1414 DEGREES LIMITED

ACN 138 803 620

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2017

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FOR THE YEAR ENDED 30 JUNE 2017

CONTENTS

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ACN 138 803 620

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The directors of 1414 Degrees Limited present their report on the company for the financial year ended 30 June 2017.

DIRECTORS

The following persons were directors of 1414 Degrees Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:
Kevin Charles Moriarty
Robert John Keith Shepherd
Matthew Johnson
Dana Larson (appointed 18/10/2017)
Jeremy James Moore (appointed 4/8/2017) (resigned 14/10/2017)
John Henry Moss (resigned 31/10/2016)
Jonathon Whalley (resigned 28/10/2016)

COMPANY SECRETARY

Richard Willson (appointed 14/10/2017)
Pierre Andre Van Der Merwe (appointed 18/10/2016) (resigned 13/10/2017)
Robert John Keith Shepherd (resigned 7/7/2017)

NAMES, QUALIFICATIONS, EXPERIENCE and SPECIAL RESPONSIBILITIES

Dr Kevin Moriarty, BSC (Hons), Ph.D., MAusIMM (Executive Chairman)

Kevin has over 40 years of mining and oil exploration and development experience and 29 years of corporate experience in roles including Chairman and Managing Director of listed companies. He founded and led several companies to develop mines in Australia and Africa. He has served as director and chairman of a number of ASX listed companies guiding their restructure and relisting.

He has researched deep sea sediments, cave and fossil deposits, publishing papers on climate change through time while an honorary research fellow of Flinders and the Australian National Universities.

Robert Shepherd, FIPA, CTA, JP (Non-Executive Director) (Company Secretary - resigned 7/7/2017)

Robert is a qualified accountant who has practised for 49 years as a public accountant specialising in income tax compliance and company administration. He has owned and managed his own practice with a clientele ranging from primary producers, small business retail clients and medium sized businesses. He has had local Government experience and held a senior executive position for several years in a national sporting body in addition to operating his accounting practice.

He is a founding investor and director of 1414 Degrees from its incorporation, involved in management, administration and has provided significant funding through the development of the Company.

Matthew Johnson, BSC (Executive Director)

Matthew is a Mechanical Engineer with 25 years of experience, and is the principal engineer and founder of ammjohn, a specialist industrial engineering practice. Matthew started his career in industrial construction site works, moving to a commissioning engineering role for a range of specialist German cement technology companies. During this time he built and commissioned a number of projects, which at the time were ground-breaking and at the very edge of what was considered technically feasible, thus providing an excellent basis for his role with 1414 degrees.

Matthew has been the key technical driver of 1414 Degrees since 2011.

Dana Larson, BSC Chemical and Petroleum Engineering (Non-Executive Director - appointed 18/10/2017)

Dana is an oil and gas expert with 15 years of experience in reservoir engineering, financial modelling and engineering management. He has a passion for cultivating a culture of success on teams and for leveraging technical knowledge to create and optimize value for companies.

Richard Willson, FAICD, FCPA (Company Secretary - appointed 14/10/2017)

Richard is an experienced CFO, Company Secretary and Non-Executive Director of various companies. He has more than 20 years experience in a range of finance, company secretarial and directorship roles mainly within the resources and agricultural sectors for ASX listed, private and multinational companies.

Pierre van der Merwe, CA (Company Secretary - appointed 18/10/2016, resigned 13/10/2017)

Pierre is a Chartered Accountant of 25 years experience with extensive knowledge in the provision of corporate secretarial and accounting services to ASX listed companies. He also has experience as Chief Financial Officer and was a Partner in HLB Mann Judd, an Australasian accountancy and business advisory group.

PRINCIPAL ACTIVITIES

1414 Degrees Limited is conducting Research & Development into the development of bulk energy storage solutions for energy security in light of the expanding distributed renewables generation that is a feature of modern electricity grids.

