A Performance Rights will expire on 31 December 2017.

(ii) 500,000 Performance rights Class B
Vesting condition for Class B; Upon successful demonstration of the Company's robotic home building technology as proven by the construction of a Full Home Structure within 3 days from commencement of construction by the Company's robotic home building technology on the site.
Expiry date: 21 April 2020
If unconverted, Class B Performance Rights will expire on 12 November 2018.

The fair value of these 1,000,000 Performance Rights granted during the current year was $115,000, based on a closing share price of $0.12 per share on 21 April 2017 (Grant Date). The accounting expense recognised for the current year is $115,000, as all performance rights vested during the year.