Atomo Diagnostics Limited

(formerly known as Atomo Diagnostics Pty Limited)

ABN 37 142 925 684

Reissued Annual Financial Report

30 June 2018

Atomo Diagnostics Limited

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Atomo Diagnostics Limited

Directors' report

For the financial year ended 30 June 2018

The directors present their reissued report together with the reissued consolidated financial statements of the Group comprising of Atomo Diagnostics Limited (the "Company"), and its subsidiaries for the financial year ended 30 June 2018 and the auditor's report thereon. This reissued directors' report, has been revised and reissued as a result of the re-issuance of the financial report as described in Note 2 (a) to the reissued financial statements.

1 Directors

The directors of the Company at any time during or since the end of the financial year are:

Directors	Appointed	Resigned
John Perry Keith (Chairman)	2 December 2011	
John Michael Kelly (Chief Executive Officer)	1 April 2010	
George Alexander Sidis	1 April 2010	3 February 2020
Curt Harold Labelle	21 October 2016	
Doris-Ann Williams	6 April 2017	22 January 2020
Connie Bernadette Carnabuci	4 February 2020	
Paul Alexander Kasian	4 February 2020	

The Company Secretary is Gillian Maria Nairn who was appointed on 4 February 2020. Robert Joseph Snoch was appointed as Company Secretary from 8 December 2016 until 4 February 2020.

2 Principal activities

The principal activities of the Group during the course of the year were development and sale of medical devices.

There were no significant changes in the nature of the activities of the Group during the year.

3 Review of operations

The net loss for the Group for the financial year ended 30 June 2018 after providing for income tax amounted to $4,900,173 (2017: net loss $5,148,490).

4 Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

5 Environmental regulation

The Group's operations are not subject to significant environmental regulations under both Commonwealth and State legislation. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group during the financial year covered by this report.

6 Dividends

No dividends were paid or declared by the Company during or since the end of the financial year (2017: Nil).

7 Matters subsequent to the end of the financial year

1. On the 21st January 2020, ASIC (and under the Corporations Act) gazetted for a month that the Company will change from a proprietary company to that of a public company. As such, on or about the 21st February 2020, the Company became a public company;

2. On 19 December 2019, the shareholders of the company approved a 1:8 split of the company's share capital;

3. On 19 December 2019, the shareholders of the company approved the conversion of all Ord+ Shares into Ordinary Shares to be effective at the time that the company becomes a public company. On or around the 21st February 2020, all Ord+ shares were converted into Ordinary Shares on a 1 for 1 basis;

4. Between the months of September 2019 and November 2019, the Group raised $16 million through the issue of non-redeemable converting notes. These notes are interest bearing and convertible at the earlier of the occurrence of a significant equity raising transaction, or 12 months from the date of issue. Of this $16 million, a non-cash portion of $1.76m has been issued to Global Health Investment Fund LLC in satisfaction of the first repayment of their loan (as described in Note 14);

5. On 28 February 2020, holders of 17,872,992 Options (post-share split basis) had accepted an early cashless exercise offer presented by the Group, resulting in the issue of 8,592,043 Ordinary Shares; and

6. On 28 February 2020, the Global Health Investment Fund exercised 21,818,184 Options (post-share split basis) on a cashless basis resulting in the issue of 10,868,183 Ordinary Shares.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8 Likely developments and expected results of operations

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

9 Shares under option

As at the date of this report, the following options over unissued ordinary shares (post-share split) in the Company have been issued and not yet exercised:

Expiry date	Exercise price	Number of options
2 years from date of vesting	$0.03	2,469,632
24 November 2020	$0.16	5,000,000
6 April 20201	$0.16	3,600,000
6 April 2022	$0.16	6,800,000
15 September 2022	$0.16	800,000
11 April 2023	$0.16	4,800,000
		23,469,632

No shares or interest in the Company or a controlled entity have been issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

10 Indemnity and insurance of officers

The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

11 Indemnity and insurance of auditor

The Company and the Group have not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

12 Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the financial year ended 30 June 2018.

This report is made in accordance with a resolution of the directors:

John Michael Kelly
Director

Dated at Sydney this 2nd day of March 2020

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Atomo Diagnostics Limited, formerly known as Atomo Diagnostics Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Atomo Diagnostics Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Tony Nimac

Partner

Sydney

2 March 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Atomo Diagnostics Limited

Reissued consolidated statement of profit or loss and other comprehensive income*

For the financial year ended 30 June 2018

In AUD	***Note***	**Restated and Reissued 2018**	**Restated 2017**
Revenue	*4*	287,250	294,933
Cost of sales		(227,897)	(248,275)
Gross profit		59,353	46,658
Other income	*4*	1,047,079	2,714,775
Employee benefits expenses	*5(a)*	(1,789,357)	(2,109,172)
Depreciation and amortisation	*5(b)*	(329,248)	(243,981)
Research and development expense		(2,878,853)	(3,207,848)
Inventory obsolescence expense		(560,791)	-
Occupancy expenses		(74,600)	(77,831)
Other expenses		(1,581,875)	(1,899,244)
Results from operating activities		(6,108,292)	(4,776,643)
Finance income	*5(c)*	3,886	255,758
Finance costs	*5(c)*	(1,095,767)	(1,626,848)
Net finance income	*5(c)*	(1,091,881)	(1,371,090)
Loss before income tax		(7,200,173)	(6,147,733)
Income tax benefit	*12(a)*	2,300,000	999,243
Loss for the year		(4,900,173)	(5,148,490)
Other comprehensive income			
Foreign currency translation differences		(15,029)	(7,069)
Total comprehensive income for the year		(4,915,202)	(5,155,559)

The notes on pages 9 to 29 are an integral part of these financial statements.