DIVIDENDS

No dividends have been paid during or since the financial year ended 30 June 2017.

1414 DEGREES LIMITED
ACN 138 803 620

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

REVIEW OF OPERATIONS

A summary of economic revenues and results is set out below:

The company's operating loss after income tax expense for the year ended 30 June 2017 was $954,355 (2016: loss $294,495).

During the year the company capitalised $1,011,122 (2016: $751,013) in the development of its thermal energy storage system (TESS) and received a further $60,000 (2016: $211,955) relating to the Accelerating Commercialisation grant agreement. During the year this grant was fully applied to the capitalised Development Costs. The company also claimed R&D income tax incentive of $459,748 (2016: $100,100). In 2017 this amount was also applied to capitalised development costs.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The company converted to a public company on 8 December 2016 and changed its name to 1414 Degrees Limited from Latent Heat Storage Pty Ltd.
The company undertook an 18:1 share split on 16 August 2016.
In the twelve month period ending 30 June 2017 the company issued 44,828,000 shares raising $2,776,620.

LIKELY DEVELOPMENTS

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In the period ending 30 September 2017 the company issued a further 17,130,004 shares raising $2,569,501.

ENVIRONMENTAL REGULATION

The company is not subject to significant environmental regulations and is not aware of any breaches of any environmental regulations during the year.

MEETINGS OF DIRECTORS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2017, and the number of meetings attended by each director are set out below:

	Board		Committee	
Directors	Held	Attended	Held	Attended
Kevin Charles Moriarty	11	11	0	0
Robert John Keith Shepherd	11	11	0	0
Matthew Johnson	11	11	0	0
Dana Christopher Larson (appointed 18/10/2017)	0	0	0	0
Jeremy James Moore (appointed 4/8/2017)	0	0	0	0
John Henry Moss (resigned 31/10/2016)	4	2	0	0
Jonathon Whalley (resigned 31/10/2016)	4	4	0	0

INDEMNIFICATION OF OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of 1414 Degrees Limited.

DIRECTORS & OFFICERS INSURANCE

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of $16,930. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

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 a company member is a party, for the purpose of taking responsibility on behalf of the company member for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

Kevin Moriarty

Robert Shepherd

Adelaide, this 27 day of October 2017

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 AU$	2016 AU$
Revenue	4	2,745	46
Research and Development Expenses		-	-
Administration Expenses		215,252	204,315
Marketing Expenses		157,873	578
Share Based Payments (Equity-settled)		386,007	-
Other Expenses		197,968	15,108
Finance Costs		-	74,540
Profit / (Loss) before income tax		(954,355)	(294,495)
Income tax benefit / (expense)	6	-	-
Profit / (Loss) for the year		(954,355)	(294,495)
Other comprehensive income for the year			
Items that will be reclassified subsequently to profit or loss:		-	-
		-	-
Total comprehensive income for the year		(954,355)	(294,495)

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

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 AU$	2016 AU$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,608,005	14,005
Trade and other receivables	8	483,226	241,649
Total current assets		2,091,231	255,654
Non-current assets			
Intangible Assets	9	787,367	295,993
Total non-current assets		787,367	295,993
Total assets		2,878,598	551,647
LIABILITIES			
Current liabilities			
Trade and other payables	10	465,105	418,311
Deferred revenue	11	-	-
Total current liabilities		465,105	418,311
Non-current liabilities			
Convertible notes	12	-	-
Total non-current liabilities		-	-
Total liabilities		465,105	418,311
Net assets		2,413,493	133,336
EQUITY			
Contributed equity	13	5,066,285	2,217,780
Share Based Payments Reserve	14	386,007	-
Accumulated losses		(3,038,799)	(2,084,444)
Total equity		2,413,493	133,336

