



CurveBeam AI Limited

ABN 32 140 706 618

Appendix 4E

Preliminary Final Report

for the year ending 30 June 2024

1. Company details

Name of entity:	CurveBeam AI Limited
ABN:	32 140 706 618
Reporting period:	For the year ended 30 June 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

	2024 \$	2023 \$	Change \$	Change %
Revenues from ordinary activities	6,526,898	8,055,193	(1,528,295)	(19%)
Loss from ordinary activities after tax attributable to the owners of CurveBeam AI Limited	(23,101,017)	(51,226,754)	28,125,737	(55%)
Loss for the year attributable to the owners of CurveBeam AI Limited	(23,101,017)	(51,226,754)	28,125,737	(55%)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$23,101,017 (30 June 2023: \$51,226,754).

Refer to the Directors Report for a review of operations during the period.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.05)</u>	<u>(133.80)</u>

4. Control gained over entities

Name of entities (or group of entities)	CurveBeam AI Germany GMBH
Date control gained	15 February 2024

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The financial statements of CurveBeam AI Limited for the year ended 30 June 2024 is attached.

12. Signed

Signed 

Date: 29 August 2024

Gregory Brown
Chief Executive Officer and Managing Director

Directors

Rob Lilley (Non-Executive Chair)
Greg Brown (Chief Executive Officer and Managing Director)
Arun Singh (COO, CTO-CT, President US & Europe Operations and Executive Director)
Kate Robb (Non-Executive Director)
Hashan De Silva (Non-Executive Director)

Chief Financial Officer &
Company Secretary

Ura Auckland

Registered office /
Principal place of business

Level 10, 10 Queen Street
Melbourne VIC 3000

US Operations

2800 Bronze Drive
Suite 110
Hatfield
PA 19440 USA

Auditor

PricewaterhouseCoopers
Level 19
2 Riverside Quay
Southbank VIC 3006

Solicitor (Australia)

Johnson Winter & Slattery
Level 29
111 Eagle St
Brisbane City QLD 4000

Legal Counsel (USA)

Faegre Drinker Biddle & Reath LLP
One Logan Square, Ste 2000
Philadelphia, PA 19103 USA
Phone: +1 215 988 2700

Stock exchange listing

CurveBeam AI Limited shares are listed on the Australian Securities Exchange
(ASX code: CVB)

Website

<https://curvebeamai.com/>

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For personal use only

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of CurveBeam AI Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

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

Names	Position
Rob Lilley	Non-Executive Chair
Greg Brown	Chief Executive Officer and Managing Director
Arun Singh	COO, CTO-CT and President (US & Europe Division); Executive Director
Kate Robb	Non-Executive Director
Hashan De Silva	Non-Executive Director

The Nomination and Remuneration Committee is made up of Hashan De Silva (Committee Chair), Kate Robb, and Rob Lilley, and the Audit and Risk Committee is comprised of Kate Robb (Committee Chair), Hashan De Silva, and Rob Lilley.

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Principal activities

The principal activities of the Group was the fully integrated development and manufacture of point-of-care specialised weight bearing medical imaging (CT) equipment, supported by a targeted range of AI enabled SaaS-based clinical assessment solutions.

Dividends

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

Review of operations

Background

On 23 August 2023, CurveBeam AI commenced trading on the Australian Securities Exchange (ASX) following completion of a fully underwritten initial public offer (IPO) to raise A\$25m that attracted the support of new and existing institutional investors.

The IPO comprised of 52.08m shares to raise A\$25m at a price of A\$0.48 per share, giving the Company an indicative market capitalisation of A\$153.7m upon listing. Proceeds from the IPO are being used for sales and marketing, continued R&D, new product innovation, and further clinical trials.

The comparative reporting period of June 2023 includes the statutory results of the US CurveBeam, LLC ("CurveBeam") entity from the acquisition date of 12 October 2022 to 30 June 2023.

June 2024 Annual Results

The below table provides a reconciliation between the statutory net loss after tax ("Statutory NLAT"), as recorded in these financial statements, compared to the full year net loss after tax ("Full Year NLAT"), which includes the loss of the acquired US entity in the comparative period for the portion prior to acquisition date.

This is then reconciled to the Operating Earnings Before Interest, Tax, Depreciation and Amortisation ("Operating EBITDA") of the company, which management believes provides a more useful representation of results for each period.

Reconciliation between Statutory NLAT and Operating EBITDA	FY24 \$A'm	FY23 \$A'm
Statutory NLAT	(23.10)	(51.23)
Pre-acquisition loss for the period 1 July 2022 to 12 October 2022	-	(2.32)
Full-year NLAT	<u>(23.10)</u>	<u>(53.55)</u>
Non-recurring IPO costs	0.54	1.39
Fair value adjustments of liabilities	(0.42)	28.29
Non-cash share based payments expense	2.23	0.99
Finance expense	1.64	5.69
Depreciation and amortisation expense	<u>2.82</u>	<u>1.98</u>
Operating EBITDA	<u><u>(16.29)</u></u>	<u><u>(15.21)</u></u>

The Full Year NLAT decreased from \$53.55 million in FY23 to \$23.10 million in FY24, being a change of \$30.45 million, attributable to the following factors from changes in operation in the respective periods.

Factors attributable to the prior full year loss include:

- Fair value adjustments amounting to \$28.29m, consisting of \$18.93m relating to contingent consideration issued on acquisition of CurveBeam LLC (refer to note 26 for more information), and \$9.37m relating to the embedded derivative part of the Convertible Notes issued in 2021 and 2022 (refer to note 27 for more information).
- Additional \$4.26m of finance expenses related to non-cash interest expense on the Convertible Notes, (notes were held for full 12 months in FY23 v. 2 months in FY24).
- Additional consulting and professional fees of \$3.81m, primarily related to the acquisition completed in the period, and the IPO process finalised shortly after period end.

Factors attributable to the current year loss include:

- Net reduction in gross margin of \$2.46m due to lower revenue reported in line with AASB 15.
- Additional HR costs through growth and normalisation of the acquired US business amounting to \$1.89m.
- Additional share based payments expense of \$1.24m, attributable to IPO related share based compensation issued to KMP and staff.
- Additional depreciation and amortisation expenditure \$850k, primarily related to intangibles acquired being held for 8.5 months in FY23 v. 12 months in FY24.
- Additional administrative and other costs of \$708k, primarily attributable to costs required for listed companies.
- Reduction in marketing expenditure of around \$353k.
- Increase in other income related to R&D rebate and interest income amounting to \$453k.

Significant changes in the state of affairs

On 23 August 2023, CurveBeam AI Limited ('CVB') was admitted to the Official List of ASX Limited ('ASX'). Official quotation of CVB's ordinary fully paid shares commenced at 11:00 AM AEST on 23 August 2023, following completion of its Initial Public Offer for \$25 million.

Immediately prior to the allotment of the shares offered under the IPO on 16 August 2023, 440,670 convertible notes with a principal value of \$100 per note, along with their accrued interest converted into 144,011,474 fully paid ordinary shares and 54,473,895 fully paid ordinary shares were issued to the former stockholders of CurveBeam LLC, which extinguished the majority of outstanding contingent consideration liabilities.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 1 August 2024, the Group announced a Placement and Accelerated Non-Renounceable Entitlement Offer ("ANREO"). The ANREO raised a total of \$11.58 million, before costs of raising, as follows.

On 4 August 2024, the Group announced the Institutional Placement and Institutional Entitlement Offer portion of the ANREO was complete and would raise approximately \$9.9 million in total at an issue price of \$0.18 per New Share.

Of this \$7.94 million was received on 13 August 2024 by way of issue of 44,119,954 fully paid ordinary shares at \$0.18 each.

The remaining \$2 million of the Institutional Placement and Institutional Entitlement Offer relates to funds from a related entity of Hashan De Silva, a non-executive director of the company, and is subject to shareholder approval.

The Retail Entitlement Offer portion of the ANREO closed on 22 August 2024, resulting in the issue of 9,126,773 shares on 28 August 2024 and receipt of \$1.64 million in funds raised.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have been detailed in the review of operations section within this Directors' report, to the extent such matters can be commented upon.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Information on directors

Name:	Rob Lilley
<i>Title:</i>	<i>Non-Executive Chair</i>
Background:	Mr Rob Lilley was appointed to the Board of the Company in 2021 and commenced as Chair in April 2021. Mr Lilley has over 35 years' experience in the medical device and diagnostics industries. Mr Lilley previously served as senior vice president of global sales and marketing for Digene Corporation (Nasdaq:DIGE), a molecular diagnostics company, which was subsequently acquired by Qiagen N.V. (NYSE:QGEN). Mr Lilley is currently the Chair of Immunexpress Pty Ltd, an Australian molecular diagnostics company. Mr Lilley holds a BA from Yale University, U.S.
Other current directorships:	Immunexpress Pty Ltd
Former directorships (last 3 years):	n/a
Special responsibilities:	Member of both Nomination and Remuneration Committee and Audit and Risk Committee
Interests in shares:	2,952,217 fully paid ordinary shares (2,902,217 subject to ASX escrow)
Interests in options:	99,206 Noteholder Options, with an exercise price of \$0.6720 and an expiry date of 21 August 2025 1,467,530 Plan Options, with an exercise price of \$0.543 and expiry date of 11 May 2029 360,000 Plan Options with an exercise price of \$0.325 and expiry date of 11 May 2029
Interests in rights:	104,167 share rights

Name:	Greg Brown
<i>Title:</i>	<i>Chief Executive Officer and Managing Director</i>
Background:	Mr Greg Brown has served as the Chief Executive Officer and Managing Director of CurveBeam since 2014 and was appointed to the Board of the Company in the same year. Mr Brown has over 35 years' experience in the healthcare industry, with a focus on medical devices (including in vitro diagnostic medical devices) and personalised medicine. Prior to joining CurveBeam, Mr Brown held marketing roles at Baxter Diagnostics. (Australia and United Kingdom), Roche Molecular Systems Inc. (Switzerland and U.S.), Digene Corporation (U.S. and Germany) and ImpediMed (Australia) (ASX:IPD). Until April 2023, Mr Brown was a director of Australian biotechnology company Immunexpress Pty Ltd. He is also a director of an Australian management consulting company, Cintra Consulting Pty Ltd. He has previously served as a director of Trinity Biotech plc (Nasdaq: TRIB), ImpediMed Limited (ASX:IPD), Impedance Cardiology Systems Inc. (ICS), Minomic International Limited and the University of Queensland's commercialisation company, UniQuest Pty Ltd. Mr Brown holds a BA in Applied Science and Medical Laboratory Science from Queensland Institute of Technology and an MBA from Warwick Business School, Coventry, England.
Other current directorships:	n/a
Former directorships (last 3 years):	n/a
Interests in shares:	18,869,624 fully paid ordinary shares (17,307,124 subject to ASX escrow)
Interests in options:	496,030 Noteholder Options, with an exercise price of \$0.6720 and an expiry date of 21 August 2025 964,286 Plan Options, with an exercise price of \$0.8016 and expiry date of 16 August 2029 3,261,724 Plan Options, with an exercise price of \$0.543 and expiry date of 11 May 2029

Name:	Arun Singh
<i>Title:</i>	<i>Chief Operating Officer, Chief Technology Officer (CT) and President (US & Europe Division); Executive Director</i>
Background:	Mr Arun Singh has served as President, Americas and Europe, Chief Operating Officer and Chief Technology Officer (CT) of CurveBeam since 2022 (following the merger of the Company with CurveBeam US) and was appointed to the Board of the Company in March 2023. Mr Singh has over 34 years' experience in the advanced imaging technology industry, with a focus on medical imaging. Since 2009, he has served as President and Chief Executive Officer of CurveBeam US, prior to which Mr Singh co-founded and served as the Vice President and Chief Technology Officer of Imaging Sciences International Inc. (ISI), which was subsequently acquired by Danaher Corporation. While at ISI, Mr Singh was awarded the Lifetime Achievement Award by the American Association of Dental Maxillofacial Radiographic Technicians in 2016 for his visionary contributions to the advancement of cone beam CT. Mr Singh holds a Masters of Science in Electrical Engineering from Ohio State University and a Bachelor of Science in Electronics and Communication Engineering from the Birla Institute of Technology, India.
Other current directorships:	n/a
Former directorships (last 3 years):	n/a
Interests in shares:	41,082,279 fully paid ordinary shares (40,040,612 subject to ASX escrow)
Interests in options:	530,481 Plan Options, with an exercise price of \$0.8016 and expiry date of 16 August 2029

Name:	Kate Robb
Title:	<i>Independent Non-executive Director</i>
Experience:	Ms Kate Robb was appointed to the Board of the Company in April 2023. Ms Robb has over 25 years' finance, governance, risk management and compliance experience. Ms Robb commenced her career at PwC and has held senior audit and risk roles at United Energy Limited (ASX:UEL), ANZ Banking Group Limited (ASX:ANZ) and AGL Energy Limited (ASX:AGL). Ms Robb previously served as a non-executive director and chair of the audit committee of unlisted public company Sandringham Community Financial Services Ltd, a Bendigo Bank Community Bank. Ms Robb was appointed to the board of directors of Solvar Limited (formerly Money3 Corporation Ltd) (ASX:SVR) (SVR) in September 2019. She is also chair of SVR's audit and risk committee and a member of the nominations and remuneration committee over the same time period. Ms Robb holds a Bachelor of Business (Accounting) from Deakin University, is a member of Chartered Accountants Australia and New Zealand and is a Graduate of the Australian Institute of Company Directors.
Other current directorships:	ASX:SVR
Former directorships (last 3 years):	n/a
Special responsibilities:	Chair of Audit and Risk Committee, member of Nomination and Remuneration Committee
Interests in shares:	25,000 fully paid ordinary shares
Interests in options:	1,000,000 Plan Options, with an exercise price of \$0.543 and expiry date of 11 May 2029 46,875 Plan Options, with a zero exercise price, expiry date of 16 August 2029 109,375 Plan Options, with a zero exercise price, expiry date of 13 February 2030

Name:	Hashan De Silva
Title:	<i>Non-executive Director</i>
Experience:	Mr Hashan De Silva was appointed to the Board of the Company in 2021 as a nominee of Karst Peak Capital Limited (Karst Peak). Mr De Silva is an experienced sell side and buy side investor in the Australian healthcare sector. He is currently the Founder and Managing Partner of KP Rx, a specialist healthcare fund manager focused on innovative healthcare companies based in Australia and New Zealand. Previously he held roles such as the head of healthcare research at Karst Peak, an investment management firm based in Sydney and Hong Kong, which has a focus on biotechnology, health technology, medical devices and diagnostics. Mr De Silva previously served as an equity research analyst in healthcare at CLSA Limited and at Macquarie Group. Mr De Silva was appointed to the board of directors of Syntara Limited (ASX:SNT) in January 2023. Mr De Silva has a BSc (Medicine) and MComm (Finance) from the University of New South Wales and is a Chartered Financial Analyst charter holder from the CFA Institute.
Other current directorships:	ASX:SNT
Former directorships (last 3 years):	n/a
Special responsibilities:	Chair of Nomination and Remuneration Committee, member of Audit and Risk Committee
Interests in shares:	886,421 fully paid ordinary shares (773,713 subject to ASX escrow)
Interests in options:	124,007 Noteholder Options, with an exercise price of \$0.6720 and an expiry date of 21 August 2025 2,058,824 Plan Options, with an exercise price of \$0.543 and expiry date of 11 May 2029 46,875 Plan Options, with a zero exercise price, expiry date of 16 August 2029 109,375 Plan Options, with a zero exercise price, expiry date of 13 February 2030

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Chief Financial Officer and Company Secretary

Ura Auckland

Mr Ura Auckland joined CurveBeam as Chief Financial Officer and Company Secretary in 2020.