* Refer to note 2 (a) for the background to the error which led to the reissue of the financial statements for the year ended 30 June 2018

Atomo Diagnostics Limited

Reissued consolidated statement of financial position*

As at 30 June 2018		**Restated and Reissued**	**Restated**	**Restated**
In AUD	***Note***	**2018**	**2017**	**2016**
Assets				
Current assets				
Cash and cash equivalents	*6(a)*	1,993,596	8,276,556	7,044,548
Trade and other receivables	*7*	403,040	426,497	220,322
Inventories	*8*	258,493	677,829	431,032
Current tax assets	*12(b)*	3,300,000	1,000,000	875,000
Other current assets	*9*	-	151,552	151,552
Total current assets		5,955,129	10,532,434	8,722,454
Non-current assets				
Property, plant and equipment	*10*	908,601	473,709	217,997
Intangible assets	*11*	892,341	862,295	746,611
Total non-current assets		1,800,942	1,336,004	964,608
Total assets		7,756,071	11,868,438	9,687,062
Liabilities				
Current liabilities				
Trade and other payables	*13*	1,042,438	753,533	1,438,504
Borrowings	*14*	2,771,153	2,889,401	2,080,715
Employee benefits	*15*	69,209	70,422	71,094
Total current liabilities		3,882,800	3,713,356	3,590,313
Non-current liabilities				
Borrowings	*14*	8,718,111	8,074,417	6,859,886
Employee benefits	*15*	43,641	32,846	21,688
Total non-current liabilities		8,761,752	8,107,263	6,881,574
Total liabilities		12,644,552	11,820,619	10,471,887
Net (liabilities)/assets		(4,888,481)	47,819	(784,825)
Equity				
Share capital	*17(a)*	13,194,931	13,216,029	7,227,826
Foreign currency translation reserve		(27,270)	(12,241)	(5,172)
Accumulated losses		(18,056,142)	(13,155,969)	(8,007,479)
Net deficiency in equity		(4,888,481)	47,819	(784,825)

The notes on pages 9 to 29 are an integral part of these financial statements.

* Refer to note 2 (a) for the background to the error which led to the reissue of the financial statements for the year ended 30 June 2018

Atomo Diagnostics Limited

Reissued consolidated statement of changes in equity *

For the financial year ended 30 June 2018

In AUD	Share capital	Accumulated losses	Foreign Currency Translation Reserve	Total equity
Balance at 1 July 2016	7,227,826	(7,146,598)	(5,172)	76,056
Prior year adjustment due to restatement (refer to note 2 (a))	-	(860,881)	-	(860,881)
Restated opening balance at 1 July 2016	7,227,826	(8,007,479)	(5,172)	(784,825)
Loss for the year	-	(5,148,490)	-	(5,148,490)
Other comprehensive income	-	-	(7,069)	(7,069)
Total other comprehensive income	-	-	(7,069)	(7,069)
Total comprehensive income for the year	-	(5,148,490)	(7,069)	(5,155,559)
Transactions with owners, recorded directly in equity				
Ordinary shares issued during the year	5,988,203	-	-	5,988,203
Total transactions with owners	5,988,203	-	-	5,988,203
Restated balance at 30 June 2017	13,216,029	(13,155,969)	(12,241)	47,819
Restated balance at 1 July 2017	13,216,029	(13,155,969)	(12,241)	47,819
Loss for the year	-	(4,900,173)	-	(4,900,173)
Other comprehensive income	-	-	(15,029)	(15,029)
Total other comprehensive income	-	-	(15,029)	(15,029)
Total comprehensive income for the year	-	(4,900,173)	(15,029)	(4,915,202)
Transactions with owners, recorded directly in equity				
Capital raising costs	8,902	-	-	8,902
Share buy back	(30,000)	-	-	(30,000)
Total transactions with owners	(21,098)	-	-	(21,098)
Reissued balance at 30 June 2018	13,194,931	(18,056,142)	(27,270)	(4,888,481)

The notes on pages 9 to 29 are an integral part of these financial statements.