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

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 AU$	2016 AU$
Cash flows from operating activities			
Cash paid to suppliers (inc GST)		(406,228)	(229,590)
Research & Development tax offset received		100,100	74,650
Government grants		60,000	211,955
Interest received		2,745	46
Net cash inflow/(outflow) from operating activities	15	(243,383)	57,061
Cash flows from investing activities			
Payments for product development activities		(1,064,264)	(512,862)
Net cash inflow/(outflow) from investing activities		(1,064,264)	(512,862)
Cash flows from financing activities			
Proceeds from the issue of convertible notes		-	349,973
Proceeds from call on convertible notes		125,027	-
Proceeds from the issue of shares		2,776,620	-
Net cash inflow/(outflow) from financing activities		2,901,647	349,973
Net increase/(decrease) in cash and cash equivalents		1,594,000	(105,828)
Cash and cash equivalents at beginning of period		14,005	119,833
Cash and cash equivalents at end of period	7	1,608,005	14,005

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

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Contributed equity $	Share Based Payments Reserve $	Accumulated Losses $	Total equity $
At 1 July 2015	1,000,800	-	(1,789,949)	(789,149)
Loss for the year	-	-	(294,495)	(294,495)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(294,495)	(294,495)
Transactions with owners in their capacity as owners				
Dividends paid	-	-	-	-
Conversion of convertible notes	1,216,980	-	-	1,216,980
	1,216,980	-	-	1,216,980
At 30 June 2016	2,217,780	-	(2,084,444)	133,336
Loss for the year	-	-	(954,355)	(954,355)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(954,355)	(954,355)
Transactions with owners in their capacity as owners				
Dividends paid	-	-	-	-
Amortised cost of share based payments	-	386,007	-	386,007
Conversion of loans	71,885	-	-	71,885
Contributions of equity net of transaction costs	2,776,620	-	-	2,776,620
	2,848,505	386,007	-	3,234,512
At 30 June 2017	5,066,285	386,007	(3,038,799)	2,413,493

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

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 CORPORATE INFORMATION

The financial statements of 1414 Degrees Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 27 October 2017 and cover the company as required by Australian Accounting Standards.

The financial statements are presented in the Australian currency.

1414 Degrees Limited is a company limited by shares incorporated and domiciled in Australia.

The address of the company's registered office and principal place of business is 193 West Terrace, Adelaide SA 5000.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, Australian Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The company is a for-profit company for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Amounts have been rounded to whole dollars.

The company made a loss of $954,355 for the year ended 30 June 2017 but had net current assets of $1,626,126 as at that date. The directors believe the company has sufficient cash and cash equivalents, together with the following activities, to meet the minimum committed expenditure of the company
- In the period ending 30 September 2017 the company issued a further 17,130,004 shares raising $2,569,501

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.
The accounting policies have been consistently applied, unless otherwise stated.

(b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.
All revenue is stated net of the amount of goods and services tax (GST).

Grant revenue

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to intangible assets are deducted from the cost of the asset.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(c) Goods and Services Tax (GST)

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised in other comprehensive income.

(e) Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(f) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with 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 and bank overdrafts.

(g) Intangible Assets

Product Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Expenditure capitalised comprises costs of materials and services. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired. As the asset is not yet available for use, the useful life has not yet been determined.

(h) Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

(i) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

All trade and other payables are non interest bearing.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Equity Settled Compensation

The Company provides benefits and incentives to employees and key contractors of the Company in the form of share-based payments, whereby employees and key contractors receive shares.

The cost of equity-settled transactions is recognised as an expense in the statement of profit or loss and other comprehensive income, together with a corresponding increase in the share based payments reserve. However, where shares have milestones and vesting terms attached, the cost of the transaction is amortised over the vesting period.

(k) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(l) Financial Instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iii) Financial Liabilities

The company's financial liabilities are borrowings and compound instruments (convertible notes).

Non-derivative financial liabilities (borrowings, excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

The component part of the convertible notes issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion options that will be settled by the exchange of a fixed amount of the company's own equity instruments under an option by the holders is an equity instrument, and if under an option by the company is a liability instrument. The conversion option classified as a liability instrument's value is estimated at fair value on issue.