Mr Auckland has over 20 years' of experience in senior finance, operations and administrative roles in the technology and healthcare sectors. Mr Auckland was previously the CFO and Company Secretary of ImpediMed Limited (ASX:IPD) and held various roles at PanBio Limited (ASX:PBO), including CFO, Company Secretary and Vice-President – Point of Care.

Mr Auckland holds a Bachelor of Business Accounting from Queensland Institute of Technology and a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia. Mr Auckland has also undertaken the CPA Program with the Australian Society of Certified Practising Accountants and the Senior Executive Program at Columbia University's Business School.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Rob Lilley	12	12	1	2	3	3
Greg Brown	12	12	-	-	-	-
Arun Singh	12	12	-	-	-	-
Hashan De Silva	11	12	2	2	3	3
Kate Robb	12	12	2	2	3	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Loan funded shares

The following loan funded shares were originally issued as Class A shares during the year ended 30 June 2023. As a part of the listing on the ASX, these have been converted to ordinary shares, however they are still subject to the original vesting conditions.

Grant Date	Loan Expiry Date	Loan price	Number of loan funded shares
6 October 2022	5 October 2027	\$0.3250	858,000
6 October 2022	4 October 2028	\$0.3250	259,000
6 October 2022	5 October 2029	\$0.3250	259,000
6 October 2022	28 September 2032	\$0.3250	1,090,000
			<u>2,466,000</u>

Share rights

Unvested shares rights of CurveBeam AI Limited as of reporting date are as follows:

Grant date	Number of share rights
16 August 2023	582,611
13 February 2024	738,822
14 June 2024	<u>72,917</u>
	<u><u>1,394,350</u></u>

Shares under option

Unissued ordinary shares of CurveBeam AI Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
16 April 2017	31 October 2024	\$0.1600	45,900
2 July 2018	2 July 2024	\$0.1600	3,300
2 July 2018	2 July 2025	\$0.1600	3,400
10 May 2023	10 May 2029	\$0.5430	10,234,372
11 May 2023	11 May 2029	\$0.3250	360,000
16 August 2023	16 August 2029	\$0.8016	5,853,943
24 August 2023	23 August 2025	\$0.6720	12,400,763
16 August 2023	16 August 2029	\$0.0000	93,750
14 June 2024	13 February 2030	\$0.0000	<u>218,750</u>
			<u><u>29,214,178</u></u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of CurveBeam AI Limited issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company 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 company 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.

Indemnity and insurance of auditor

The company has 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.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 37 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 37 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of PricewaterhouseCoopers

There are no officers of the company who are former partners of PricewaterhouseCoopers.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Auditor's independence declaration

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

Letter from the Chair of the Nomination and Remuneration Committee

Dear Shareholders,

On behalf of your Board of Directors, I am pleased to present the first Remuneration Report for CurveBeam AI Limited for the financial year ended 30 June 2024.

This report details the remuneration framework and outcomes for CurveBeam AI's Key Management Personnel ("KMP").

The remuneration framework aims to ensure that the remuneration packages of our executive KMP are linked to shareholder value through variable elements in the Short-Term Incentive ("STI") and Long-Term Incentive ("LTI") awards. Prior to listing on the ASX in August 2023, the Board worked with remuneration experts from PWC to ensure that the framework was set-up with best practices in mind, ensuring both that the Board could attract and retain top-level talent, while aligning with shareholder returns and the Group's strategic priorities.

STI awards are linked to performance metrics for each executive KMP, chosen to ensure their focus is on the key milestones for each year that the Board believes will generate shareholder value.

LTI awards are linked directly to shareholder value as they take the form of Premium Priced Options, set with an exercise price 66% above market price at grant date. Only through achieving both the service condition (usually 36 months from grant) and helping to generate material share price growth would executive KMP realise value from the LTI awards.

Executive Remuneration Outcomes - FY24

As a result of a challenging IPO market and slower than expected sales growth, the executive KMP implemented initiatives from H2 FY24 onwards to conserve cash, while the Group worked through FDA clearance of the enhanced HiRise and validation with a major robotic aided surgical system on the enhanced HiRise.

One of the initiatives was a 25% cash salary sacrifice made by NEDs, KMPs and senior leaders from 1 January to 30 June 2024, to be substituted with share based remuneration after the end of the financial year.

These initiatives worked well to reduce cash outlays and support the Company to get through a period where receipts from customers were below expectations, and through to completion of the FDA clearance of the enhanced HiRise and assurance of future funding to support its launch in FY25.

Given the delays in unit sales and disappointing share price performance post IPO, hurdles representing a large portion of potential STI payments were not met, and the Board has determined to issue 17.5% of the potential STI for the CEO and COO, and 50% of the potential STI for the CFO based on their respective KPIs.

The KMP LTIs issued in FY24 and prior remain in place and will continue to vest in future years.

FY25 Remuneration Structure

No significant changes are expected to the remuneration structure for FY25, beyond restoration of the 25% salary sacrifice made during H2 FY24.

Non-executive director fees remain unchanged, and the FY25 grants were approved by shareholders at the AGM in November 2023.

In Conclusion

The Board and the Nomination and Remuneration Committee are very aware that it has been a disappointing year for shareholders. The STI are closely linked with value creation for our shareholders and this is reflected in the STI grants to KMPs this year in addition to the KMPs making a personal salary sacrifice to support the Company in a challenging year. The Nomination and Remuneration Committee remains committed to assuring that remuneration is aligned with the creation of shareholder value, and looks forward to delivering for shareholders as the company's growth initiatives begin to meet with success.



Hashan De Silva
Chair of Nomination and Remuneration Committee

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

The Key Management Personnel ("KMP") covered in this Remuneration Report includes Non-Executive Directors ("NED") and those executives who are deemed to have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The table below outlines the KMP at any time during the financial year who unless otherwise indicated, were KMP for the entire year.

Name	Role
<i>Non-executive Directors</i>	
Rob Lilley	Independent Non-Executive Chair
Kate Robb	Independent Non-Executive Director
Hashan De Silva	Non-Executive Director
<i>Executive Directors</i>	
Greg Brown	Chief Executive Officer and Managing Director
Arun Singh	Chief Operating Officer, Chief Technology Officer (CT) and President (US & Europe); Executive Director
<i>Executive Management</i>	
Ura Auckland	Chief Financial Officer and Company Secretary

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and the Board of Directors ('the Board') considers it conforms to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having sales growth as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chair's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chair is not present at any discussions relating to the determination of their own remuneration.

All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Title	Base salary - cash component
Chair	100,000 USD
Other non-executive directors	45,454 AUD*

* Exclusive of applicable superannuation guarantee

Non-executive directors also receive share based consideration to bring the total remuneration up to market value. For the year ending 30 June 2024, share based consideration consisted of the following:

Share based component	Number issued to each director	Fair Value
On IPO:		
Chair	31,250 share rights	\$15,000
Other non-executive directors	46,875 ZEPO*	\$22,500
AGM Top-up:		
Chair	72,917 share rights	\$14,583
Other non-executive directors	109,375 ZEPO*	\$21,875

* Zero Exercise Price Options

Share based remuneration vests over the financial year and is tied to service condition of up to 12 months.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was as disclosed within the Replacement Prospectus issued on 28 July 2023, where the initial maximum annual aggregate remuneration was set at \$450,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

Title	Base Salary	Possible Short-Term Incentive*	Other Remuneration**	Total Remuneration
Chief Executive Officer	436,800 AUD ^	131,040 AUD	27,399 AUD	595,239 AUD
Chief Operating Officer	295,000 USD	88,500 USD	n/a	383,500 USD
Chief Financial Officer	306,800 AUD ^^	92,040 AUD	27,399 AUD	426,239 AUD

* Represents 30% of base salary which is available as the maximum possible Short Term Incentive for the financial year.

** Represents superannuation guarantee charge payable for year.

^ As of 5 September 2023. Base salary was \$420,000 per annum prior to this date. Exclusive of applicable superannuation guarantee charge.

^^ As of 5 September 2023. Base salary was \$295,000 per annum prior to this date. Exclusive of applicable superannuation guarantee charge.

The executive remuneration and reward framework has five components:

- base pay and non-monetary benefits
- short-term performance incentives*
- long-term performance incentives*
- other remuneration such as superannuation and statutory leave entitlements

* Short-term and long-term incentives may take the form of share-based payments

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's can include revenue targets, regulatory milestones, leadership contribution, product management, financial outcomes, and other value creation initiatives. STI grants usually consist of share rights or Zero Exercise Priced Options ('ZEPO's'), which vest after satisfaction of service conditions.

The long-term incentives ('LTI') include share-based payments. Options are awarded to executives with a vesting period of three years service based on long-term incentive measures. The LTI's have taken the form of premium priced options (PPO), which are options with an exercise price set at least 67% above the share price, linking increases in shareholders value to rewards gained by executives. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2024.

Consolidated entity performance and link to remuneration

STI's for executives are directly linked to the performance of the Group, with a portion of incentive payments being dependent on revenue targets being met, with between 20% to 55% of STI's being related to achieving sales metrics, and the remainder of the payments being related to broader product and market performance of the Group.

The incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholder return for the last two years.

Information prior to two years is not included in total shareholder return as revenue from current operations had not been generated prior to this point.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the current financial year, no remuneration consultants were utilised, however during the prior financial year ended 30 June 2023, the Group, through the Nomination and Remuneration Committee, engaged PricewaterhouseCoopers as remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented.

An agreed set of protocols were put in place to ensure that any remuneration recommendations would be free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Nomination and Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Performance against STI measures

During the 2024 financial year the STI payments were dependent on the satisfaction of performance conditions that were chosen deliberately to align the targets and financial performance of the business with the Executives meeting those targets. Those performance conditions were aligned with the Company's short-term objectives and are also consistent with the long-term strategy of the Company with financial and operational targets.

Achievement of the relevant performance conditions were assessed objectively by the Nominations and Remuneration Committee. STI payments are either payments made during the year or at the end of the financial year are accrued, approved or specifically allocated to the individual.

The CEO, COO and CFO's performance during the 2024 financial year were assessed against the following financial and non-financial performance measures to determine their respective 2024 STI achievements. The measures are separately weighted for each individual and performance is assessed on each measure individually.

The STI's will be settled 100% via share rights, subject to shareholder approval for Directors. The share rights will vest over a 12 month period from the latter of issue date in July 2024, or shareholder approval.

Performance measures

1. IPO Performance
2. Global Sales and Placements
3. Regulatory Submissions
4. Global Vendor Expansion
5. Surgical Planning Solutions
6. Financial Controls

The STI's achieved were as follows:

- CEO - Against a possible total STI of A\$131,040 (being 30% of base salary), 17.5% of STI targets were deemed as achieved, resulting in a STI for the year of A\$22,932, or 5.25% of base salary, amounting to a forfeiture of A\$108,108 (being 82.5% of STI available). The CEO's primary performance measures achieved included regulatory submission timeline and surgical planning solutions.
- COO - Against a possible total STI of US\$88,500 (being 30% of base salary), 17.5% of STI targets were deemed as achieved, resulting in a STI for the year of US\$15,488, or 5.25% of base salary, amounting to a forfeiture of US\$73,012 (being 82.5% of STI available). The COO's primary performance measures achieved included regulatory submission timeline and surgical planning solutions.
- CFO - Against a possible total STI of A\$92,040 (being 30% of base salary), 50% of STI targets were deemed as achieved, resulting in a STI for the year of A\$46,020, or 15% of base salary, amounting to a forfeiture of A\$46,020 (being 50% of STI available). The CFO's primary performance measures achieved included financial controls management.

The STI's will be settled 100% via share rights, subject to shareholder approval for Directors. The share rights will vest over a period out to July 2025.

Actual Remuneration Earned by Executives in FY24

Non-IFRS Information

The actual remuneration earned by KMP is set out in the table below. This provides shareholders with a view of the remuneration actually paid to executives for performance in FY24 and the value of LTI's that vested during the period.

The remuneration values disclosed below have been determined as follows:

Fixed remuneration

Fixed remuneration includes base salaries received and payments made to superannuation funds.

Fixed remuneration excludes any accruals of annual or long-service leave.

FY2024 H2 Cash Sacrifices

From 1 January 2024 to 30 June 2024, the NEDs, KMPs, and Senior Leaders by mutual agreement made a 25% sacrifice of cash fixed remuneration, to be replaced with share based remuneration to be issued after the end of the financial year. This initiative supported the Group to conserve cash used in operations while the Group got through the validation on the enhanced HiRise with a major robotic aided surgical system, which impacted the remuneration reported in the table below.

Vested STI - cash

The cash STI benefits represent the short term incentives that were awarded to each KMP in relation to FY23 and which were paid in September 2023.

Vested STI - equity

The vested STI equity shows the value of share rights and options which vested during the period, valued based on the entity's share price on the vesting date. During the period, Class A shares vested at \$0.325 cents.

Vested LTI - equity

The value of vested options was determined based on the intrinsic value of the options at the date of vesting, being the difference between the share price on that date and the exercise price payable by the KMP. PPO options vested in May 2024 with an exercise price of \$0.54 cents.

	Fixed Remuneration	Vested STI - Cash	Vested STI - Equity	Vested LTI - Equity	Total Actual Remuneration Earned
Greg Brown	407,337	100,800	16,000	-	524,137
Arun Singh	393,781	-	-	-	393,781
Ura Auckland	294,260	35,400	3,540	-	333,200
Total	1,095,378	136,200	19,540	-	1,251,118

The remuneration of the COO Arun Singh is paid in US dollars, and reported above in Australian dollars at an exchange rate of \$0.6555.

The amounts disclosed in the table above are not the same as the remuneration expensed in relation to each KMP in accordance with the accounting standards.

The directors believe that the remuneration received is more relevant to users for the following reasons:

- The statutory remuneration expensed is based on historic cost and does not reflect the value of the equity instruments when they are actually received by the KMPs.
- The statutory remuneration shows benefits before they are actually received by the KMPs.
- Where options or deferred shares do not vest because a market-based performance condition is not satisfied (e.g. an increase in the company's share price), the company must still recognise the full amount of expenses even though the KMPs will never receive any benefits.
- Share-based payment awards are treated differently under the accounting standards depending on whether the performance conditions are market conditions (no reversal of expense) or non market conditions (reversal of expense where shares fail to vest), even though the benefit received by the KMP is the same (nil where equity instruments fail to vest).

The information in this section has been audited together with the rest of the remuneration report.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

Statutory Remuneration Table

Remuneration benefits disclosed in the Statutory Remuneration table are measured in accordance with Australian Accounting Standards.