* Refer to note 2 (a) for the background to the error which led to the reissue of the financial statements for the year ended 30 June 2018

Atomo Diagnostics Limited

Consolidated statement of cash flows

For the financial year ended 30 June 2018

In AUD	***Note***	**2018**	**2017**
Cash flows from operating activities			
Receipts from customers		425,555	213,129
Receipts from grant donors		826,407	2,714,775
Payments to suppliers and employees		(6,181,480)	(8,458,816)
Cash used in operations		(4,929,518)	(5,530,912)
Interest received		3,886	3,550
Interest paid		(634,685)	(602,149)
Income tax refund (R&D tax offset)		-	874,243
Net cash used in operating activities	*6(b)*	(5,560,317)	(5,255,268)
Cash flows from investing activities			
Payments for property, plant and equipment	*10*	(552,587)	(447,225)
Payments for intangible assets	*9*	(90,047)	(159,251)
Net cash used in investing activities		(642,634)	(606,476)
Cash flows from financing activities			
Proceeds from issue of share capital	*17(a)*	-	5,981,793
Proceeds from borrowings	*14*	-	1,300,052
Net cash from financing activities		-	7,281,845
Net (decrease) / increase in cash and cash equivalents		(6,202,951)	1,420,101
Cash and cash equivalents at beginning of the year	*6(a)*	8,276,556	7,044,548
Effect of exchange rate fluctuations on cash held		(80,009)	(188,093)
Cash and cash equivalents at end of the year	*6(a)*	1,993,596	8,276,556

The notes on pages 9 to 29 are an integral part of these financial statements.

Reissued notes to the financial statements

For the financial year ended 30 June 2018

1 Corporate information

Atomo Diagnostics Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 2, 701-703 Parramatta Road, Leichhardt, NSW 2040. These consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies").

The Group is a for-profit entity and primarily involved in the development and sale of medical devices.

2 Basis of preparation

(a) Reissued financial statements

The previously issued financial statements of the Group for the year ended 30 June 2018 dated 14 December 2018 have been withdrawn and are replaced by financial statements dated 2 March 2020. The financial report has been reissued due to the warrants issued to third party lenders not previously being recognised as a liability measured at fair value with changes recorded in profit and loss.

As a result, the financial statements have been impacted as follows:

	Note	Restated and Reissued	Previously issued	Restated	Previously issued	Restated	Previously issued
		2018	2018	2017	2017	2016	2016
Borrowings	*14*	11,489,264	9,470,979	10,963,818	9,100,363	8,940,601	8,079,720
Current Liabilities		3,882,800	1,111,647	3,713,356	823,995	3,590,313	1,509,597
Non-current liabilities		8,761,752	9,514,620	8,107,263	9,133,209	6,881,574	8,101,408
Total liabilities		12,644,552	10,626,267	11,820,619	9,957,164	10,471,887	9,611,005
Net assets/(liabilities)		(4,888,481)	(2,870,195)	47,819	1,911,274	(784,825)	76,057
Finance costs	*5 (c)*	(1,095,767)	(940,937)	(1,626,848)	(624,274)	n/a	n/a
Loss before tax		(7,200,173)	(7,045,343)	(6,147,733)	(5,145,559)	n/a	n/a
Loss after tax		(4,900,173)	(4,745,343)	(5,148,490)	(4,145,916)	n/a	n/a
Accumulated losses		(18,056,142)	(16,037,856)	(13,155,969)	(10,266,568)	(8,007,479)	(7,146,598)

(b) Statement of compliance

In the opinion of the directors, the Company is not publically accountable. The consolidated financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards Reduced Disclosure Requirements ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial statements were approved by the Board of Directors and authorised for issue on the same date as the signing of the Directors' Declaration.

(c) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been recognised at fair value through profit and loss.

(d) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Group's functional currency.

(e) Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The specific judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements are:

Impairment of intangible assets

The Group tests intangible assets for impairment for each reporting period or more frequently if events or changes in circumstances indicate it has suffered any impairment, in accordance with the accounting policy stated in Note 3(o). The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations whereby cash flows are projected and extrapolated over a five year period with growth rates that do not exceed the long-term average growth rate for the market in which the Group operates. The discount rate used reflects the Group's pre-tax weighted average cost of capital.

Derivative financial instruments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

(f) Comparative information

To conform with current year presentation certain prior year comparative figures have been reclassified. In the opinion of the Directors, these changes in presentation are not material to the overall financial statements.

During 2018, the Group modified the classification of foreign currency translation differences and foreign currency translation reserve to reflect more appropriately the nature of these transactions and in which economic benefits are derived from its use. Comparative amounts in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position were restated for consistency. As a result, $7,069 was reclassified from 'finance costs' to 'foreign currency translation differences' and $12,241 from 'accumulated losses' to foreign currency translation reserve'.

(g) Going concern

The financial report has been prepared on the going concern basis of accounting, which assumes the Group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for a period of at least one year from the date of signing these financial statements.

The Group recorded a loss for the year ended 30 June 2018 of $4,900,173, net liabilities of $4,888,481 and had cash outflows from operating activities of $5,560,317. Further, the Group recorded a loss for the half-year ended 31 December 2019 of $2,259,765 (full year ended 30 June 2019: loss of 5,055,112), net liabilities of $7,570,735 (full year ended 30 June 2019: net liabilities of $5,471,587) and had cash outflows from operating activities of $2,173,075 (full year ended 30 June 2019: outflows of $1,838,487).