The liability component is determined by calculating the outflow of money required to repay the convertible notes in full. The liability is recognised until extinguished upon conversion or at the instrument's maturity date. The equity component of the convertible note is determined by deducting the liability component from the face value of the convertible note. Each component shall be classified separately as financial liability or equity instruments in accordance with AASB 132.

Where the convertible note includes a discount on conversion, the maximum costs of the discount is calculated based on the face value of the convertible note at inception. The cost is then accrued as additional interest applied using the effective interest method. In the event of the repayment, cancellation or amendment to the convertible note, any additional interest accrued will be reversed in the statement of profit or loss and other comprehensive income.

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Accounting Standards Issued But Not Yet Effective
Certain new accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2017.
At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective or adopted.

Standards and Interpretations in issue not yet adopted	reporting periods beginning	applied in the financial year
AASB 9 'Financial Instruments'	1-Jan-18	30-Jun-19
AAASB 15 'Revenue from Contracts with Customers'	1-Jan-18	30-Jun-19
AASB 16 'Leases'	1-Jan-19	30-Jun-20

The company is not able to reasonably estimate the potential imapct of AASB 15 and AASB 16 as it has not entered into transactions covered by these standards. AASB 9 is not expected to have a material impact based on the transactions presently entered into bny the company.

(n) Application of new and revised Accounting Standards
The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

NOTE 3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates - Impairment
The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key

With respect to cash flow projections for intangible assets with an indefinite useful life and those with a finite useful life but not yet considered ready for use, relevant inputs have been factored into valuation models for the next 5 years on the basis of management's expectations regarding the growth of the market and the company's ability to capture market share. Pre-tax discount rates of 5% have been used in all models.

No impairment has been recognised in respect of intangible assets at the end of the reporting period.

Key Estimates - Equity- settled share based payments
The fair value of the equity-settled share based payment is measured using a modified share price approach. The inputs into this model are not able to be taken from observable markets as the value of the share-based payment is based on internal information. Estimates in this model include the fair value of the shares, the timing of vesting and probability of meeting service periods and other conditions. Changes in these assumptions could affect the reported value of the share based payment expense.

Key Judgements - Product Development
Included within intangible assets at the end of the reporting period is Product Development with a net carrying value of $787,367 (2016: $295,993) being the carrying value of the Product Development intangible asset of $1,787,215 (2016: $776,093) less the associated Government Grant funding of $440,000 (2016: $380,000) and the R&D refundable tax offsets received of $559,848 (2016: $100,100). The directors believe that while the development and commercialisation of the technology remains in-progress and the asset is not yet generating economic benefits (beyond customer trials), it is not considered ready for use. A reliable estimate for the useful life of the asset will only be capable of being determined once the asset is assessed as ready for use, after which point, amortisation will commence.

	2017 AU$	2016 AU$
NOTE 4 OTHER INCOME		
Interest Received	2,745	46
	2,745	46

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 5 AUDITORS' REMUNERATION

	2017 AU$	2016 AU$
Audit services		
Amounts paid/payable to BDO for audit of the financial statements of the company	9,000	4,500
	9,000	4,500

NOTE 6 INCOME TAX EXPENSE

Income Tax expense/(benefit) comprises:

	2017 AU$	2016 AU$
Current tax expense		
Current tax expense/(benefit)	-	-
Adjustments for previous years	-	-
Total current income tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	-	-
Total income tax expense/(benefit) in profit or loss	-	-

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:

	2017 AU$	2016 AU$
Profit/(Loss) from operations before tax	(954,355)	(294,495)
Income tax calculated at 30%	(286,307)	(88,349)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Tax offsets	-	-
Research and Development tax incentives	317,068	66,733
Other reconciling items	(30,761)	21,616
Utilisation of previously unrecognised tax losses	-	-
	-	-

The amount of gross tax losses relating to Australian operations that are carried forward is $1,018,067 (2016: $590,550).