	Short-term benefits		Long-term benefits	Post-employment benefits	Share based payments		Total
	Cash salary and fees	Cash bonus	Annual and long service leave***	Super-annuation	Short-term benefits ^	Long-term benefits ^^	
2024	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Rob Lilley *	133,485	-	-	-	48,561	60,167	242,213
Kate Robb	39,593	-	-	4,977	50,031	-	94,601
Hashan De Silva	39,593	-	-	4,977	50,031	-	94,601
<i>Executive Directors:</i>							
Greg Brown	379,938	-	30,845	27,399	66,066	537,691	1,041,939
Arun Singh **	393,781	-	-	-	91,542	46,578	531,901
<i>Other Key Management Personnel:</i>							
Ura Auckland	266,862	-	7,274	27,399	71,125	325,725	698,385
	<u>1,253,252</u>	<u>-</u>	<u>38,119</u>	<u>64,752</u>	<u>377,356</u>	<u>970,161</u>	<u>2,703,640</u>

* Rob Lilley is paid in USD, cash salary amounted \$87,500 USD for the financial year ending June 2024, converted to AUD at the rate of \$0.6555.

** Arun Singh is paid in USD, cash salary amounted to \$258,125 USD for the financial year ending June 2024, converted to AUD at the rate of \$0.6555.

*** Represents movements in leave provisions over the period for relevant personnel.

^ Short-term share-based benefits for Non-Executive Directors consist of equity portion of director fees settled as share rights and options which vest within 12 months, as well as 25% cash salary deferred from January 2024 to June 2024, amounting to \$179,223, and to be settled via shares after year end. For other KMP's, it also includes value of FY23 and FY24 STI share rights relevant for June 2024 financial year.

^^ Long-term share-based benefits consist of loan funded shares and premium priced options granted in a prior period, as well as IPO share rights issued during the year. Loan funded shares include service conditions of between 12 to 36 months.

No comparative remuneration report has been included as the financial report for the year ended 30 June 2024 was the first full year report issued by the consolidated entity as a listed public company.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration 2024 %	At risk - SBP 2024 %	At risk - SBP 2024 %
<i>Non-Executive Directors:</i>			
Rob Lilley	55%	20%	25%
Kate Robb	47%	53%	-
Hashan De Silva	47%	53%	-
	Fixed remuneration 2024	At risk - STI 2024	At risk - LTI 2024
Name			
<i>Executive Directors:</i>			
Greg Brown	42%	6%	52%
Arun Singh	74%	17%	9%
<i>Other Key Management Personnel:</i>			
Ura Auckland	43%	10%	47%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name	Role	Type of employment	Termination notice period
Greg Brown	Chief Executive Officer and Managing Director	Permanent	12 months
Arun Singh	Chief Technology Officer (CT) and President (US Division); Executive Director	Permanent	12 months
Ura Auckland	Chief Financial Officer and Company Secretary	Permanent	3 months

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of ordinary shares

There were no ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2024.

Share rights

Details of share rights issued to directors and other key management personnel as part of compensation during the year ended 30 June 2024 are set out below. Share rights do not carry voting or dividend rights.

Name	Grant date	Vesting date	Number	Fair value on grant date	Total fair value on grant date
					\$
Rob Lilley	16 August 2023	30 June 2024	31,250	\$0.48	15,000
Rob Lilley	14 June 2024	30 June 2024	72,917	\$0.20	14,583
Arun Singh	13 February 2024	13 February 2025	268,840	\$0.23	61,833
Ura Auckland	13 February 2024	31 July 2024	88,279	\$0.23	20,304

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	No. options granted	Grant date	Vesting and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Rob Lilley	120,000	11 May 2023	12 October 2023	11 May 2029	\$0.3250	\$0.257
Rob Lilley	120,000	11 May 2023	12 October 2024	11 May 2029	\$0.3250	\$0.257
Rob Lilley	120,000	11 May 2023	12 October 2025	11 May 2029	\$0.3250	\$0.257
Kate Robb	46,875	16 August 2023	30 June 2024	16 August 2029	\$0.0000	\$0.480
Kate Robb	109,375	14 June 2024	30 June 2024	13 February 2030	\$0.0000	\$0.200
Hashan De Silva	46,875	16 August 2023	30 June 2024	16 August 2023	\$0.0000	\$0.480
Hashan De Silva	109,375	14 June 2024	30 June 2024	13 February 2030	\$0.0000	\$0.200
Greg Brown	964,286	16 August 2023	16 August 2026	16 August 2029	\$0.8016	\$0.297
Greg Brown	1,630,862	10 May 2023	10 May 2024	10 May 2029	\$0.5430	\$0.170
Greg Brown	1,630,862	10 May 2023	10 May 2025	10 May 2029	\$0.5430	\$0.170
Arun Singh	530,481	16 August 2023	16 August 2026	16 August 2029	\$0.8016	\$0.297
Ura Auckland	369,639	16 August 2023	16 August 2026	16 August 2029	\$0.8016	\$0.297
Ura Auckland	1,223,147	10 May 2023	10 May 2024	10 May 2029	\$0.5430	\$0.170
Ura Auckland	1,223,147	10 May 2023	10 May 2025	10 May 2029	\$0.5430	\$0.170

Options granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the two years to 30 June 2024 are summarised below:

	2024 \$'m	2023 \$'m
Sales revenue	6.53	8.05
Operating EBITDA*	(16.29)	(15.21)
NLAT	(23.10)	(51.23)
	<u>(32.86)</u>	<u>(58.39)</u>

* This is a non-IFRS measure, refer to operating and financial review for a reconciliation to loss after income tax.

Information prior to two years is not included in total shareholder return ('TSR') as revenue from current operations had not been generated prior to this point.

The factors that are considered to affect TSR are summarised below:

	2024
Share price at financial year end (\$)	0.16
Total dividends declared (cents per share)	-
Basic earnings per share (cents per share)	(8.12)
Diluted earnings per share (cents per share)	(8.12)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Ordinary shares	Balance at the beginning of the year	Received as part of remuneration	Additions	Share split/ disposals/ other	Balance at the end of the year
Rob Lilley	2,902,217	-	50,000	-	2,952,217
Kate Robb	-	-	25,000	-	25,000
Hashan De Silva	773,713	-	112,708	-	886,421
Greg Brown	16,507,124	-	1,562,500	-	18,069,624
Arun Singh	14,636,535	-	26,445,744	-	41,082,279
Ura Auckland	35,302	-	74,200	-	109,502
	34,854,891	-	28,270,152	-	63,125,043

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Options over ordinary shares	Balance at the beginning of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Rob Lilley	1,926,736	-	-	-	1,926,736
Kate Robb	1,000,000	156,250	-	-	1,156,250
Hashan De Silva	2,182,831	156,250	-	-	2,339,081
Greg Brown	3,775,654	964,286	-	(17,900)	4,722,040
Arun Singh	-	530,481	-	-	530,481
Ura Auckland	2,446,294	369,639	-	-	2,815,933
	11,331,515	2,176,906	-	(17,900)	13,490,521

Options over ordinary shares	Vested and		Balance at the end of the year
	exercisable	unexercisable	
Rob Lilley	1,587,530	339,206	1,926,736
Kate Robb	1,062,500	93,750	1,156,250
Hashan De Silva	2,245,331	93,750	2,339,081
Greg Brown	2,126,892	2,595,148	4,722,040
Arun Singh	-	530,481	530,481
Ura Auckland	1,223,147	1,592,786	2,815,933
	8,245,400	5,245,121	13,490,521

Loan funded shares

On 12 October 2022, following shareholder approval for its Long Term Incentive Plan, the Company issued 2,880,000 loan funded Class A shares to senior managers and employees of CurveBeam AI Limited, under a loan funded share plan.

Loan funded shares are a limited recourse loan and is accounted as an option under AASB 2 - Share based payment.

Class A shares have no rights to vote. The loan funded shares are subject to service requirements of up to 36 months and have a conversion price of \$0.325.

As at 30 June 2024, the value of the loans in the loan funded share plan amounted to \$801,450.

The table below shows the movement in the Class A shares held by KMP during 2024:

Loan funded shares	Balance at the beginning of the year	Granted	Other	Balance at the end of the year
Greg Brown	800,000	-	-	800,000
Ura Auckland	295,000	-	-	295,000
	<u>1,095,000</u>	<u>-</u>	<u>-</u>	<u>1,095,000</u>

Loan funded shares	Vested	Unvested	Balance at the end of the year
Greg Brown	533,333	266,667	800,000
Ura Auckland	236,000	59,000	295,000
	<u>769,333</u>	<u>325,667</u>	<u>1,095,000</u>

Share rights

The number of share rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Share rights	Balance at the beginning of the year	Granted	Converted into ordinary shares	Expired/forfeited/other	Balance at the end of the year
Rob Lilley	-	104,167	-	-	104,167
Arun Singh	-	268,840	-	-	268,840
Ura Auckland	-	88,279	-	-	88,279
	<u>-</u>	<u>461,286</u>	<u>-</u>	<u>-</u>	<u>461,286</u>

Share rights	Vested	Unvested	Balance at the end of the year
Rob Lilley	104,167	-	104,167
Arun Singh	-	268,840	268,840
Ura Auckland	-	88,279	88,279
	<u>104,167</u>	<u>357,119</u>	<u>461,286</u>

Other transactions with key management personnel and their related parties

As at 30 June 2024, a subsidiary of the Group had a loan payable to Arun Singh, the COO of the Group, amounting to \$14,247,017, of which \$254,378 is recorded as a current liability and \$13,992,639 is recorded as a non-current liability. The loan balance included \$521,888 of interest expense incurred during the year.

The loan is not secured over any assets or property of the subsidiary. It is repayable by the subsidiary once the company generates quarterly revenue of US\$2,500,000 or greater, with payments due thereafter on a quarterly basis. It is required to be settled in full by 19 June 2033. Interest accrues on the principal amount at 3.72% per annum, compounded monthly.

Arun Singh also has two adult daughters employed in the business. They are employed on commercial terms through standard employment agreements.

No other related party transactions were entered into during the financial year ended 30 June 2024

This concludes the remuneration report, which has been audited.

Risk management and key risks

The following is a summary of the material business risks of the Group (which are not listed in order of importance or likelihood). These risks may adversely impact on the Group's financial and operating performance and prospects.

Risk	Details
Regulatory clearances	The Group will require, and intends to apply for, further regulatory clearances in key jurisdictions (e.g. USA FDA) to execute its business plan. If current applications are unsuccessful, the Group might need to lodge a subsequent request with the FDA, which could extend the clearance process by 2 to 3 years. Regulatory clearance processes are expensive, time consuming and have uncertain outcomes. No assurance can be given that the Group will obtain all clearances or targeted claims and that such clearances will not be subject to significant limitations.
Regulatory compliance	The Group's existing cleared products and future cleared products will be subject to continual review and periodic inspections by regulatory agencies. Potentially costly follow-ups or post-marketing clinical studies may be required, and previously unknown problems may result in restrictions on the sale and marketing, and possibly the withdrawal from sale of previously cleared products. If the Group fails to comply with applicable regulatory requirements, relevant regulatory agencies may take a range of actions against the Group
Reimbursement availability	The commercial success of the Group's products and services is critically dependent on the availability (coding and coverage policy) and amounts of available reimbursement (payment). Without reimbursement, or an adequate level of reimbursement, there is little to no incentive for medical providers (and their patients) to use the Group's products and services. The Company believes that it has a favourable coding and coverage policy reimbursement position for its current, cleared CT products in the U.S. and Germany. However, current coverage policies do not always guarantee future payment or payment at the current levels and future coverage may require additional clinical trials. Reimbursement coverage for OssView™ will require a clinical trial to validate its benefits in the future and the Group may also need to implement a specific reimbursement strategy related to its clinical assessment SaaS modules (which can be a lengthy process). No assurance can be given that reimbursement will be provided at all, or that the reimbursement will be adequate for the Group's products and tools.
Development risk	An important aspect of the Group's business is to continue to invest in innovation and related product development opportunities. CT product and software development as well as integration into third party products is expensive and inherently risky. Products and solutions in development may not meet design objectives or be successful in either pre or post-clinical testing. It often takes many years to develop medical software and CT devices to a point where there is a saleable product for diagnostic, economic, technical and/or regulatory reasons. Accordingly, even when such work is successful, it can be many years before the Group earns a return on its investment.
Market acceptance	Sales of the Group's products and services depends on the extent to which they are accepted by the market and the level of competitor activity. There is a risk that the Group's existing devices, and next generation devices, and future products may not gain targeted levels of market acceptance.
Adoption of SaaS AI diagnostic solutions	The Group's long term revenue and profit growth is dependent on the utilisation of its SaaS based clinical assessment aids. It may be difficult to persuade some customers to change existing legacy on premises and manual solutions, and adopt SaaS-based clinical assessment solutions like the Group's products.
Protection of IP	If the Group is unable to protect its IP, its competitors could develop and market products and services similar to those of the Group, and demand for the Group's products and services, or the price that the Group is able to charge for such products or services, may decline. Equally, if competitors are successful in obtaining patent protection of technologies relevant to the Group's activities, this may limit the Group's ability to execute its business strategy
Manufacturing and supply chain risk	The Group's business plans contemplate increasing sales (and production) of its CT machines. If there is a rapid increase in orders, the Group will need to scale its manufacturing activities to meet customer orders in a timely way. A failure to do so could result in production delays, increased costs, and a delay in deliveries resulting in customer dissatisfaction. The Group must also carefully monitor its supply chain and manage the risk of issues caused by external events. There is a risk that the Group's measures are insufficient in which case the Group risks not having enough product to meet demand.
Additional funding risk	The Group may need to raise additional funds in the future to support its operations and business. The Group may elect to raise additional funds through the issuance of new equity securities, debt, or a combination of both. Additional financing may not be available on favourable terms, or at all, and such financing may be dilutive to Shareholders.
Key person risk	There is a risk that the Group may not be able to attract and retain key personnel or be able to find effective replacements for any departures. If the Group's CTO (AI), or CTO (CT) were to leave the Group, the Company would lose significant technical and business expertise which could have an adverse impact on the ability of the