At 31 December 2019, the Group had cash available of $12,440,269. Forecasts have been prepared which indicate that the Group will have adequate cash to continue its operations, particularly because converting notes were issued between September 2019 and November 2019, in the amount of $16,048,378. The converting notes will mandatorily convert into shares at the converting date (being the earlier of 12 months from issue or a "Conversion Event" and will therefore, not result in a cash outflow. Accordingly, the Directors believe the Group will have sufficient cash reserves to be able to fulfil all obligations as and when they fall due for the foreseeable future, being at least twelve months from the date of approval of these financial statements.

3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods in these financial statements.

(a) Principles of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group, unless it is a combination involving entities or businesses under common control. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income ("OCI") and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest ("NCI").

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Customers obtain control of the HIV self-testing kits when the goods are ready and released by Quality Assurance (QA). It is then the responsibility of the customer to make the necessary arrangements for freight and the collection of goods from Atomo's warehouse. Invoices are generated once the goods are released by QA and ready for collection by the customer. Invoices are usually payable within 30 to 75 days, dependent on the contracted agreement. The contracts do not allow the customers to return the goods as the testing kits have a set shelf-life and have gone through vigorous testing prior to delivery.

Since none of the contracts permit the customer to return an item, revenue is recognised for all the goods once the goods have been released by QA and are available for collection at Atomo's warehouse.

(ii) Rendering of services

Revenue from rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period. If the outcome cannot be estimated reliably then revenue is recognised to the extent of expenses recognised that are recoverable.

(iii) Grant income

Grant income is recognised at fair value in the statement of profit or loss when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

(d) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled within 12 months of the end of the financial year in which employees render the related service. Short-term employee benefits include salaries and wages plus related on-costs such as payroll tax, superannuation and workers compensation insurance and are measured at the undiscounted amounts expected to be paid when the obligation is settled.

(ii) Other long-term employee benefits

Other long-term employee benefits includes employees' long service leave and annual leave entitlements not expected to be settled within 12 months of the end of the financial year in which employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, duration of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

(iii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to employees' defined contribution plans are recognised as an expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(d) Employee benefits (continued)

(iv) Share-based payment arrangements

The grant date fair value of options granted to employees (equity-settled) is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become entitled to the options. The amount recognised as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

(e) Finance income and finance costs

Finance income comprises interest income, dividend income and foreign currency gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance costs comprise interest expense on borrowings, foreign currency losses, fair value changes on warrants giving rise to a financial liability and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, or on taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassesed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that could follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The costs of inventories is based on the first-in, first-out principle. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and if it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Goods and Services Tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated based on the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

• Plant and equipment	2-5 years
• Software	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Reissued notes to the financial statements

For the financial year ended 30 June 2018

(k) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance lease is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(l) Intangible assets

(i) Recognition and measurement

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill has an indefinite useful life and is measured at cost less accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Computer software

Computer software comprises computer application system software and licenses. Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs.

Patents, trademarks and licences

Other intangible assets, including patents, trademarks and licences that are acquired by the Group and have finite useful lives are measured at cost less any accumulated amortisation and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated based on the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives of intangible assets are as follows:

• Patents and trademarks	10-20 years
• Other intangibles	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Nature and purpose of reserves

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(n) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

Loans and trade receivables

These assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any provision for impairment. Other receivables are recognised at amortised cost, less any provision for impairment.

Cash and cash equivalents

Cash comprises cash on hand and cash equivalents are short-term, highly liquid investments that are readily convertible to known cash amounts of cash and which are subject to an insignificant risk of changes in value. In the statement of cash flows, cash and cash equivalents includes bank overdrafts (if any) that are repayable on demand and form an integral part of the Group's cash management.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

(iv) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(n) Financial instruments (continued)

(v) Derivative financial instruments at fair value through profit and loss

Warrants granted to financiers are initially measured at fair value through profit and loss and any net gains and losses are recognised in profit and loss.

These liabilities will be derecognised when the warrants are exercised. The difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assume) is recognised in profit and loss.

(o) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is evidence of impairment. Refer to 3 (n)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Segment reporting

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. The CEO (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment, being medical device research and development. Information presented to the CODM on a monthly basis is categorised by type of expenditure.

(q) New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments (2014)

AASB 9, approved in December 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 9.

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 15.

(iii) AASB 16 Leases

AASB 16 removes the classification of leases as either operating lease or finance leases – for the lessee – effectively treating all lease as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will not recognise a front-loaded pattern of expenses for most lease, even when they pay constant rentals.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 16.