NOTE 7 CASH AND CASH EQUIVALENTS

	2017 AU$	2016 AU$
Cash at bank	1,608,005	14,005
	1,608,005	14,005

An amount of $152,515 included as cash has been set aside to support a bank guarantee issued to the landlord of the rented premises.

NOTE 8 TRADE AND OTHER RECEIVABLES

	2017 AU$	2016 AU$
R&D refundable tax offset	459,748	100,100
Other receivables	23,478	141,549
	483,226	241,649

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 AU$	2016 AU$
NOTE 9 INTANGIBLE ASSETS		
Product Development - Intellectual Property		
Intangible assets under development - at cost	1,787,215	776,093
Government Grants received	(440,000)	(380,000)
R&D Refundable Tax Offset received	(559,848)	(100,100)
	787,367	295,993
Reconciliation of Product Development - Intellectual Property		
Balance at the beginning of the year	295,993	-
Additions	1,011,122	751,013
Government Grants received	(60,000)	(354,920)
R&D Refundable Tax Offset received	(459,748)	(100,100)
Closing carrying value	787,367	295,993
Total Intangible Assets	787,367	295,993

Intellectual property consists of TESS (thermal energy storage system) development of bulk energy storage solutions.
No amortisation or impairment has been recognised as the intelectual property is not available for use as at 30 June 2017.

The government grant relates to accelerating the commercialisation of the company's intellectual property.

	2017 AU$	2016 AU$
NOTE 10 TRADE AND OTHER PAYABLES		
CURRENT		
Trade and other payables	465,105	411,201
GST payable	-	-
Other payables and accruals	-	7,110
	465,105	418,311

	2017 AU$	2016 AU$
NOTE 11 DEFERRED REVENUE		
CURRENT		
Government Grants received in advance	-	-
	-	-

The government grant relates to accelerating the commercialisation of the company's intellectual property. At reporting date these funds were deferred awaiting use on the required project.

	2017 AU$	2016 AU$
NOTE 12 CONVERTIBLE NOTES - LIABILITY COMPONENT		
Balance at the beginning of the year	-	667,440
Issued during the year	-	475,000
Interest accrued for the year	-	74,540
Redeemed or converted during the year	-	(1,216,980)
	-	-

Convertible notes bear interest at 10% per annum accrued on the last day of each quarter. No interest was paid in the year. Per note 2(l)(iii) additional interest has been accrued in relation to the discount on conversion. The terms of the convertible note were amended and subsequently converted to ordinary shares on 30 June 2016.

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 13 CONTRIBUTED EQUITY

	2017 No. of Shares	2017 AU$	2016 No. of Shares	2016 AU$
Share capital				
Ordinary shares - authorised, issued and fully paid opening balance	2,217,780	2,217,780	1,000,800	1,000,800
Conversion of convertible notes	-	-	1,216,980	1,216,980
Share split 18:1	37,659,964	-	-	-
Conversion of loans	1,295,229	71,885	-	-
Contributions of equity net of transaction costs	44,828,000	2,776,620	-	-
Ordinary shares - authorised, issued and fully paid closing balance	86,000,973	5,066,285	2,217,780	2,217,780

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

Ordinary shares have no par value.

Capital Management

Management controls the capital of the company in order to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital, convertible notes and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. There have been no changes in the strategy adopted by management to control the capital of the company since the prior year and the objectives for managing capital have been met.

NOTE 14 SHARE BASED PAYMENTS RESERVE

	2017 AU$	2016 AU$
Balance at the beginning of the year	-	-
Issued and amortised over vesting period during the year	386,007	-
	386,007	-

The Company provides benefits and incentives to employees and key contractors of the Company in the form of share-based payments, whereby employees and key contractors receive the right to receive shares upon successful completion of milestones or vesting terms. This provides the company with an ability to appoint and retain qualified and experienced employees and key contractors without large cash outflows.