Risk	Details
Reliance on distributors	<p>Group to implement its planned product development and business strategy</p> <p>CurveBeam relies on distributors to distribute its products in many markets. The loss of a key distribution relationship, an underperforming partner, as well as potential deficiencies in compliance by distributors with their regulatory obligations, may impact the Group's CT sales and revenue.</p>
Cyber risk and data breach	<p>Laws relating to data privacy are evolving across all jurisdictions. Data privacy, data protection, data localisation and security laws are evolving, and the interpretation and application of these laws in Australia, the United States and Europe (including compliance with the General Data Protection Regulation) are uncertain, contradictory and changing.</p> <p>There is a risk that the measures that the Group takes to prevent data breaches may prove to be inadequate which may result in successful cyber-attacks and unauthorised access to or use of data. Any data breaches or other unauthorised access to the Group's information technology systems or sensitive data may result in, among other things, reputational damage, a disruption of services or breaches of obligations under applicable laws or agreements. The Group may also incur costs as a result of rectifying system vulnerabilities or introducing additional safeguards to minimise the risk of data breaches.</p> <p>The Company's business model is heavily dependent on hosting and accessing protected health information (PHI) and electronic protected health information (ePHI), which is regulated by the United States Health Insurance Portability and Accountability Act of 1996 (HIPAA).</p> <p>As the Group is a third-party service provider, its customer base often requires it to enter into agreements which subject the Group to the same obligations relating to the security of PHI/ePHI as those that apply directly to covered entities under the HIPAA. The Group incorporates HIPAA guidance in its product design and development and the Company seeks to mitigate risk of inadvertent disclosure and breach of privacy relating to PHI and ePHI. If the Group were to breach any of its obligations in this regard, it may be exposed to claims for damages and suffer damage to its reputation and brand.</p>
Taxation matters (post-merger)	<p>The merger agreement includes a mechanism pursuant to which a portion of the consideration payable to the original unitholders in CurveBeam US was withheld to cover potential tax liabilities. There is a risk that potential tax liabilities may exceed the value of this contingent consideration or that tax liabilities arise or are identified after the contingent merger consideration is paid. If additional tax liabilities are identified, the Group would be required to pay such liabilities from its cash reserves. Any such payment will reduce the Group's cash reserves.</p>
Healthcare and medical device industry risk	<p>There are a range of competitive risks in the healthcare and medical device industries which may affect the Group's ability to grow its market position and achieve profitability. These include competitors increasing their market share by developing new or improved products with superior specifications, through major strategic alliances with industry vendors and bodies, favourable distribution partnerships and price discounting. Competing products may also be designed to be offered at lower prices or with more favourable reimbursement, through improved payment and coverage access. Further, revenue streams may be impacted by the complex and changing global government regulations which impact healthcare and medical device spending. These include changes in pricing or means of delivery of healthcare and medical device products and services, consolidation of industry participants and reductions in government funding.</p>
Patient safety and product liability	<p>The Group faces product liability exposure with respect to its products. This exposure is likely to increase as commercial sales increase. While the Group conducts comprehensive safety and performance testing of new and current technology and regularly reviews customer complaints, there is a risk that the Company's products could cause harm or injury to users or be used off label or not in accordance with instructions for use. Regardless of the merits or eventual outcome, a claim may result in decreased demand for the Group's products, injury to the Group's reputation, withdrawal of clinical trial participants, costly litigation, substantial monetary awards to physicians or patients and others, loss of revenues or an inability to sell the Group's products. In an attempt to reduce the risks, the Company works with well recognised global insurance brokers to have the appropriate levels of targeted insurance coverage in place</p>
Foreign exchange risk	<p>The Group's financial statements are presented in Australian dollars. A substantial portion of current sales revenue and costs are denominated in currencies other than Australian dollars, particularly United States dollars. Future changes in the exchange rates in the jurisdictions in which the Group operates may adversely impact the Group's financial performance. Changes in exchange rates can happen quickly and while the Group works on a natural hedging strategy based on forward estimations of spend in each currency, this does not guarantee that the Company could not be adversely affected by exchange rate fluctuations.</p>

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Gregory Brown
Chief Executive Officer and Managing Director

29 August 2024



Robert Lilley
Non-Executive Chair

For personal use only



pwc

Auditor's Independence Declaration

As lead auditor for the audit of CurveBeam AI Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CurveBeam AI Limited and the entities it controlled during the period.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
29 August 2024

CurveBeam AI Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024



	Note	Consolidated	
		2024	2023
		\$	\$
Revenue			
Revenue	5	6,526,898	8,055,193
Cost of sales	6	(3,519,494)	(3,661,865)
Gross profit		<u>3,007,404</u>	<u>4,393,328</u>
Other income and expenses	7	1,985,746	1,630,662
Expenses			
Human resource expenses	9	15,257,978	10,792,563
Consultant and professional expenses	8	3,608,923	5,965,472
Administrative, insurance and information technology expenses	11	1,460,719	891,785
Marketing expenses		1,105,783	1,431,611
Research and development external expenditure		764,874	588,208
Travel and entertainment expenses		882,495	870,409
Occupancy costs		193,723	154,096
Product and market registration expenses		309,232	249,985
IP costs		458,683	301,416
Finance expenses	10	1,643,833	5,730,709
Depreciation and amortisation expense	12	2,829,195	1,979,822
Fair value of contingent consideration	26	(563,421)	18,925,734
Fair value of embedded derivatives	27	142,150	9,368,934
Total expenses		<u>28,094,167</u>	<u>57,250,744</u>
Loss before income tax expense		(23,101,017)	(51,226,754)
Income tax expense	13	-	-
Loss after income tax expense for the year attributable to the owners of CurveBeam AI Limited	32	(23,101,017)	(51,226,754)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(147,036)	1,349,276
Other comprehensive income for the year, net of tax		(147,036)	1,349,276
Total comprehensive income for the year attributable to the owners of CurveBeam AI Limited		<u>(23,248,053)</u>	<u>(49,877,478)</u>
		Cents	Cents
Basic earnings per share	45	(8.12)	(88.39)
Diluted earnings per share	45	(8.12)	(88.39)

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

	Note	Consolidated 2024 \$	Consolidated 2023 \$
Assets			
Current assets			
Cash and cash equivalents	14	6,448,450	5,157,621
Trade and other receivables	15	3,904,182	4,177,538
Inventories	16	10,761,317	8,660,822
Other assets	18	2,247,592	1,479,927
Total current assets		<u>23,361,541</u>	<u>19,475,908</u>
Non-current assets			
Property, plant and equipment	19	750,605	133,186
Right-of-use assets	17	723,152	1,012,455
Intangible assets	20	38,342,146	40,718,392
Other assets	18	151,740	23,513
Total non-current assets		<u>39,967,643</u>	<u>41,887,546</u>
Total assets		<u>63,329,184</u>	<u>61,363,454</u>
Liabilities			
Current liabilities			
Trade and other payables	21	3,147,688	5,526,934
Borrowings	22	1,095,802	1,073,855
Lease liabilities	23	279,982	279,852
Provisions	24	910,557	775,502
Contract liabilities	25	2,351,987	2,018,469
Contingent consideration	26	380,201	27,122,117
Total current liabilities		<u>8,166,217</u>	<u>36,796,729</u>
Non-current liabilities			
Contract liabilities	25	1,636,768	2,012,729
Borrowings	22	13,992,639	12,639,218
Lease liabilities	23	564,909	851,871
Provisions	24	49,042	21,059
Other financial liabilities	27	-	57,142,113
Total non-current liabilities		<u>16,243,358</u>	<u>72,666,990</u>
Total liabilities		<u>24,409,575</u>	<u>109,463,719</u>
Net assets/(liabilities)		<u>38,919,609</u>	<u>(48,100,265)</u>
Equity			
Issued capital	28	125,096,896	17,358,996
Share-based payment reserves	29	3,784,327	1,280,110
Embedded derivative reserve	30	1,224,952	1,224,952
Foreign currency translation reserve	31	1,202,240	1,349,276
Accumulated losses	32	(92,388,806)	(69,313,599)
Total equity/(deficiency)		<u>38,919,609</u>	<u>(48,100,265)</u>

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

CurveBeam AI Limited
Consolidated statement of changes in equity
For the year ended 30 June 2024



Consolidated	Issued capital \$	Share based payments reserves \$	Embedded derivative reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2022	7,313,539	355,582	-	-	(18,095,564)	(10,426,443)
Loss after income tax expense for the year	-	-	-	-	(51,226,754)	(51,226,754)
Other comprehensive income for the year, net of tax	-	-	-	1,349,276	-	1,349,276
Total comprehensive income for the year	-	-	-	1,349,276	(51,226,754)	(49,877,478)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments(note 46)	-	992,483	-	-	-	992,483
Shares issued on acquisition of business (note 40)	10,212,167	-	-	-	-	10,212,167
Additional conversion options from issue of convertible notes (note 27)	-	-	1,312,673	-	-	1,312,673
Transfer of options exercised to issued capital (note 28)	59,236	(59,236)	-	-	-	-
Shares issued on exercise of options (note 28)	70,888	-	-	-	-	70,888
Transfer of expired options to accumulated losses (note 32)	-	(8,719)	-	-	8,719	-
Cost of capital raising incurred during the year (note 28)	(296,834)	-	(87,721)	-	-	(384,555)
Balance at 30 June 2023	<u>17,358,996</u>	<u>1,280,110</u>	<u>1,224,952</u>	<u>1,349,276</u>	<u>(69,313,599)</u>	<u>(48,100,265)</u>

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

CurveBeam AI Limited
Consolidated statement of changes in equity
For the year ended 30 June 2024



Consolidated	Issued capital \$	Share based payments reserves \$	Embedded derivative reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	17,358,996	1,280,110	1,224,952	1,349,276	(69,313,599)	(48,100,265)
Loss after income tax expense for the year	-	-	-	-	(23,101,017)	(23,101,017)
Other comprehensive income for the year, net of tax	-	-	-	(147,036)	-	(147,036)
Total comprehensive income for the year	-	-	-	(147,036)	(23,101,017)	(23,248,053)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 46)	-	2,530,027	-	-	-	2,530,027
Shares issued on initial public offer (note 28)	25,000,000	-	-	-	-	25,000,000
Shares issued on conversion of convertible notes into ordinary shares (note 28)	58,241,659	-	-	-	-	58,241,659
Shares issued on acquisition of business (note 40)	26,178,281	-	-	-	-	26,178,281
Transfer of expired options to accumulated losses (note 32)	-	(25,810)	-	-	25,810	-
Cost of capital raising incurred during the year (note 28)	(1,682,040)	-	-	-	-	(1,682,040)
Balance at 30 June 2024	<u>125,096,896</u>	<u>3,784,327</u>	<u>1,224,952</u>	<u>1,202,240</u>	<u>(92,388,806)</u>	<u>38,919,609</u>

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

	Note	Consolidated	
		2024	2023
		\$	\$
Cash flows from operating activities			
Receipts from customers		7,087,268	6,827,699
Receipts for R&D tax offset		1,574,252	1,438,257
Interest received		369,885	112,634
Interest paid		(47,756)	(164,556)
Payments to suppliers and employees		<u>(30,843,959)</u>	<u>(29,888,124)</u>
Net cash used in operating activities	43	<u>(21,860,310)</u>	<u>(21,674,090)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(83,444)	(139,405)
Payment for intangible asset	20	(12,530)	(703,045)
Payments for deposits to acquire intangible asset		(227,849)	-
Payments for security deposits		-	(117,162)
Cash acquired on acquisition of business		-	96,412
Related party promissory note paid		-	<u>(3,237,574)</u>
Net cash used in investing activities		<u>(323,823)</u>	<u>(4,100,774)</u>
Cash flows from financing activities			
Proceeds from initial public offer		25,000,000	-
Costs of capital raising (capitalised to equity)		(1,806,685)	(136,405)
Proceeds from the issue of convertible notes (net of transactions costs)		(17,752)	23,326,107
Repayment of convertible notes		-	(96,890)
Proceeds from/(repayments of) related party loans		-	122,688
Proceeds from exercise of option		-	70,888
Payment of lease liabilities		(351,200)	(176,515)
Proceeds from R&D and insurance premium funding loans		1,501,525	-
Repayments of R&D and insurance premium funding loans		<u>(696,289)</u>	<u>(856,655)</u>
Net cash from financing activities		<u>23,629,599</u>	<u>22,253,218</u>
Net increase/(decrease) in cash and cash equivalents		1,445,466	(3,521,646)
Cash and cash equivalents at the beginning of the financial year		5,157,621	8,698,649
Effects of exchange rate changes on cash and cash equivalents		<u>(154,637)</u>	<u>(19,382)</u>
Cash and cash equivalents at the end of the financial year	14	<u><u>6,448,450</u></u>	<u><u>5,157,621</u></u>

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

Note 1. General information

The financial statements cover CurveBeam AI Limited as a Group consisting of CurveBeam AI Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is CurveBeam AI Limited's functional and presentation currency.

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

Registered office / Principal place of business	US operations
Level 10, 10 Queen Street Melbourne VIC 3000	2800 Bronze Drive Suite 110 Hatfield PA 19440 USA

Principal activities

The principal activities of the Group was the fully integrated development and manufacture of point-of-care specialised weight bearing medical imaging (CT) equipment, supported by a targeted range of AI enabled SaaS-based clinical assessment solutions.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 39.

Note 2. Material accounting policy information (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CurveBeam AI Limited ('company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. CurveBeam AI Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is CurveBeam AI Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Material accounting policy information (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 2. Material accounting policy information (continued)

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Going Concern

The Directors of the Group have prepared this financial report on the basis that the Group will continue to operate as a going concern and that the debts of the business will continue to be settled as and when they fall due.

The Group recorded revenue of \$6,526,898 for the year ending 30 June 2024 (30 June 2023: \$8,055,193), a net loss before tax for the year ending 30 June 2024 of \$23,101,017 (June 2023: loss of \$51,226,754), and cash outflows from operations of \$21,860,310 for the year 30 June 2024 (June 2023: outflow of \$21,674,090).

The Group had net assets of \$38,919,609 as at 30 June 2024 (June 2023: net liabilities of \$48,100,265).

The Group continues to validate the enhanced HiRise for use with a major robotic aided surgical system in knee and hip surgery is targeted for completion in late Q1 FY25. The validation of the enhanced HiRise is anticipated to help overcome a major hurdle that has hindered HiRise device placements in FY24.

Therefore, the continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon:

- the Group obtaining continued equity funding, which subsequent to year end included completion of a Placement and Non-Renounceable Entitlement Offer on the ASX, raising ~A\$11.54 million before costs. Refer to note 42 for additional details.
- achieving targeted increase in revenue, primarily driven by enhanced HiRise placements (which received FDA clearance in July 2024) through near-term market opportunities through our US distributor and growing international customer base, along with restrained and ongoing management of costs.
- the successful commercial development of the intangible assets of the Group. In the mid-term the Group will balance generating increased margins from revenue growth, investment in expansion and access to further capital as a listed company if necessary.

As a result of these matters, the Group expects its existing cash reserves, along with proceeds from the capital raising completed after year end, and its normal cash flows over the next 12 months from the date of signing to be sufficient to continue as a going concern.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

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 is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Warranty provision

In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Note 4. Operating segments

Identification of reportable operating segments

The Group has one operating segment, being the research, design, manufacture and sale of cone beam CT imaging equipment for orthopaedic specialties, which includes the development, validation and preparation for commercialisation of a HRpQCT Medical Device and Software as a Service (SaaS) platform. This operating segment is based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

However it operates across three geographical regions, being North America, Europe and Australia, which are detailed below.

Note 4. Operating segments (continued)

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2024	2023	2024	2023
	\$	\$	\$	\$
North America	5,019,472	6,017,577	38,881,617	40,624,997
Europe	1,507,426	1,857,192	60,992	-
Australia	-	180,425	1,025,034	1,262,549
	<u>6,526,898</u>	<u>8,055,194</u>	<u>39,967,643</u>	<u>41,887,546</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated	
	2024	2023
	\$	\$
Sales of devices	4,498,584	6,097,860
Warranty service	1,355,919	1,104,273
Other operating revenue	672,395	853,060
	<u>6,526,898</u>	<u>8,055,193</u>

Timing of revenue recognition

	Consolidated	
	2024	2023
	\$	\$
Revenue at a point in time	5,170,979	6,950,920
Revenue over time	1,355,919	1,104,273
	<u>6,526,898</u>	<u>8,055,193</u>

Note 5. Revenue (continued)

Accounting policy for revenue recognition

(i) Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

Device sales, as well as other operating revenue, are recognised at a point-in-time, usually being when the device has been installed and is ready for use, or when the good or service associated with the other operating revenue has been completed. Deposits for device sales are usually recognised in advance of installation, and are categorised as a contract liability until the device has been installed. No significant element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. The group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

(ii) Extended warranty revenue

Extended warranty revenue is recognised over the period of which the warranty relates to, and can range from 12 to 60 months. Revenue is recognised on a straight-line basis over this period, as the warranty services provided are likely to be at any point of the warranty period. Extended warranty services consist of customer support, annual maintenance checks, as well as provision of replacement parts and associated labour.