Reissued notes to the financial statements

For the financial year ended 30 June 2018

4 Revenue and other income

In AUD	2018	2017
Revenue from sale of goods	287,250	294,933
Other income		
Grants received	826,407	2,714,775
Development fees	220,672	-
	1,047,079	2,714,775
Total revenue and other income	1,334,329	3,009,708

5 Profit before tax

In AUD	*Note*	2018	2017
(a) Employee benefits expenses			
Salaries and wages		1,570,116	1,838,893
Contributions to defined contribution superannuation funds		133,598	147,111
Increase / (decrease) in annual leave		(1,160)	17
Increase / (decrease) in long service leave		10,796	11,158
Other employee related expenses		76,007	111,993
		1,789,357	2,109,172
(b) Depreciation and amortisation expense			
Depreciation expense	*10*	269,247	191,513
Amortisation expense	*11*	60,001	52,468
		329,248	243,981

	Reissued 2018	Restated 2017
(c) Net finance income		
Interest income	3,886	3,550
Net foreign exchange gain	-	252,208
Finance income	3,886	255,758
Interest expense	(936,617)	(919,572)
Net foreign exchange loss	(277,398)	(44,944)
Finance costs	(1,214,015)	(964,516)
Adjusted position in reissued financial report (refer to Note 2 for more detail)		
Fair value gain/(loss) on financial liabilities *2 (a)*	118,248	(662,332)
Reissued finance costs	(1,095,767)	(1,626,848)
Net finance income recognised in profit or loss	(1,091,881)	(1,371,090)

6 Cash and cash equivalents

(a) Cash and cash equivalents in statement of cash flows

In AUD	2018	2017
Cash at bank	1,993,596	8,276,556
	1,993,596	8,276,556

(b) Reconciliation of cash flows from operating activities

In AUD	*Note*	Reissued 2018	Restated 2017
Loss for the year		(4,900,173)	(5,148,490)
Adjustments for:			
Depreciation and amortisation	*5(b)*	329,248	243,981
Foreign exchange loss / (gain)		386,772	(55,933)
Fair value (gain)/loss on financial liabilities		(118,248)	662,332
Finance costs		300,803	295,298
Income tax benefit	*12(a)*	(2,300,000)	(999,243)
Operating profit before changes in working capital and provisions		(6,301,598)	(5,002,055)
Change in operating assets and liabilities:			
Change in trade and other receivables		23,457	(206,176)
Change in trade and other payables		288,906	(684,969)
Change in inventories		419,336	(246,797)
Change in employee benefits		9,582	10,486
		(5,560,317)	(6,129,511)
Income tax rebates received		-	874,243
Net cash from operating activities		(5,560,317)	(5,255,268)

7 Trade and other receivables

In AUD	2018	2017
Current		
Receivables from trade customers	174,074	91,707
Other receivables	228,966	334,790
	403,040	426,497

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Reissued notes to the financial statements

For the financial year ended 30 June 2018

8 Inventories

In AUD	2018	2017
Raw materials	774,115	535,075
Work in progress	12,237	52,485
Finished goods	32,932	90,269
Inventory provisioning	(560,791)	-
	258,493	677,829

9 Other current assets

In AUD	2018	2017
Current		
Prepaid deposits	-	151,552
	-	151,552

10 Property, plant and equipment

In AUD	Software	Plant and equipment	Total
Cost			
Balance at 1 July 2016	3,420	340,615	344,035
Additions	-	447,225	447,225
Balance at 30 June 2017	3,420	787,840	791,260
Balance at 1 July 2017	3,420	787,840	791,260
Additions	-	704,139	704,139
Balance at 30 June 2018	3,420	1,491,979	1,495,399
Accumulated depreciation			
Balance at 1 July 2016	3,420	122,618	126,038
Depreciation	-	191,513	191,513
Balance at 30 June 2017	3,420	314,131	317,551
Balance at 1 July 2017	3,420	314,131	317,551
Depreciation	-	269,247	269,247
Balance at 30 June 2018	3,420	583,378	586,798
Carrying amounts			
At 30 June 2017	-	473,709	473,709
At 30 June 2018	-	908,601	908,601

11 Intangible assets

In AUD

	Patents and trademarks	Other intangibles	Total
Cost			
Balance at 1 July 2016	755,995	91,084	847,079
Acquisitions	158,977	274	159,251
Balance at 30 June 2017	914,972	91,358	1,006,330
Balance at 1 July 2017	914,972	91,358	1,006,330
Acquisitions	89,976	71	90,047
Balance at 30 June 2018	1,004,948	91,429	1,096,377
Accumulated amortisation			
Balance at 1 July 2016	68,157	32,311	100,468
Amortisation	40,040	3,527	43,567
Balance at 30 June 2017	108,197	35,838	144,035
Balance at 1 July 2017	108,197	35,838	144,035
Amortisation	48,454	11,547	60,001
Balance at 30 June 2018	156,651	47,385	204,036
Carrying amounts			
At 30 June 2017	806,775	55,520	862,295
At 30 June 2018	848,297	44,044	892,341

12 Income tax

(a) Income tax benefit

Income tax benefit comprises current and deferred tax expense and is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. The components of income tax benefit comprise:

In AUD	Reissued 2018	Restated 2017
Current tax	(2,300,000)	(999,243)
Deferred tax	-	-
Total income tax benefit	(2,300,000)	(999,243)

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

In AUD	2018	2017
Loss before income tax	(7,200,173)	(6,147,733)
Tax using the Company's domestic Australian tax rate of 30% (2017: 30%)	(2,160,052)	(1,844,320)
Permanent differences	938,756	396,583
Underprovision of tax in prior years	(68,572)	-
Tax losses not brought into account	1,289,868	1,447,737
R&D rebate refund	(2,300,000)	(999,243)
Total income tax benefit	(2,300,000)	(999,243)

(b) Current tax assets

The current tax asset at 30 June 2018 of $3,300,000 (2017: $1,000,000) represents income tax rebates receivable from relevant tax authorities on the Group's research and development expenditure.