On 24 October 2016, the company entered into agreements with key contractors to issues shares, subject to shareholder approval, for meeting certain milestones. Separate share tranches would be issued for each of the following milestones

- certain specfic performance target in relation to the contractactors duties with the company (Milestone 1)
- first 3 months post listing with VWAP share price being 100% more than the issue price at the initial public offering (Milestone 2)
- completion of three years continuous service with the company (Milestone 3)

At measurement date the following rights to shares were granted;

	2017 No. of Shares
Milestone 1	7,750,000
Milestone 2	6,500,000
Milestone 3	4,750,000
	19,000,000

The weighted average fair value of these instruments at 24 October 2016 was 8.3c.

The fair value was measured based on the share price of the company's capital raisings around the time of the issue of these instruments. Where performance conditions that are market conditions applied to the share issue, the fair value was further modified to take this performance condition into account. No dividends were incorporated into the measurement of fair value.

NOTE 14 SHARE BASED PAYMENTS RESERVE (continued)

At a meeting of the board of directors on 11 October 2017, it was resolved that the agreements noted above with Robert Riebolge, Jonathan Whalley, Pierre van der Merwe and Nigel Gammon be cancelled with the consent of the parties. These agreements represent 13m of the 19m shares at grant date. With effect from termination of these contracts, each party shall be released and discharged from all future obligations and liabilities to the other party under these contracts. Provided each party enters into a new service agreement which does not contain any offer of shares, the following terms & offers will be made to each party:

Robert Riebolge (and/or nominee) to receive 1,600,000 shares
Jonathan Whalley (and/or nominee) to receive 1,200,000 shares
Pierre van der Merwe (and/or nominee) to receive 800,000 shares
Nigel Gammon (and/or nominee) to receive 800,000 shares

NOTE 15 CASH FLOW INFORMATION

Reconciliation of profit after income tax to net cash flow from operating activities

	2017 AU$	2016 AU$
Loss for the year	(954,355)	(294,495)
Change in operating assets and liabilities		
- (increase)/decrease in trade and other receivables	118,071	(16,522)
- (increase)/decrease in R&D tax claim receivable	(359,648)	(25,450)
- increase/(decrease) in government grant applied to intangible asset	60,000	211,955
- increase/(decrease) in R&D tax claim applied to intangible asset	459,748	100,100
- increase/(decrease) in trade and other payables	46,794	6,933
- increase/(decrease) in share based payments reserve	386,007	-
- increase/(decrease) in convertible notes accrued interest	-	74,540
Net cash flow from operating activities	(243,383)	57,061

Non-cash financing activities

The company issued $50,000 worth of shares in relation to transaction costs for share issues.

NOTE 16 CONTINGENCIES

Contingent Liabilities

At 30 June 2017 those charged with governance of the company note that there are no known contingent liabilities (2016: nil).

NOTE 17 RELATED PARTY

(a) Related Party Transactions

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

Transactions with related parties:

i. - ammjohn Pty Ltd, a company related to Matthew Johnson, charged contract engineering fees of $710,196 during the year and a balance of $272,673 was outstanding at 30 June 2017. A creditor balance of $64,774 at 30 June 2016 was converted to shares at 10c per share during the year ended 30 June 2017.

- Aroona Technologies Pty Ltd, a company related to Jonathon Whalley, charged professional fees of $25,000 during the period 1 July 2016 to 31 October 2016 (date of resignation as director) and no balance relating to these charges was outstanding at 30 June 2017

ii No interest accrued to related parties during the year on convertible notes
Convertible notes issued to related parties as at 30 June 2016 were nil

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 18 KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to KMP of the company during the year are as follows;

	2017 AU$	2016 AU$
Short-term employee benefits	125,000	188,500
Post-employment benefits	-	-
Other long term benefits	-	-
Share-based payments	370,527	-
Total KMP compensation	495,527	188,500

These amounts represent the company's employee benefits expense for the year.