Note 6. Cost of sales

	Consolidated	
	2024	2023
	\$	\$
Direct material costs	2,575,457	2,864,425
Other direct costs	184,077	550,796
Indirect warranty costs	356,485	66,441
Other indirect costs	219,048	-
Freight costs	184,427	180,203
	<u>3,519,494</u>	<u>3,661,865</u>

Note 7. Other income and expenses

	Consolidated	
	2024	2023
	\$	\$
Research and development tax incentives	1,828,019	1,518,022
Interest income	374,856	39,525
Realised foreign currency gains/(losses)	(14,624)	23,122
Unrealised foreign currency gains/(losses)	(133,703)	(25,559)
Bad and doubtful debt expense	(73,571)	(21,459)
Other income/(expenses)	4,769	97,011
	<u>1,985,746</u>	<u>1,630,662</u>

Other income and expenses

Accounting policy for other income

(i) Grant revenue (including research and development tax incentives)

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(ii) Other income

Other income is recognised on an accruals basis when the Group is entitled to it.

(iii) Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

Note 8. Consultant and professional expenses

	Consolidated	
	2024	2023
	\$	\$
Consulting and contracting	1,538,536	1,144,360
Professional fees	2,070,387	4,821,112
	<u>3,608,923</u>	<u>5,965,472</u>

June 2024 figure includes \$537,316 of fees incurred in relation to the IPO on the ASX completed during the period (June 2023: \$1,394,332).

Note 9. Human resource expenses

	Consolidated	
	2024	2023
	\$	\$
Human resource remuneration	11,265,259	8,504,140
Human resource on-costs	1,758,280	1,295,940
Share-based payments	2,234,439	992,483
	<u>15,257,978</u>	<u>10,792,563</u>

Note 10. Finance expenses

	Consolidated	
	2024	2023
	\$	\$
Interest on convertible notes	847,804	4,568,699
Amortisation of convertible note capital raising costs	127,341	902,226
Interest on borrowings	521,888	144,177
Other finance charges	146,800	115,607
	<u>1,643,833</u>	<u>5,730,709</u>

Note 11. Administrative, insurance and information technology expenses

	Consolidated	
	2024	2023
	\$	\$
Administrative expenses	405,787	46,666
Information technologies and systems	663,902	554,036
Insurance expense	391,030	291,083
	<u>1,460,719</u>	<u>891,785</u>

Note 12. Depreciation and amortisation expense

	Consolidated	
	2024	2023
	\$	\$
Depreciation on property, plant and equipment	147,469	112,344
Depreciation on right-of-use assets	290,842	175,324
Amortisation of patents	293,930	204,139
Amortisation of acquired intangible assets	2,096,954	1,488,015
	<u>2,829,195</u>	<u>1,979,822</u>

Note 13. Income tax expense

	Consolidated	
	2024	2023
	\$	\$
Tax at the statutory tax rate of 25%	(5,775,254)	(12,806,689)
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(23,101,017)</u>	<u>(51,226,754)</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Costs of capital raising and merger costs	336,012	2,871,836
Fair value movement of financial liabilities	(96,892)	7,073,667
Legal expenses	26,371	-
Share-based payments	477,506	248,121
Research and development income/expenditure	535,425	60,359
Other taxable expenditure	<u>(67,127)</u>	<u>(174,423)</u>
	(4,563,959)	(2,727,129)
Current year tax losses not recognised	4,022,270	2,727,129
Difference in overseas tax rates	<u>541,689</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

	Consolidated	
	2024	2023
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>40,678,688</u>	<u>19,704,277</u>
Potential tax benefit @ 23% (2023: 25%)	<u>9,356,098</u>	<u>4,926,069</u>

	Consolidated	
	2024	2023
	\$	\$
<i>Deferred tax assets and liabilities</i>		
Deferred tax assets and liabilities comprises temporary differences attributable to:		
Tax losses	9,356,098	6,420,588
Section 174 capitalisation costs	1,193,216	820,961
Contract liabilities	919,645	1,007,800
Blackhole expenditure	690,391	964,378
Lease liabilities	205,080	282,931
Provisions and accruals	180,310	364,371
Employee benefits	147,365	97,843
Patents	109,618	-
Unrealised gains/losses	37,645	-
Intangible assets	(1,470,495)	(1,847,533)
Right-of-use assets	<u>(176,400)</u>	<u>(253,114)</u>
Net deferred tax assets / liabilities not recognised	<u>11,192,473</u>	<u>7,858,225</u>

*The tax benefit of tax losses and other deductible temporary differences will only arise in the future where the Group derives sufficient net taxable income and is able to satisfy the carried forward tax loss recoupment rules. The Directors believe that the likelihood of the Group achieving sufficient taxable income in the future is currently not sufficiently probable to recognise the tax benefit of these tax losses and other temporary differences, which therefore have not been recognised.

Note 13. Income tax expense (continued)

*The tax benefit of tax losses and other deductible temporary differences will only arise in the future where the Group derives sufficient net taxable income and is able to satisfy the carried forward tax loss recoupment rules. The Directors believe that the likelihood of the Group achieving sufficient taxable income in the future is currently not sufficiently probable to recognise the tax benefit of these tax losses and other temporary differences, which therefore have not been recognised.

Accounting policy for income tax benefit

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Note 14. Cash and cash equivalents

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Cash and cash equivalents	6,448,450	5,157,621

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 15. Trade and other receivables

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Trade receivables	2,038,440	2,704,002
Less: Loss allowance	(195,834)	(191,283)
	<u>1,842,606</u>	<u>2,512,719</u>
Research and development tax incentive receivable	1,771,788	1,518,022
GST receivable	289,788	146,797
	<u>2,061,576</u>	<u>1,664,819</u>
	<u>3,904,182</u>	<u>4,177,538</u>

Note 15. Trade and other receivables (continued)

Allowance for expected credit losses

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2024 %	2023 %	2024 \$	2023 \$	2024 \$	2023 \$
Not overdue	1%	4%	3,113,808	2,482,168	15,784	57,820
0 to 3 months overdue	2%	4%	86,708	1,250,821	1,734	88,484
3 to 6 months overdue	4%	4%	163,551	38,856	6,542	2,749
Over 6 months overdue	23%	4%	735,949	596,976	171,774	42,230
			<u>4,100,016</u>	<u>4,368,821</u>	<u>195,834</u>	<u>191,283</u>

Accounting policy for trade and other receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 16. Inventories

	Consolidated	
	2024 \$	2023 \$
<i>Current assets</i>		
Raw materials - at cost	8,295,138	5,499,503
Work in progress - at cost	6,114	18,755
Finished goods - at cost	2,315,178	3,142,564
Spare parts and consumables	144,887	-
	<u>10,761,317</u>	<u>8,660,822</u>

Accounting policy for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average cost' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

Note 17. Right-of-use assets

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	1,601,676	1,600,987
Less: Accumulated depreciation	<u>(878,524)</u>	<u>(588,532)</u>
	<u>723,152</u>	<u>1,012,455</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$	Total \$
Balance at 1 July 2022	-	-
Additions	840,145	840,145
Additions through business combinations (note 40)	364,358	364,358
Exchange differences	(16,724)	(16,724)
Depreciation expense	<u>(175,324)</u>	<u>(175,324)</u>
Balance at 30 June 2023	1,012,455	1,012,455
Exchange differences	1,539	1,539
Depreciation expense	<u>(290,842)</u>	<u>(290,842)</u>
Balance at 30 June 2024	<u>723,152</u>	<u>723,152</u>

Accounting policy for right-of-use assets

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

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

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

Note 18. Other assets

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Prepayments	2,209,536	1,324,111
Other deposits	38,056	155,816
	<u>2,247,592</u>	<u>1,479,927</u>
<i>Non-current assets</i>		
Rent security deposit	151,740	23,513
	<u>2,399,332</u>	<u>1,503,440</u>

Note 19. Property, plant and equipment

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	9,870	9,870
Less: Accumulated depreciation	(2,797)	(823)
	<u>7,073</u>	<u>9,047</u>
Tooling - at cost	976,806	975,922
Less: Accumulated depreciation	(947,404)	(937,771)
	<u>29,402</u>	<u>38,151</u>
Computer equipment - at cost	288,287	281,158
Less: Accumulated depreciation	(272,036)	(226,412)
	<u>16,251</u>	<u>54,746</u>
Furniture, fixtures and fittings - at cost	156,313	156,238
Less: Accumulated depreciation	(124,963)	(124,996)
	<u>31,350</u>	<u>31,242</u>
Computer software - at cost	-	13,950
Less: Accumulated depreciation	-	(13,950)
	<u>-</u>	<u>-</u>
R&D equipment - at cost	632,100	-
Less: Accumulated depreciation	(70,979)	-
	<u>561,121</u>	<u>-</u>
Marketing equipment- at cost	116,705	-
Less: Accumulated depreciation	(11,297)	-
	<u>105,408</u>	<u>-</u>
	<u>750,605</u>	<u>133,186</u>

Note 19. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Computer equipment \$	Furniture, fixtures and fittings \$	Tools \$	Leasehold improvements \$	R&D equipment \$	Marketing equipment \$	Total \$
Balance at 1 July 2022	26,763	-	-	-	-	-	26,763
Additions	83,015	46,520	-	9,870	-	-	139,405
Additions through business combinations (note 40)	15,713	106,798	55,640	-	-	-	178,151
Exchange differences	(3,701)	(3,940)	(626)	-	-	-	(8,267)
Write off of assets	-	(90,523)	-	-	-	-	(90,523)
Depreciation expense	(67,044)	(27,613)	(16,863)	(823)	-	-	(112,343)
Balance at 30 June 2023	54,746	31,242	38,151	9,047	-	-	133,186
Additions	6,994	-	-	-	76,450	-	83,444
Reclassified from inventory	-	-	-	-	555,819	116,705	672,524
Exchange differences	28	187	17	-	(168)	-	64
Write off of assets	-	8,857	-	-	-	-	8,857
Depreciation expense	(45,517)	(8,936)	(8,766)	(1,974)	(70,980)	(11,297)	(147,470)
Balance at 30 June 2024	16,251	31,350	29,402	7,073	561,121	105,408	750,605

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Computer equipment	1-3 years
Office furniture	1-5 years
Tools	7 years
Leasehold Improvement	1-5 years
R&D equipment	6 years
Marketing equipment	6 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 20. Intangible assets

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Goodwill - at cost	20,180,303	20,180,303
Patents – Strax Fam's 1 to 5 - at cost	780,069	780,069
Less: Accumulated amortisation	<u>(742,806)</u>	<u>(686,487)</u>
	37,263	93,582
Patents – Regulatory Approvals - at cost	-	34,128
Less: Accumulated amortisation	<u>-</u>	<u>(34,128)</u>
	-	-
Patents – AI - at cost	510,531	497,899
Less: Accumulated amortisation	<u>(276,604)</u>	<u>(181,549)</u>
	233,927	316,350
Brand - at cost	1,999,681	1,999,681
Less: Accumulated amortisation	<u>(342,959)</u>	<u>(142,991)</u>
	1,656,722	1,856,690
Intellectual Property - at cost	16,780,418	16,780,418
Less: Accumulated amortisation	<u>(2,877,957)</u>	<u>(1,199,915)</u>
	13,902,461	15,580,503
Strategic Distribution Agreement - at cost	1,369,797	1,369,797
Less: Accumulated amortisation	<u>(234,930)</u>	<u>(97,950)</u>
	1,134,867	1,271,847
Permits - at cost	819,646	819,646
Less: Accumulated amortisation	<u>(140,575)</u>	<u>(58,610)</u>
	679,071	761,036
Marketing and Distribution Rights - Cost	705,726	705,087
Less: Accumulated amortisation	<u>(188,194)</u>	<u>(47,006)</u>
	517,532	658,081
	<u>38,342,146</u>	<u>40,718,392</u>

Note 20. Intangible assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Patents	Brand	IP	Strategic Distribution Agreement	Permits	Marketing and distribution rights	Goodwill	Total
Consolidated	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	559,905	-	-	-	-	-	-	559,905
Additions	-	-	-	-	-	703,045	-	703,045
Additions through business combinations (note 40)	-	1,999,681	16,780,418	1,369,797	819,646	-	20,180,303	41,149,845
Exchange differences	(1,460)	-	-	-	-	(788)	-	(2,248)
Amortisation expense	(148,513)	(142,991)	(1,199,915)	(97,950)	(58,610)	(44,176)	-	(1,692,155)
Balance at 30 June 2023	409,932	1,856,690	15,580,503	1,271,847	761,036	658,081	20,180,303	40,718,392
Additions	12,530	-	-	-	-	-	-	12,530
Exchange differences	58	-	-	-	-	2,051	-	2,109
Amortisation expense	(151,330)	(199,968)	(1,678,042)	(136,980)	(81,965)	(142,600)	-	(2,390,885)
Balance at 30 June 2024	271,190	1,656,722	13,902,461	1,134,867	679,071	517,532	20,180,303	38,342,146

Impairment test for goodwill

Goodwill has been allocated to the group CGU segment for impairment testing.

Goodwill and intangible assets were acquired as part of the acquisition of CurveBeam LLC on 12 October 2022 (see note 40).

In line with AASB 136, the intangible assets are subject to an annual assessment as to whether any indication of impairment exists.

In testing for impairment, the recoverable amount of the intangible assets was determined based on a value-in-use calculation, with the key assumptions described below representing management's expectations of future trends within the industry of which the business operates, based on both external and internal data sources. Conforming with AASB 136, this value-in-use calculation only includes revenue streams from the existing CT device business model and does not include any potential future SaaS revenue streams.

The cash flow projections used are based on forecast scenarios covering a five-year period (2025-2029), and incorporates a terminal valuation beyond five years.

Management have used their current expectations when assigning values to key assumptions in their value in use model.

Key assumptions in the value-in-use calculation:

Note 20. Intangible assets (continued)

- Estimated long term growth rate: 2.5%
- Post-tax discount rate: 15.60%
- Units sales: FY25 budget and subsequent 4 years forecast period CAGR of 32.1%
- Operating expenses: Maintaining expenditure in line with management's forecasts

No impairment loss was recognised during the year ended 30 June 2024 as the results of the impairment test indicated that the recoverable amount of the CGU exceeded the carrying amount.

Based on the cash flow projection used and the key assumptions described above, management considers that the carrying value of the Group's goodwill and other intangible assets is recoverable through their continued use.

However, given the range of reasonably possible scenarios under which device sales could be taken up by the broader market, there are a range of situations under which a reduction in units sold over the forecast period would result in the carrying value of the CGU exceeding the recoverable amount. Scenarios analysed found that an average decrease of 10% in units sold (with a range $\pm 5\%$, from 5% to 15%) over the forecast period would result in carrying amount equalling recoverable value.

These scenarios assumes that unit sale and associated direct cost changes move in isolation, while all other assumptions around longer term growth rate, operating expenditure and discount rate are held constant. A change in one assumption would likely be accompanied by a change in another assumption, which would change the impact on recoverable amount.