(c) Deferred tax assets

Due to the uncertainty of the the Group generating sufficient taxable income to offset tax losses carried forward, the future tax benefits of these losses has not been brought to account in these financial statements.

13 Trade and other payables

In AUD	2018	2017
Current		
Trade payables	459,322	337,380
Accrued expenses	576,307	386,012
Other payables	6,809	30,141
	1,042,438	753,533

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

14 Borrowings

In AUD	Note	Reissued 2018	Restated 2017
Current			
Warrants recognised at fair value through profit and loss	*2 (a)*	2,771,153	2,889,401
		2,771,153	2,889,401
Non-current			
Loan from Global Health Investment Fund LLC		7,464,890	6,897,719
Loan from Grand Challenges Canada		1,253,221	1,176,698
		8,718,111	8,074,417

Loan from Global Health Investment Fund LLC (GHIF)
In December 2015, the Group received a loan from GHIF for an amount of US$6,000,000. The principal of the loan is repayable: (i) 20% of the Principal Drawn by 31 December 2019, (ii) a further 35% of the Principal Drawn by 31 December 2020; and (iii) the remainder of the loan by 31 December 2021. Interest is payable at the rate of 7% annually in arrears at 31 December each year. Security is provided by a floating charge over the revolving assets (inventory, negotiable instruments and plant and equipment) of the Company and fixed charge over all other collateral (all other property).

The loan agreement requires certain performance commitments including (i) making products and services available to disadvantaged patients on a tiered pricing structure. This commitment also applies to partners, distributors of the company or assignee of Intellectual property; and (ii) until full repayment of the loan, dividends or distributions paid by the Company cannot exceed 50% of the cumulative retained profits of the Company.

GHIF also has an option to receive up to 2,727,273 shares in the Company at an exercise price of US$0.55. The option exercise period expires on 31 December 2021. If GHIF holds 2,000,000 shares or more, it shall have the right to appoint Board member. The impact of this warrant is recognised at fair value through profit or loss.

Loan from Grand Challenges Canada (GCC)
In December 2016, the Group received a loan from GCC for an amount of US$1,000,000 (A$1,300,052 on translation). The terms of the loan are similar to that of the GHIF loan, with the difference being that there is a "conversion" clause in the Company's favour.

The Company can convert, within months 13 and 24 of the loan period, the outstanding loan principal together with any accrued interest into "B Class" shares of the Company at a conversion price of US$0.75 per share. The terms and conditions applicable are the same as in the GHIF share subscription transaction dated 29 July 2016.

GCC also has an option to receive up to 454,545 shares in the Company at an exercise price of US$0.55. The option exercise period expires on 31 December 2021. If GCC holds 2,000,000 shares or more, it shall have the right to appoint Board member. The impact of this warrant is recognised at fair value through profit or loss.

Refer to note 2 (a) to the financial statements for further detail.

15 Employee benefits

In AUD	2018	2017
Current		
Liability for annual leave	69,209	70,422
	69,209	70,422
Non-current		
Liability for long service leave	43,641	32,846
	43,641	32,846

16 Share-based payment arrangements

Employee share option plan (equity-settled)

In November 2016, the Group established an Employee Share Option Plan ("ESOP") that entitles directors and certain key management personnel and employees to purchase shares in the Company. The holders of vested options are entitled to purchase one share for each option held at an exercise price of $1.25 per share ($0.16 post-share split). Options granted to employees vest in three tranches: (i) 25% on grant date, (ii) 25% on the first anniversary of the grant date, and (iii) 50% on the second anniversary of the grant date. Options granted to directors vest in two tranches: (i) 50% on the first anniversary of the grant date, and (ii) 50% on the second anniversary of the grant date.

Between November 2016 and April 2017, the Company granted 1,800,000 options over ordinary shares under the ESOP, representing 4.85% of the Company's total share capital.

The options bear an exercise price greater than the market value of the underlying shares at the time of the grant. Accordingly, no amounts have been recognised as share based payments within employee expenses.