NOTE 19 FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and convertible notes.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2017 AU$	2016 AU$
Financial Assets			
Cash and cash equivalents	7	1,608,005	14,005
Trade and other receivables	8	483,226	241,649
Total financial assets		2,091,231	255,654
Financial Liabilities			
Financial Liabilities at amortised cost:			
Trade and other payables	10	465,105	418,311
Convertible notes	12	-	-
Total financial liabilities		465,105	418,311

General objectives, policies and processes

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Market Risk

The company's activities expose it primarily to the financial risks of changes in interest rates. The company analyses its risk by considering sensitivity on its interest rate exposures and determining the potential impact on it's effected expenses and revenue of movements in these rates. If the potential variance is material then management may seek to minimise this exposure but it does not consider this to be the case at this time.

Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company does not have any material credit risk exposure to any single debtor or company of debtors under financial instruments entered into by the company. Trade receivables represent the maximum exposure to credit risk, credit quality is considered good.

Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The directors manage liquidity risk by monitor forecast cash flows and ensuring that the company's operations are adequate to meet liabilities due.

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	AU$	AU$	AU$	AU$	AU$	AU$	AU$	AU$
	2017	2016	2017	2016	2017	2016	2017	2016
Financial liabilities due for settlement								
Trade and other payables	465,105	418,311	-	-	-	-	465,105	418,311
Total expected outflows	465,105	418,311	-	-	-	-	465,105	418,311
Financial assets - cash flows realisable								
Cash and cash equivalents	1,608,005	14,005	-	-	-	-	1,608,005	14,005
Trade and other receivables	483,226	241,649	-	-	-	-	483,226	241,649
Total expected inflows	2,091,231	255,654	-	-	-	-	2,091,231	255,654

Sensitivity Analysis

Interest rate risk

At 30th June 2017 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to $1,608,005. A +/-1% change in interest rates during the year ended 30th June 2018 will result in a +/- change in net interest income of $16,080.

At 30th June 2016 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to $14,005. A +/-1% change in interest rates during the year ended 30th June 2017 will result in a +/- change in net interest income of $140.

Management has considered that both a positive and negative 1% variance is sufficient to illustrate the potential variations in interest income.

NOTE 20 COMMITMENTS FOR EXPENDTURE	2017 AU$	2016 AU$
Operating leases		
Not longer than 1 year	241,900	-
Longer than 1 year and not longer than 5 years	474,232	-
	716,132	-

Terms of underlease arrangements
The Company has in place an operating underlease for its principal place of business which expires on 29/2/2020.

NOTE 21 SUBSEQUENT EVENTS
In the period ending 30 September 2017 the company issued a further 17,130,004 shares raisng $2,569,501 in seed capital.

1414 DEGREES LIMITED
ACN 138 803 620

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of 1414 Degrees Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 16 are in accordance with the *Corporations Act 2001* and;
   a. comply with Australian Accounting Standards, which as stated in Note 2 constitutes compliance with International Financials Reporting Standards; and
   b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Kevin Moriarty

Robert Shepherd

Adelaide

Dated this 27th day of October 2017.

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DECLARATION OF INDEPENDENCE
BY ANDREW TICKLE
TO THE DIRECTORS OF 1414 DEGREES LIMTIED

As lead auditor of 1414 Degrees Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Tickle
Director

BDO Audit (SA) Pty Ltd

Adelaide, 27 October 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF 1414 DEGREES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of 1414 Degrees Limited (the Company), which comprises the statement of financial position as at 30June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of 1414 Degrees Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's financial position as at 30June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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 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.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability 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 Company or to cease operations, or has 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 this 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 (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO

BDO Audit (SA) Pty Ltd

Andrew Tickle
Director

Adelaide, 27 October 2017