Accounting policy for intangibles

(i) Goodwill

Goodwill is measured as described in note 40. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods.

Patents and trademarks	5 years
Brand	10 years
Intellectual Property	10 years
Strategic Distribution Agreement	10 years
Permits	10 years

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

(iii) Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

(iv) Brand, intellectual property, strategic distribution agreement and permits

Note 20. Intangible assets (continued)

The brand, intellectual property, strategic distribution agreement and permit intangible assets were acquired as part of a business combination (see note 40 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives.

(v) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Note 21. Trade and other payables

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,929,947	2,422,291
Sales tax payable	374,609	1,052,298
Accruals	647,075	1,205,092
Payroll and related liabilities	196,057	847,253
	<u>3,147,688</u>	<u>5,526,934</u>

Refer to note 34 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 22. Borrowings

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Loan from related parties (b)	254,378	1,073,855
Loan against R&D tax incentive (a)	841,424	-
	<u>1,095,802</u>	<u>1,073,855</u>
<i>Non-current liabilities</i>		
Loan from related parties (b)	13,992,639	12,639,218
	<u>15,088,441</u>	<u>13,713,073</u>

Refer to note 34 for further information on financial instruments.

Note 22. Borrowings (continued)

(a) A loan of \$805,236 (2023: NIL) was entered into during the year, secured against the R&D tax incentive receivable at year end and at balance date the balance including interest was \$841,424. The interest rate on the loan was 15% per annum, and repayable upon receipt of the FY24 R&D rebate or prepaid as required.

(b) As at 30 June 2024, a subsidiary of the Group had a loan payable to Arun Singh, the COO of the Group, amounting to \$14,247,017.

The loan is not secured over any assets or property of the subsidiary. It is repayable by the subsidiary on a quarterly basis, and required to be settled in full by 19 June 2033, subject to quarterly sales exceeding \$2,500,000 USD. Interest accrues on the principal amount at 3.72% per annum, compounded monthly.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 23. Lease liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	279,982	279,852
<i>Non-current liabilities</i>		
Lease liability	564,909	851,871
	<u>844,891</u>	<u>1,131,723</u>

Refer to note 34 for further information on financial instruments.

Accounting policy for lease liabilities

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

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

Note 24. Provisions

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Employee provisions	543,595	370,314
Provision for warranty	366,962	405,188
	910,557	775,502
<i>Non-current liabilities</i>		
Provision for long service leave	49,042	21,059
	959,599	796,561

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 25. Contract liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Customer deposits	1,048,685	1,018,908
Extended warranty	1,303,302	999,561
	2,351,987	2,018,469
<i>Non-current liabilities</i>		
Extended warranty	1,636,768	2,012,729
	3,988,755	4,031,198

Movement in contract liabilities

Note 25. Contract liabilities (continued)

	Customer deposits	Deferred warranty	Total
Opening balance - 1 July 2022	-	-	-
Balance acquired on acquisition of subsidiary	3,478,952	2,749,944	6,228,896
Elimination of intercompany balance acquired	(1,009,230)	-	(1,009,230)
Release of revenue recognised in period	(6,950,920)	(1,104,273)	(8,055,193)
Additional deposits received and invoices raised in period	5,661,647	1,502,413	7,164,060
Effects of FX	(161,541)	(135,794)	(297,335)
Closing balance - 30 June 2023	<u>1,018,908</u>	<u>3,012,290</u>	<u>4,031,198</u>
Release of revenue recognised in period	(5,170,977)	(1,355,919)	(6,526,896)
Additional deposits received and invoices raised in period	5,181,609	1,278,679	6,460,288
Effects of FX	19,145	5,020	24,165
Closing balance - 30 June 2024	<u><u>1,048,685</u></u>	<u><u>2,940,070</u></u>	<u><u>3,988,755</u></u>

Accounting policy for contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 26. Contingent consideration

	2024 \$	2023 \$
Contingent consideration		
Opening balance	27,122,117	-
Additions during the period*	-	8,431,925
Decreases during the period	-	(235,542)
Conversion to share capital	(26,178,281)	-
Fair value adjustment at year end**	(563,421)	18,925,734
FX difference	(214)	-
Closing balance	<u><u>380,201</u></u>	<u><u>27,122,117</u></u>

* Relates to contingent consideration payable on acquisition of CurveBeam LLC completed in October 2022. Refer to note 40 for further information.

** Fair value adjustment of the contingent consideration as at 30 June 2023 was based on the following inputs:

- Assessment of the total number of shares to be issued on conversion of convertible notes; a total 56,995,091 shares to be issued on conversion of convertible notes based on factors in place as at 30 June 2023. This is an additional 30,969,119 shares compared to the assessment on initial acquisition accounting, reflecting changes to shares to be issued to convertible note holders, as the actual terms of the IPO were determined, and amounted to an increase in the fair value of \$10,091,495.
- Assessment of the fair value per share at period end; 48 cents was used as the fair value per share, reflecting the IPO price which was finalised on 14 July 2023, with the signing of the underwriting agreement and lodgement of the prospectus with ASIC. This amounted to an increase in the fair value of \$8,834,239.

The closing balance of \$380,201 represents around 2,376,258 shares which may be issued to the prior CurveBeam LLC shareholders in October 2024.

Under AASB 3, the characteristics of the contingent consideration do not allow the fair value adjustment to be recorded in goodwill under the 'measurement period' provisions as a part of provisional accounting for business combinations.

Note 27. Other financial liabilities

	2021 Convertible Notes (1) \$	2022 Convertible Notes (2) \$	Total \$
Breakdown of convertible note value:			
Carrying value of financial liability host	12,157,067	17,755,241	29,912,308
Fair value of embedded derivative (liability)	11,235,764	10,975,189	22,210,953
Capital raising costs	(560,056)	(1,156,119)	(1,716,175)
Interest on convertible notes	5,392,308	1,342,719	6,735,027
Gross financial liability as of 30 June 2023	<u>28,225,083</u>	<u>28,917,030</u>	<u>57,142,113</u>
Breakdown of convertible note value:	-	-	-
Gross financial liability as of 30 June 2024	<u>-</u>	<u>-</u>	<u>-</u>

	Financial liability host	Embedded derivative (liability)	Total liability balance	Embedded derivative (equity)	Total convertible notes balance
Roll-forward of convertible note balance					
Opening balance as at 1 July 2022	13,287,934	6,909,933	20,197,867	-	20,197,867
Additional proceeds received during the year	25,000,000	-	25,000,000	-	25,000,000
Fair value transfer of embedded derivative on inception	(7,244,759)	5,932,086	(1,312,673)	1,312,673	-
Capital raising costs	(1,582,942)	-	(1,582,942)	(87,721)	(1,670,663)
Interest on convertible notes	4,568,700	-	4,568,700	-	4,568,700
Amortisation of capital raising costs during period	902,227	-	902,227	-	902,227
Fair value adjustment of embedded derivative at period end	-	9,368,934	9,368,934	-	9,368,934
Closing balance at 30 June 2023	<u>34,931,160</u>	<u>22,210,953</u>	<u>57,142,113</u>	<u>1,224,952</u>	<u>58,367,065</u>
Interest on convertible notes	830,053	-	830,053	-	830,053
Fair value adjustment of embedded derivative at period end	-	142,150	142,150	-	142,150
Amortisation of capital raising costs during period	127,341	-	127,341	-	127,341
Conversion of convertible notes into equity	<u>(35,888,554)</u>	<u>(22,353,103)</u>	<u>(58,241,657)</u>	<u>-</u>	<u>(58,241,657)</u>
Closing balance at 30 June 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,224,952</u>	<u>1,224,952</u>

(1) 2021 Convertible Notes

The Convertible Note – Pre-IPO – 2021 relates to a capital raising completed in the 30 June 2022 financial year, refer to the June 2022 annual report for additional information on this financial instrument.

(2) 2022 Convertible Notes

On 30 October 2022 the Company completed Tranche 1 of the 2022 Post-Merger Pre-IPO capital raising, by way of issue of the Convertible Notes – Pre IPO – 2022 (2022 Convertible Notes), under a Convertible Note Deed signed on 25 August 2021 for a total raising of \$10,701,000 (before costs).

Note 27. Other financial liabilities (continued)

On 24 February 2023 the Company completed Tranche 2 of the 2022 Post-Merger Pre-IPO capital raising, by way of issue of the Convertible Notes – Pre IPO – 2022 (2022 Convertible Notes), under a Convertible Note Deed signed on 25 August 2021 for a total raising of \$14,299,000 (before costs).

Interest accrues on the 2022 Convertible Notes T1 at 5% per annum compounded on a six-monthly basis and is capitalised to the loan value.

The 2022 Convertible Notes convert into fully paid ordinary shares in the capital of the Company upon either the occurrence of a trade sale or IPO.

In either scenario, the 2022 Convertible Notes will be automatically converted into ordinary shares at set rates, at the lower of either:

- the Relevant Percentage of 70% of the IPO or trade sale price (being a discount of 30%), or
- pre-IPO fully diluted pre money valuation of \$125m divided by the fully diluted pre money number of shares outstanding on date of issue.

The 2022 Convertible Note holders may also elect to convert into shares anytime prior to 60 days before maturity date.

The 2022 Convertible Notes can be redeemed for cash upon either a default event, or upon maturity, 36 months from completion.

The 2022 Convertible Notes also included free-attaching options on a \$1 worth of options for each \$6 invested. These were valued using the Black-Scholes model.

Given the structure of the 2022 Convertible Notes, it was determined that in line with Australian Accounting Standards Board guidelines (AASB 9 Financial instruments ("AASB 9") and Financial Instruments: Presentation ("AASB 132")), the Convertible Notes are to be treated as liabilities with an embedded derivative component, which is also classified as a liability. As a part of this process, it was determined that the effective interest rate applicable to the convertible notes on a standalone basis would be 15%.

The free-attaching options were determined to be embedded derivative classified as a equity.

Key inputs and assumptions for fair value measurements

Significant inputs used in the fair value measurements of the liability component of the embedded derivative include:

- the share price, which was deemed to be \$0.48 as at 30 June 2023, for both 2021 and 2022 Convertible Notes, based on the circumstances as at 30 June as detailed in note 18, and
- the conversion discount, which was 35% for the 2021 Convertible Notes, and 30% for the 2022 Convertible Notes.

Significant inputs used in the fair value measurement of the equity component of the embedded derivative include:

- exercise price of \$0.96;
- volatility of 75%; and
- share price of \$0.325 on convertible note issue date in November 2022 / February 2023.

Accounting policy for other financial liabilities

The Group measures all other financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The other financial liabilities of the Group comprise of convertible notes.

Note 28. Issued capital

	2024 Shares	2023 Shares	Consolidated 2024 \$	2023 \$
Ordinary shares	317,773,647	67,140,754	127,075,770	17,655,830
Cost of capital raising	-	-	(1,978,874)	(296,834)
	<u>317,773,647</u>	<u>67,140,754</u>	<u>125,096,896</u>	<u>17,358,996</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	354,609		7,313,539
Share split on a 1-for-100 basis*	30 September 2022	35,106,291	\$0.0000	-
Shares issued on acquisition of business	12 October 2022	27,840,700	\$0.3250	9,048,227
Shares pending issue for acquisition of business**	12 October 2022	3,581,354	\$0.3250	1,163,940
Issue of shares on exercise of options	15 May 2023	26,700	\$0.1600	4,272
Issue of shares on exercise of options	31 May 2023	39,100	\$0.1600	6,256
Issue of shares on exercise of options	31 May 2023	5,100	\$0.1083	552
Issue of shares on exercise of options	31 May 2023	186,900	\$0.3200	59,808
Transfer of value of options on exercise	30 June 2023	-	\$0.0000	59,236
Balance	30 June 2023	67,140,754		17,655,830
Conversion of 2021 convertible notes into ordinary shares***	16 August 2023	67,310,092	\$0.4281	28,818,035
Conversion of 2022 convertible notes into ordinary shares***	16 August 2023	76,701,382	\$0.3836	29,423,624
Issue of shares on acquisition of business	16 August 2023	54,538,086	\$0.4800	26,178,281
Issue of shares on initial public offer	23 August 2023	52,083,333	\$0.4800	25,000,000
Balance^	30 June 2024	<u>317,773,647</u>		<u>127,075,770</u>

* Following shareholder approval, on 30 September 2022 the Company split the shares held on a 1-for-100 basis.

** These shares were formally issued on 22 February 2023.

*** The value of the 2021 and 2022 Convertible Notes transferred to equity includes the embedded derivative component of convertible notes. The actual issue price on IPO was \$0.312 and \$0.336, for the 2021 and 2022 Convertible Notes, respectively. The share price noted above reflects the effective share price used for accounting purposes.

^ The closing balance of shares on hand as per the ASX of 320,138,492 also includes 2,466,000 of loan funded shares, which are recorded by the Group for accounting purposes under the share based payment reserve, until the vesting conditions of the shares are met. The ASX figure also does not include 101,155 shares issued for acquisition of CurveBeam LLC, but pending registration with the shareholder.

Ordinary shares

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

Share buy-back

There is no current on-market share buy-back.

Note 28. Issued capital (continued)

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 29. Share-based payment reserves

	Consolidated	
	2024	2023
	\$	\$
Share-based payments reserve	3,784,327	1,280,110

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

Note 29. Share-based payment reserves (continued)

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 30. Embedded derivative reserve

	Consolidated	
	2024	2023
	\$	\$
Embedded derivative reserve	<u>1,224,952</u>	<u>1,224,952</u>

Accounting policy for embedded derivative reserve

The fair value of separately issued options issued as a part of a convertible note is determined using the Black-Scholes model. This amount is recorded as under equity in a separate reserve on a fair value basis until extinguished on conversion or maturity of the bonds. This is recognised and included in equity, net of income tax effects.

Note 31. Foreign currency translation reserve

	Consolidated	
	2024	2023
	\$	\$
Foreign currency translation reserve	<u>1,202,240</u>	<u>1,349,276</u>

Note 32. Accumulated losses

	Consolidated	
	2024	2023
	\$	\$
Accumulated losses at the beginning of the financial year	(69,313,599)	(18,095,564)
Loss after income tax expense for the year	(23,101,017)	(51,226,754)
Transfer of expired options from reserves to accumulated losses	<u>25,810</u>	<u>8,719</u>
Accumulated losses at the end of the financial year	<u>(92,388,806)</u>	<u>(69,313,599)</u>

Note 33. Dividends

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

Note 34. Financial instruments

Financial risk management objectives

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks:

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages its liquidity needs by carefully monitoring cash-outflows due in day-to-day business.

The table below reflects the undiscounted contractual maturity analysis for financial liabilities.

30 June 2024	Weighted average interest rate %	Within 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
Financial liabilities due for payment					
Trade and other payables	-	3,147,688	-	-	3,147,688
Lease liabilities	7.00%	279,982	564,909	-	844,891
Borrowings	4.35%	1,095,802	13,992,639	-	15,088,441
		<u>4,523,472</u>	<u>14,557,548</u>	<u>-</u>	<u>19,081,020</u>
30 June 2023	Weighted average interest rate %	Within 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
Financial liabilities due for payment					
Trade and other payables	-	5,526,934	-	-	5,526,934
Lease liabilities	7.50%	279,852	851,871	-	1,131,723
Borrowings	3.72%	1,073,855	12,639,218	-	13,713,073
Convertible notes	5.00%	-	57,142,113	-	57,142,113
		<u>6,880,641</u>	<u>70,633,202</u>	<u>-</u>	<u>77,513,843</u>

The convertible notes converted into ordinary shares upon the IPO, as detailed in note 28, and not on maturity date noted above.