As at the date of this report, the following options over unissued ordinary shares in the Company have been issued and not yet exercised:

Expiry date	Exercise price	Number of options
2 years from date of vesting	$0.03	2,469,632
24 November 2020	$0.16	5,000,000
6 April 20201	$0.16	3,600,000
6 April 2022	$0.16	6,800,000
15 September 2022	$0.16	800,000
11 April 2023	$0.16	4,800,000
		23,469,632

No shares or interest in the Company or a controlled entity have been issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

17 Capital and reserves

(a) Share capital

	Ordinary shares		Class B shares		Total	
	2018	2017	2018	2017	2018	2017
In number of shares						
In issue at 1 July	28,458,647	27,320,000	4,555,993	-	33,014,640	27,320,000
Issued during the year	-	1,138,647	-	4,555,993	-	5,694,640
Share buy-back	(30,000)	-	-	-	(30,000)	-
In issue at 30 June	28,428,647	28,458,647	4,555,993	4,555,993	32,984,640	33,014,640
in AUD						
In issue at 1 July	8,660,036	7,227,826	4,555,993	-	13,216,029	7,227,826
Issued during the year	-	1,432,210	-	4,555,993	-	5,988,203
Share buy-back	(30,000)	-	-	-	(30,000)	-
Capital raising costs	8,902	-	-	-	8,902	-
In issue at 30 June	8,638,938	8,660,036	4,555,993	4,555,993	13,194,931	13,216,029

Ordinary shares
The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of these shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

Class B shares
B Class shares have the same rights as existing ordinary voting shares and are subject to the terms of the Investors Agreements and the Company's Constitution, save for the special terms that will attach to B Class shares which are as follows

(a) Upon winding-up of the Company, each B Class share shall convert into 1.2 ordinary shares;

(b) In the event of sale of all the shares in the Company for a total consideration of not more than US$20,000,000, each B Class share shall convert into 1.2 ordinary shares with effect immediately prior to the sale. If the sale price is more than US$20,000,000 then the B Class shares shall convert into ordinary shares on a 1 for 1 basis;

(c) In the event of listing of the Company's shares on a securities exchange at an initial price implying a total company market capitalisation of not more than US$20,000,000, each B Class share shall convert into 1.2 ordinary shares with effect immediately prior to the sale. If the initial price implies a total company market capitalisation of more than US$20,000,000 then the B class shares shall convert into ordinary shares 1 for 1; and

(d) For any period when a B Class shareholder holds a minimum of 2 million shares in the Company (whether B class or ordinary shares), the shareholder shall have the right to appoint a director to the board.

(b) Dividends
No dividends were paid or declared by the Company during the year (2017: Nil).

(c) Dividend franking account

In AUD	2018	2017
Franking credits available to shareholders of Atomo Diagnostics Pty Limited for subsequent financial years based on a tax rate of 30% (2017: 30%)	-	-

The ability to utilise the franking credits is dependent upon the ability to declare dividends.

(d) Capital management
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, maintain sufficient financial flexibility to pursue its growth objectives and maintain an optimal capital structure to reduce the cost of capital.

Reissued notes to the financial statements

For the financial year ended 30 June 2018

18 Parent entity information

As at, and throughout, the financial year ended 30 June 2018 the parent entity of the Group was Atomo Diagnostics Pty Limited.

Statement of profit or loss and other comprehensive income	Parent	
	Reissued	**Restated**
In AUD	**2018**	**2017**
Loss for the year	(3,548,997)	(3,934,065)
Other comprehensive income	-	-
Total comprehensive income	(3,548,997)	(3,934,065)

Statement of financial position		
In AUD		
Assets		
Total current assets	8,002,768	11,599,306
Total non-current assets	1,800,942	2,787,556
Total assets	9,803,710	14,386,862
Liabilities		
Total current liabilities	3,849,182	3,726,264
Total non-current liabilities	8,750,101	8,107,262
Total liabilities	12,599,283	11,833,526
Total net assets	(2,795,573)	2,553,336
Equity		
Share capital	13,194,931	13,216,029
Retained earnings	(15,990,504)	(10,662,693)
Total equity	(2,795,573)	2,553,336

The parent entity did not have any contingent liabilities or capital commitments as at 30 June 2018 or 30 June 2017, other than those disclosed at Note 22. The parent entity had not entered into a deed of cross guarantee as at 30 June 2018 or 30 June 2017.

19 Group entities

Set out below is a list of material subsidiaries of the Group.

		Ownership interest	
	Country of incorporation	**2018**	**2017**
Parent entity			
Atomo Diagnostics Limited	Australia		
Subsidiaries			
Atomo Australia Pty Limited	Australia	100%	100%
Atomo Limited	United Kingdom	100%	100%

20 Related parties

(a) Key management personnel compensation

Key management personnel ("KMP") are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, and include the Directors, executive and non-executive, as well as certain other senior executives.

The totals of remuneration of the KMP of the Company included within employee expenses are as follows:

In AUD	**2018**	**2017**
Key management personnel compensation	301,125	290,175

Short term employee benefits
Short term employee benefits include fees and benefits paid to the executive directors and other KMP as well as all salary, fringe benefits and cash bonuses awarded to the non-executive directors.

Post-employment benefits
Post-employment benefits are the cost of superannuation contributions made during the year.

Other long term benefits
Other long term benefits represent long service leave and long-term annual leave benefits accrued during the year.

(b) Key management personnel transactions

Directors of the Company represent 100% (2017: 100%) of the controlling interest in the shares of the Company as at 30 June 2018.

(c) Other related party transactions

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties, unless stated otherwise.