Note 34. Financial instruments (continued)

The timing of expected outflows is otherwise not expected to be materially different from contracted cashflows.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables

Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The entity is most exposed to fluctuations in the AUD to USD, AUD to GBP, and AUD to EUR foreign exchange rate, primarily through its holdings of foreign cash balances.

Should this rate increase or decrease by 10% it would increase or decrease the loss after tax for the year by \$120,227.

(ii) Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

(iii) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in fair value through profit and loss.

Such risk is managed through diversification of investments across industries and geographic locations.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are all held on a fixed rate basis.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 35. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2024	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	380,201	380,201
Total liabilities	-	-	380,201	380,201
Consolidated - 2023				
<i>Liabilities</i>				
Contingent consideration	-	-	27,122,117	27,122,117
Embedded derivative of convertible notes	-	-	22,210,953	22,210,953
Total liabilities	-	-	49,333,070	49,333,070

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

For details of the valuation process of the contingent consideration, refer to note 26 for details, and to note 27 for the embedded derivative component of convertible notes.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Contingent consideration \$	Embedded derivative \$	Total \$
Balance at 1 July 2022	-	6,909,933	6,909,933
Additions	8,431,925	5,932,086	14,364,011
Decreases	(235,542)	-	(235,542)
Losses recognised in profit or loss	18,925,734	9,368,934	28,294,668
Balance at 30 June 2023	27,122,117	22,210,953	49,333,070
FX changes	(214)	-	(214)
(Gains)/losses recognised in profit or loss	(563,421)	142,150	(421,271)
Conversion to equity	(26,178,281)	(22,353,103)	(48,531,384)
Balance at 30 June 2024	<u>380,201</u>	<u>-</u>	<u>380,201</u>

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 35. Fair value measurement (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 36. Key management personnel disclosures

Directors

The following persons were directors of CurveBeam AI Limited during the financial year:

Rob Lilley	Non-Executive Chair
Greg Brown	Chief Executive Officer and Managing Director
Arun Singh	COO, CTO-CT and President (US & Europe Division); Executive Director
Kate Robb	Non-Executive Director
Hashan De Silva	Non-Executive Director

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Ura Auckland	Chief Financial Officer & Company Secretary
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Personnel were key management personnel for the entirety of the financial year, unless specified otherwise.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2024	2023*
	\$	\$
Short-term employee benefits	1,253,252	1,827,838
Post-employment benefits	64,752	56,541
Long-term benefits	38,119	11,647
Share-based payments	1,347,517	973,587
	<u>2,703,640</u>	<u>2,869,613</u>

*The 30 June 2023 figures have been restated based on the Group's reassessment of its key management personnel.

Note 37. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Group:

	Consolidated	
	2024	2023
	\$	\$
<i>Audit services - PricewaterhouseCoopers</i>		
Audit or review of the financial statements	384,591	296,600
<i>Other services - PricewaterhouseCoopers</i>		
Merger tax advice	-	694,689
Remuneration consulting fees	-	230,736
Audit or review of subsidiary	-	23,085
	-	948,510
	<u>384,591</u>	<u>1,245,110</u>

Note 38. Related party transactions

Parent entity

CurveBeam AI Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 41.

Key management personnel

Disclosures relating to key management personnel are set out in note 36.

Transactions with related parties

Arun Singh also has two adult daughters employed in the business. They are employed on commercial terms through standard employment agreements.

There were no other transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

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

Loans to/from related parties

Refer to note 22 for details of loans with related parties.

Note 39. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$	\$
Loss after income tax	(8,660,617)	(44,593,874)
Total comprehensive income	<u>(8,660,617)</u>	<u>(44,593,874)</u>

Note 39. Parent entity information (continued)

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	42,346,329	25,084,696
Total assets	62,023,739	44,991,337
Total current liabilities	2,653,253	29,977,616
Total liabilities	3,233,093	87,807,999
Equity		
Issued capital	125,096,896	17,358,996
Embedded derivative reserve	1,224,952	1,224,952
Share-based payments reserve	3,784,327	1,280,110
Accumulated losses	(71,315,529)	(62,680,720)
Total equity/(deficiency)	58,790,646	(42,816,662)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2024.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2024.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2024.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 40. Business combinations

Acquisition of CurveBeam LLC

On 12 October 2022, CurveBeam AI Limited acquired 100% of the ordinary shares of CurveBeam LLC ('CurveBeam') for a total upfront consideration of \$10,212,167 settled by way of 31,422,054 shares, plus contingent consideration of \$8,431,925, comprising of additional shares.

CurveBeam researches, designs, and manufactures cone beam CT imaging systems for orthopaedic specialties, and since 2018 has been in an especially important two-way collaboration with the Company as the developer and manufacturer of the HR-pQCT platform to be paired with the SaaS platform. The merger is both a vertical and concentric merger that expands product and market access, global infrastructure, customer base, and installed global CT base for targeting expansion of the SaaS delivered AI solutions.

As at 30 June 2024, the consolidated entity has finalised its analysis of whether all identifiable intangible assets have been recognised and vendor warranties and representations met.

Note 40. Business combinations (continued)

The acquired business contributed revenue of \$8,055,193 and a loss after tax of \$5,067,875 to the consolidated entity for the period from acquisition to 30 June 2023, and would have contributed revenue \$11,485,193 and a loss after tax of \$7,428,798 if the acquisition date had been the beginning of the annual reporting period.

Goodwill is not deductible for tax purposes.

Details of the acquisition are as follows:

The provisional fair values of the identifiable net assets acquired are detailed below:

	Fair value \$
Cash at bank	96,412
Trade and other receivables	2,228,487
Inventory	5,077,544
Other assets	245,152
Right-of-use assets	364,358
Plant and equipment	178,150
Brands	1,999,681
Intellectual property	16,780,418
Strategic distribution agreement	1,369,797
Permits	819,646
Deferred tax asset	5,242,386
Trade and other payables	(5,832,602)
Deferred revenue	(6,228,896)
Lease liabilities	(457,686)
Warranty provision	(322,984)
Borrowings	(17,750,036)
Other financial liabilities	(103,652)
Deferred tax liability	<u>(5,242,386)</u>
Net liabilities acquired	(1,536,211)
Goodwill	<u>20,180,303</u>
Acquisition-date fair value of the total consideration transferred	<u><u>18,644,092</u></u>
Representing:	
CurveBeam AI Limited shares issued to vendor	10,212,167
- Contingent Merger Consideration(b)	441,129
- Contingent Merger Consideration(c)	330,881
- Further Top up Merger Consideration(c)	<u>7,659,915</u>
	<u><u>18,644,092</u></u>

Deferred tax assessment on the acquired balance sheet noted there were deferred tax liabilities of \$5,242,386, in relation to the intangible assets acquired (other than goodwill).

A review of tax losses and other temporary deductible differences found there were sufficient deferred tax assets available on acquisition date to offset this balance.

No deferred tax balances have been recognised on the provisional balance sheet acquired, given the Group does not have taxable profits against which these deferred tax balances would be utilised.

Purchase Consideration

a) The fair value of shares issued on 12 October 2022 was found to be \$0.325, based on market transactions on or about this date.

Note 40. Business combinations (continued)

b) 1,357,321 shares have been deferred from issue, contingent on the finalisation of the audit for the 30 June 2024 financial year. It is highly likely these shares will be issued and so have been included in purchase consideration, valued at \$0.325 per share, and classified as a liability on the balance sheet.

c) Additional shares are to be issued upon conversion of convertible notes to ordinary shares. The exact amount to be converted is dependent on the number of convertible notes to be converted on IPO, at the date of acquisition the number of shares to be issued was estimated to be 24,587,063. This was valued at \$0.325 per share, and classified as a liability on the balance sheet.

Fair value adjustments for the contingent consideration detailed above were completed at 30 June 2023, refer to note 26 for further details.

Accounting policy for business combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Note 41. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
CurveBeam LLC	United States of America	100.00%	100.00%
CurveBeam AI Holdco Inc	United States of America	100.00%	100.00%
CurveBeam AI UK Limited	United Kingdom	100.00%	100.00%
CurveBeam AI Germany GMBH*	Germany	100.00%	-

* A new subsidiary established on 15 February 2024 in Germany

Note 42. Events after the reporting period

On 1 August 2024, the Group announced a Placement and Accelerated Non-Renounceable Entitlement Offer ("ANREO"). The ANREO raised a total of \$11.58 million, before costs of raising, as follows.

On 4 August 2024, the Group announced the Institutional Placement and Institutional Entitlement Offer portion of the ANREO was complete and would raise approximately \$9.9 million in total at an issue price of \$0.18 per New Share.

Of this \$7.94 million was received on 13 August 2024 by way of issue of 44,119,954 fully paid ordinary shares at \$0.18 each.

The remaining \$2 million of the Institutional Placement and Institutional Entitlement Offer relates to funds from a related entity of Hashan De Silva, a non-executive director of the company, and is subject to shareholder approval.

The Retail Entitlement Offer portion of the ANREO closed on 22 August 2024, resulting in the issue of 9,126,773 shares on 28 August 2024 and receipt of \$1.64 million in funds raised.

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 43. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2024	2023
	\$	\$
Loss after income tax expense for the year	(23,101,017)	(51,226,754)
Adjustments for:		
Depreciation and amortisation	2,838,051	1,979,822
Non-cash finance expense	1,643,833	5,530,930
Share-based payments	2,234,312	992,483
Foreign exchange differences	133,703	112,258
Net fair value (gain)/loss on financial liabilities	(421,271)	28,294,668
Net fair value loss on financial assets	-	33,010
Gain on disposal of subsidiary	-	(90,517)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	295,239	(484,665)
Increase in inventories	(2,765,175)	(3,858,215)
Increase in prepayments and other assets	(665,719)	(1,089,870)
Decrease in trade and other payables	(2,167,928)	(938,469)
Decrease in contract liabilities	(47,009)	(851,187)
Increase in employee benefits	178,296	58,264
Decrease in other provisions	(15,625)	(135,848)
Net cash used in operating activities	<u>(21,860,310)</u>	<u>(21,674,090)</u>

Note 44. Non-cash investing and financing activities

	Consolidated	
	2024	2023
	\$	\$
Cash and cash equivalents	6,448,450	5,157,621
Borrowings (note 22)	(15,088,441)	(13,713,073)
Lease liabilities	(844,891)	(1,131,723)
Other financial liabilities (note 27)	-	(57,142,113)
	<u>(9,484,882)</u>	<u>(66,829,288)</u>

Note 44. Non-cash investing and financing activities (continued)

	Liabilities from financing activities			Sub-total	Other assets	
	Borrowings	Leases	Other financial liabilities		Cash at bank	Total
	\$	\$	\$	\$	\$	\$
30 June 2023						
Net debt as at 1 July 2022	(856,655)	-	(20,197,867)	(21,054,522)	8,698,649	(12,355,873)
Financing cash flows	733,967	176,515	(23,229,217)	(22,318,735)	(3,521,646)	(25,840,381)
Net debt acquired on acquisition of company	(14,377,309)	(457,686)	(103,652)	(14,938,647)	-	(14,938,647)
New leases	-	(840,145)	-	(840,145)	-	(840,145)
Foreign exchange adjustments	1,007,798	28,503	3,530	1,039,831	(19,382)	1,020,449
Portion of convertible note classified as equity	-	-	1,224,952	1,224,952	-	1,224,952
Finance expense	(220,874)	(38,910)	(5,470,925)	(5,730,709)	-	(5,730,709)
Fair value change	-	-	(9,368,934)	(9,368,934)	-	(9,368,934)
Closing balance as at 30 June 2023	<u>(13,713,073)</u>	<u>(1,131,723)</u>	<u>(57,142,113)</u>	<u>(71,986,909)</u>	<u>5,157,621</u>	<u>(66,829,288)</u>
30 June 2024						
Financing cash flows	(805,236)	351,200	17,752	(436,284)	1,445,291	1,009,007
Debt settled for shares	-	-	58,241,656	58,241,656	-	58,241,656
Foreign exchange adjustments	38,909	(4,721)	-	34,188	(154,462)	(120,274)
Finance expense	(609,041)	(59,647)	(975,145)	(1,643,833)	-	(1,643,833)
Fair value change	-	-	(142,150)	(142,150)	-	(142,150)
Closing balance as at 30 June 2024	<u>(15,088,441)</u>	<u>(844,891)</u>	<u>-</u>	<u>(15,933,332)</u>	<u>6,448,450</u>	<u>(9,484,882)</u>

Note 45. Earnings per share

	Consolidated	
	2024	2023
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of CurveBeam AI Limited	<u>(23,101,017)</u>	<u>(51,226,754)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>284,592,419</u>	<u>57,952,597</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>284,592,419</u>	<u>57,952,597</u>
	Cents	Cents
Basic earnings per share	(8.12)	(88.39)
Diluted earnings per share	(8.12)	(88.39)

The weighted average number of ordinary shares for 30 June 2023 has been restated for the effect of the 1-for-100 share split completed in September 2022, in accordance with AASB 133 'Earnings per share'.

Note 45. Earnings per share (continued)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of CurveBeam AI Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 46. Share-based payments

Refer to note 9 for details of share-based payment expense in the period. All share-based payments detailed below are equity-settled in nature.

Options

The New Incentive Plan was established by the Group and approved by shareholders at a general meeting on 11 May 2023, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant rights and options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. They are subject to service conditions of up to 36 months.

Options were granted to Key Management Personnel (KMP) and Non Executive Directors (NEDs) of CurveBeam AI Limited as part of the Company's Omnibus Incentive Plan on 10 May 2023, and as a part of the New Incentive Plan on 16 August 2023 and on 13 February 2024 (14 June 2024 used below as the grant date under AASB 2).

Set out below are summaries of options granted under the plan:

	Number of options 2024	Weighted average exercise price 2024	Number of options 2023	Weighted average exercise price* 2023
Outstanding at the beginning of the financial year	10,742,972	\$0.5385	29,487	\$0.3133
Granted	6,166,443	\$0.7610	10,594,372	\$0.5430
Forfeited	(96,000)	\$0.1600	(58,390)	\$0.2309
Exercised	-	\$0.0000	(257,800)	\$0.2750
Options split on a 1-for-100 basis*	-	\$0.0000	435,303	\$0.2466
Outstanding at the end of the financial year	<u>16,813,415</u>	\$0.6222	<u>10,742,972</u>	\$0.5385
Exercisable at the end of the financial year	<u>7,865,463</u>	\$0.5199	<u>148,600</u>	\$0.2166

* Exercise price and other changes shown inclusive of 1-for-100 share split complete in September 2022.

Note 46. Share-based payments (continued)

2024							
Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other**	Balance at the end of the year
15/04/2016	15/04/2024	\$0.1600	3,400	-	-	(3,400)	-
15/04/2016	15/06/2024	\$0.1600	56,800	-	-	(56,800)	-
15/04/2016	21/06/2024	\$0.1600	35,800	-	-	(35,800)	-
16/04/2017	31/10/2024	\$0.3200	45,900	-	-	-	45,900
02/07/2018	02/07/2024	\$0.3200	3,300	-	-	-	3,300
02/07/2018	02/07/2025	\$0.3200	3,400	-	-	-	3,400
10/05/2023	10/05/2029	\$0.5430	1,630,862	-	-	-	1,630,862
10/05/2023	10/05/2029	\$0.5430	1,630,862	-	-	-	1,630,862
10/05/2023	10/05/2029	\$0.5430	1,000,000	-	-	-	1,000,000
10/05/2023	10/05/2029	\$0.5430	1,223,147	-	-	-	1,223,147
10/05/2023	10/05/2029	\$0.5430	1,223,147	-	-	-	1,223,147
10/05/2023	10/05/2029	\$0.5430	2,058,824	-	-	-	2,058,824
10/05/2023	10/05/2029	\$0.5430	1,467,530	-	-	-	1,467,530
11/05/2023	11/05/2029	\$0.5430	120,000	-	-	-	120,000
11/05/2023	11/05/2029	\$0.5430	120,000	-	-	-	120,000
11/05/2023	11/05/2029	\$0.5430	120,000	-	-	-	120,000
16/08/2023	16/08/2029	\$0.8016	-	5,853,943	-	-	5,853,943
16/08/2023	16/08/2029	\$0.0000	-	93,750	-	-	93,750
14/06/2024	13/02/2030	\$0.0000	-	218,750	-	-	218,750
			<u>10,742,972</u>	<u>6,166,443</u>	<u>-</u>	<u>(96,000)</u>	<u>16,813,415</u>
2023							
Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other**	Balance at the end of the year
26/04/2021	26/04/2027	\$0.3250	8,580	-	-	(8,580)	-
26/04/2021	25/04/2028	\$0.3250	2,860	-	-	(2,860)	-
26/04/2021	26/04/2029	\$0.3250	2,860	-	-	(2,860)	-
31/12/2020	31/12/2025	\$0.3250	10,790	-	-	(10,790)	-
15/04/2016	15/04/2023	\$0.1600	66	-	(3,300)	3,234	-
15/04/2016	15/04/2024	\$0.1600	34	-	-	3,366	3,400
15/04/2016	15/06/2023	\$0.1600	567	-	(26,700)	26,133	-
15/04/2016	15/06/2024	\$0.1600	568	-	-	56,232	56,800
15/04/2016	01/08/2023	\$0.1083	51	-	(5,100)	5,049	-
15/04/2016	21/06/2023	\$0.1600	358	-	(35,800)	35,442	-
15/04/2016	21/06/2024	\$0.1600	358	-	-	35,442	35,800
16/04/2017	07/06/2023	\$0.3200	1,836	-	(183,600)	181,764	-
16/04/2017	31/10/2024	\$0.3200	459	-	-	45,441	45,900
16/04/2017	02/07/2023	\$0.3200	33	-	(3,300)	3,267	-
02/07/2018	02/07/2024	\$0.3200	33	-	-	3,267	3,300
02/07/2018	02/07/2025	\$0.3200	34	-	-	3,366	3,400
10/05/2023	10/05/2029	\$0.5430	-	1,630,862	-	-	1,630,862
10/05/2023	10/05/2030	\$0.5430	-	1,630,862	-	-	1,630,862
10/05/2023	10/05/2029	\$0.5430	-	1,000,000	-	-	1,000,000
10/05/2023	10/05/2029	\$0.5430	-	1,223,147	-	-	1,223,147
10/05/2023	10/05/2030	\$0.5430	-	1,223,147	-	-	1,223,147
10/05/2023	10/05/2029	\$0.5430	-	2,058,824	-	-	2,058,824
10/05/2023	10/05/2029	\$0.5430	-	1,467,530	-	-	1,467,530
11/05/2023	11/05/2029	\$0.3250	-	120,000	-	-	120,000
11/05/2023	11/05/2029	\$0.3250	-	120,000	-	-	120,000
11/05/2023	11/05/2029	\$0.3250	-	120,000	-	-	120,000
			<u>29,487</u>	<u>10,594,372</u>	<u>(257,800)</u>	<u>376,913</u>	<u>10,742,972</u>

Note 46. Share-based payments (continued)

* Exercise price shown inclusive of 1-for-100 share split complete in September 2022.

** Other changes include impact of 1-for-100 share split complete in September 2022.

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2024 Number	2023 Number
15/04/2016	15/04/2024	-	3,400
15/04/2016	15/06/2024	-	56,800
15/04/2016	21/06/2024	-	35,800
16/04/2017	31/10/2024	45,900	45,900
02/07/2018	02/07/2024	3,300	3,300
02/07/2018	02/07/2025	3,400	3,400
10/05/2023	10/05/2029	7,380,363	-
11/05/2023	11/05/2029	120,000	-
16/08/2023	16/08/2029	93,750	-
14/06/2024	13/02/2030	218,750	-
		<u>7,865,463</u>	<u>148,600</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.95 years (June 2023: 6.07 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value using a Black-Scholes model at the grant date, are as follows. For Zero Exercise Price Options ('ZEPO') granted during the year, valuation was based on share price on grant date, being \$0.48 for ZEPO's granted on 16 August 2023 and \$0.20 for ZEPO's granted on 14 June 2024.

Grant date	Expiry date	Share price at grant date	Exercise* price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/08/2023	16/08/2029	\$0.4800	\$0.8016	92.60%	-	4.10%	\$0.297

* Exercise price shown inclusive of 1-for-100 share split complete in September 2022.

Loan Funded Plan

On 12 October 2022, following from shareholder approval for its Long Term Incentive Plan, the Company issued 2,880,000 Class A shares to senior managers and employees of CurveBeam AI Limited, under a loan funded share plan. On listing on the ASX, the Class A shares were converted to ordinary shares, however remain subject to the same vesting terms and voting rights, including service conditions of up to 36 months.

The loans to acquire the shares are to be repaid by the repayment dates set out in the loan agreement. If the loan is not repaid by the repayment date, the Company will have recourse only to the cash proceeds received by the employee from a disposal of the loan funded shares and the distribution or after-tax amount in respect of a cash dividend received by the employee in respect of the loan funded shares.

Loan fund shares are limited recourse loan, which are considered options under AASB 2 - Share-based payment. The fair value of the option on grant date ranged from \$0.202 to \$0.257, and the exercise price of the option is \$0.325.

Set out below are summaries of loan funded shares granted during the period.

Note 46. Share-based payments (continued)

	Consolidated	
	2024	2023
	No.	No.
Opening balance	2,466,000	-
Granted during the year	-	2,880,000
Cancelled/forfeited during the year	-	(414,000)
Closing balance	<u>2,466,000</u>	<u>2,466,000</u>

The weighted average remaining contractual life of the loan funded shares outstanding at the end of the financial year was 5.79 years (June 2023: 6.79 years).

As at 30 June 2024, the value of the loans in the loan funded share plan amounted to \$801,450 (June 2023: \$801,450).

Share Rights

On 16 August 2023, on completion of the initial public offer on the ASX, 582,611 share rights were granted to employees, issued under the New Incentive Plan.

On 13 February 2024, following on from approval at the AGM, 72,917 share rights were granted to the Chairman, and 738,822 share rights were issued to KMP and senior executives as settlement for FY23 short-term incentives.

For accounting purposes, the grant date of the share rights granted to the Chairman was deemed to be 14 June 2024.

	Consolidated	
	2024	2023
Opening balance	-	-
Granted during the year	1,394,350	-
Converted into shares	-	-
Closing balance	<u>1,394,350</u>	<u>-</u>

The share rights do not have an exercise price, and were valued at the grant date share price noted below. The vesting conditions include continuous employment for between 3 months and 24 months. They do not have an expiry date.

As at 30 June 2024, 104,167 share rights had vested (June 2023: NIL).

Grant date	Expiry Date	Share price on grant date	Fair value on grant date
16/08/2023	n/a	\$0.48	\$0.48
13/02/2024	n/a	\$0.23	\$0.23
14/06/2024	n/a	\$0.20	\$0.20

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 46. Share-based payments (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 47. Commitments

	Consolidated	
	2024	2023
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Intangible assets	374,415	-

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Australian Resident or Foreign Resident	Foreign Jurisdiction for Foreign Residents
CurveBeam AI Limited	Body corporate	Australia	-	Australian	n/a
CurveBeam AI Holdco Inc	Body corporate	United States of America	100.00%	Foreign	USA
CurveBeam LLC	Body corporate	United States of America	100.00%	Foreign	USA
CurveBeam AI UK Ltd	Body corporate	United Kingdom	100.00%	Foreign	UK
CurveBeam AI Germany GMBH	Body corporate	Germany	100.00%	Foreign	Germany

Basis of preparation

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the consolidated entity as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

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Independent auditor's report

To the members of CurveBeam AI Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of CurveBeam AI Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 30 June 2024
- the consolidated statement of changes in equity for the year then ended.
- the consolidated statement of cash flows for the year then ended.
- the consolidated statement of profit or loss and other comprehensive income for the year then ended.
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information.
- the consolidated entity disclosure statement as at 30 June 2024
- the directors' declaration.

Basis for opinion

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 also fulfilled our other ethical responsibilities in accordance with the Code.



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Audit scope	Key audit matters
<ul style="list-style-type: none">Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	<ul style="list-style-type: none">Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:<ul style="list-style-type: none">Revenue recognitionCarrying value of goodwillThese are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition (Refer to note 5)</p> <p>The Group recognised revenue of \$6.5m, which is predominantly comprised of the following revenue streams:</p> <ul style="list-style-type: none">Sale of Devices (\$4.5m)Warranty Service revenue (\$1.4m)Other operating revenue (\$0.6m) <p>This was a key audit matter due to:</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none">Developed an understanding of the process undertaken by the Group to identify POs and to allocate the transaction price.Agreed certain information on a selection of revenue transactions to relevant supporting documents, such as contracts with customers and delivery notes, to assess the identified POs and recalculated the transaction price allocated to the identified POs



Key audit matter

- the financial significance of revenue to the Group's financial results
- the judgement involved in identifying and determining the performance obligations (POs) in each revenue contract, and the allocation of the transaction price to the identified POs

Carrying value of goodwill (Refer to note 20)

As required under AASB 136 Impairment of assets, the Group assesses the carrying value of goodwill annually for impairment, irrespective of whether there are indicators of impairment.

The Group has prepared a value-in-use (VIU) model based on discounted cash flow forecasts to calculate the recoverable amount of its cash generating unit (CGU).

As at 30 June 2024, the significant assets within the CGU include goodwill of \$20.2m, other intangible assets of \$18.1m and inventory of \$10.8m.

This was a key audit matter due to the financial significance of the goodwill balance to the consolidated statement of financial position and the significant judgement involved in determining the recoverable amount of the CGU, including expected future cash flows and discount rate.

How our audit addressed the key audit matter

- Evaluated the reasonableness of the associated disclosures in the financial report against the requirements of the Australian Accounting Standards

We performed the following procedures, amongst others:

- Assessed whether the CGU appropriately included all directly attributable assets, liabilities, corporate overheads and cash flows.
- Evaluated the forecast cash flows used in the VIU model for consistency with the Group's most up-to-date budget.
- Assessed the historical accuracy of the CGU's cash flow forecasts by comparing prior budgets to actual performance.
- Reperformed a selection of calculations in the VIU model to assess the mathematical accuracy
- Together with PwC valuation experts:
 - Assessed whether the VIU model used to estimate the recoverable amount of the CGU is consistent with the requirements of Australian Accounting Standards
 - Assessed whether the discount rate appropriately reflects the risks of the CGU by comparing the discount rate assumptions to market data, comparable companies and industry research.



Key audit matter

How our audit addressed the key audit matter

- Evaluated the reasonableness of the disclosures made, including those regarding key assumptions and sensitivities to changes in such assumptions, against the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Appendix 4E, Corporate directory, Directors' report, and Shareholder information. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* including giving a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

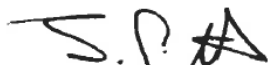
We have audited the remuneration report included in the directors' report for the year ended 30 June 2024.

In our opinion, the remuneration report of CurveBeam AI Limited for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.


PricewaterhouseCoopers


Jon Roberts
Partner

Melbourne
29 August 2024

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In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Gregory Brown
Chief Executive Officer and Managing Director

29 August 2024



Robert Lilley
Non-Executive Chair

The shareholder information set out below was applicable as at 22 August 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	24	-	-	-
1,001 to 5,000	255	0.22	-	-
5,001 to 10,000	137	0.30	1	0.03
10,001 to 100,000	391	3.99	52	9.10
100,001 and over	236	95.49	37	90.87
	<u>1,043</u>	<u>100.00</u>	<u>90</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>134</u>	<u>-</u>	<u>-</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	67,419,801	18.50
CITICORP NOMINEES PTY LIMITED	46,739,868	12.83
KP TMF ASA 2 \C	21,857,867	6.00
ARUN SINGH	20,561,672	5.64
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	12,577,575	3.45
GREGORY WAYNE BROWN	11,048,024	3.03
SUSMITA SINGH ARUN SINGH FAMILY A/C>	10,444,231	2.87
ARUN SINGH ARUN SINGH FAMILY A/C>	9,034,709	2.48
UBS NOMINEES PTY LTD	6,661,601	1.83
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,023,194	1.65
CAPITAL M GROUP II LLC	4,891,426	1.34
APEX FUND SERVICES PTY LTD FRAZIS VENTURE FUND A/C>	4,621,452	1.27
GREGORY WAYNE BROWN G W BROWN SF A/C>	4,542,500	1.25
SEEGO PTY LTD	4,094,528	1.12
ILWELLA PTY LTD	3,405,102	0.93
UWE MUNDRY + SIGRID MUNDRY UWE SIGRID MUNDRY REV A/C>	3,370,593	0.93
UM COMMERCIALISATION PTY LTD	3,260,000	0.89
BNP PARIBAS NOMS PTY LTD	3,070,707	0.84
ROBERT MCG LILLEY ROBERT MCG LILLEY A/C>	2,902,217	0.80
FRANCOIS LINTZ	2,865,040	0.79
	<u>249,392,107</u>	<u>68.44</u>

Unquoted equity securities

The Company has 29,214,178 options on issue in accordance with the 'Shares under option' section of the Directors' Report.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
FIRETRAIL INVESTMENTS PTY LTD	43,210,324	11.86
ARUN SINGH & SUSMITA SINGH	41,082,279	11.28
ILWELLA PTY LTD	30,379,856	8.34
PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	24,960,025	6.85
KARST PEAK CAPITAL LIMITED AND ITS ASSOCIATES, KP TMF ASA 2 AND KARST PEAK THYLACINE MASTER FUND	21,857,867	6.00
GREGORY WAYNE BROWN	18,869,624	5.18

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Fully paid ordinary shares subject to ASX/voluntary escrow	23 August 2025	84,125,749
Loan shares	23 August 2025	1,610,000
Loan shares	Various - subject to plan rules	856,000
		<u>86,591,749</u>

Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that since its Admission to the ASX on 21 August 2023 it has used the cash and assets (in a form readily convertible to cash) at the time of admission in a way consistent with its business objectives.

The Board continues to believe that the Company is still on track to meet its business objectives, though sales and marketing expenditure is slower than initially planned, management are applying investment carefully where traction can be achieved.