The following transactions occurred with related parties:

In AUD	**2018**	**2017**
A company jointly controlled by George Sidis, a director of the Company, provided the following services:		
Purchase of inventory	19,489	142,258
Research and development	2,425,234	2,083,819
Prototype expenses	78,407	63,450
Plant and equipment acquisition	548,701	378,664
Other services	199,758	303,873
	3,271,589	2,972,064
At the end of the year the following amounts were shown owing to related parties in trade payables:	355,631	205,640
	355,631	205,640

21 Segment reporting

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. The CEO (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group on an integrated basis only and accordingly, the Group is managed on the basis of a single segment, being medical device research and development. Information presented to the CODM on a monthly basis is categorised by type of expenditure.

Reissued notes to the financial statements

For the financial year ended 30 June 2018

22 Commitments and contingencies

(a) Capital expenditure commitments

Capital expenditure commitments committed for:

In AUD	2018	2017
HIV tooling and assembly systems	-	150,000
Process tooling and blister production (MacTec)	500,000	100,000
High volume buffer machine	-	142,000
	500,000	392,000

(b) Contingencies

The Group received a grant from The NSW Health Medial Devices Fund for $1.8 million to support development and validation of AtomoRapid HIV Self Test project. The project has detailed budget and completion milestones. The funding is classified as a grant, however, if the Group achieves great than $500,000 EBITDA for the project then repayments of the grant and an amount of imputed capitalised interest will be required.

23 Financial risk management

The main risks of that the Group is exposed to through its financial instruments are liquidity risk and market risk consisting of interest rate risk and foreign currency risk. The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, borrowings and accounts receivable and payable. The totals for each category of financial instrument is as follows:

In AUD	2018	2017
Financial assets		
Cash and cash equivalents	1,993,596	8,276,556
	1,993,596	8,276,556
Financial liabilities		
Borrowings	11,489,264	10,963,818
	11,489,264	10,963,818

Reissued notes to the financial statements

For the financial year ended 30 June 2018

24 Events after the reporting period

1. On the 21st January 2020, ASIC (and under the Corporations Act) gazetted for a month that the Company will change from a proprietary company to that of a public company. As such, on or about the 21st February 2020, the Company became a public company;

2. On 19 December 2019, the shareholders of the company approved a 1:8 split of the company's share capital;

3. On 19 December 2019, the shareholders of the company approved the conversion of all Ord+ Shares into Ordinary Shares to be effective at the time that the company becomes a public company. On or around the 21st February 2020, all Ord+ shares were converted into Ordinary Shares on a 1 for 1 basis;

4. Between the months of September 2019 and November 2019, the Group raised $16 million through the issue of non-redeemable converting notes. These notes are interest bearing and convertible at the earlier of the occurrence of a significant equity raising transaction, or 12 months from the date of issue. Of this $16 million, a non-cash portion of $1.76m has been issued to Global Health Investment Fund LLC in satisfaction of the first repayment of their loan (as described in Note 14);

5. On 28 February 2020, holders of 17,872,992 Options (post-share split basis) had accepted an early cashless exercise offer presented by the Group, resulting in the issue of 8,592,043 Ordinary Shares; and

6. On 28 February 2020, the Global Health Investment Fund exercised 21,818,184 Options (post-share split basis) on a cashless basis resulting in the issue of 10,868,183 Ordinary Shares.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

25 Auditor's remuneration

In AUD	**2018**	**2017**
Audit and assurance related services		
KPMG Australia		
Audit of financial statements	40,000	35,000
Total audit and assurance services	40,000	35,000
Other services		
KPMG Australia		
Taxation advisory services	26,550	25,625
Total other services	26,550	25,625
Total auditors' remuneration	66,550	60,625

Atomo Diagnostics Limited

Directors' declaration

In the opinion of the directors of Atomo Diagnostics Limited (the "Company"):

(a) the reissued consolidated financial statements and notes that are set out on pages 5 to 29, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the Group as at 30 June 2018 and of its performance for the the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors:



John Michael Kelly
Director

Dated at Sydney this 2nd day of March 2020.

KPMG

Independent Auditor's Report

To the shareholders of Atomo Diagnostics Limited, formerly known as Atomo Diagnostics Pty Limited

Opinion

We have audited the ***Financial Report*** of Atomo Diagnostics Limited and its controlled entities (the ***Group***).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of Atomo Diagnostics Limited, formerly known as Atomo Diagnostics Pty Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Emphasis of Matter - reissuance of audit opinion

We draw attention to Note 2 (a) which describes that the Financial Report for the year ended 30 June 2018, dated 28 February 2020, has been reissued due to correction of an error related to warrants. As a result, the directors have determined that it is appropriate to correct this error and reissue the Financial Report for the year ended 30 June 2018, originally signed and approved on 14 December 2018. This audit report supersedes our previous independent audit report to the members of Atomo Diagnostics Pty Limited dated 14 December 2018 on the Financial Report for the year ended 30 June 2018. Our opinion is not modified in relation to this matter.

Other Information

Other Information is financial and non-financial information in Atomo Diagnostics Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Tony Nimac

Partner

Sydney

2 March 2020