REVASUM, INC.

A DELAWARE CORPORATION

HALF-YEAR REPORT

30 JUNE 2018

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Corporate Directory

Company
Revasum, Inc.
825 Buckley Road
San Luis Obispo, 93401 USA
Phone +1 (805) 541 6424

Website www.revasum.com

Directors
Jerry Cutini – Director, President and CEO
Kevin Landis - Non-Executive Director
Ryan Benton – Director, SVP and CFO

United States Registered Office
c/o Incorporating Services Ltd
3500 South Dupont Highway
Dover, Delaware 19901 USA

United States Legal Adviser
Troutman Sanders LLP
5 Park Plaza,
Suite 1400
Irvine, CA, 92614 USA

Australian Legal Adviser
Maddocks
Angel Place Level 27
123 Pitt Street
Sydney, NSW 2000 Australia

Directors' Report

The directors present their report for Revasum, Inc. ("Revasum" or "Company") for the half-year ended 30 June 2018.

DIRECTORS

The following persons were directors of the Company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Jerry Cutini	Director, President and Chief Executive Officer ("CEO")	Appointed 6 October 2016
Kevin Landis	Non-Executive Director	Appointed 6 October 2016
Ryan Benton	Director, Senior Vice President ("SVP") and Chief Financial Officer ("CFO")	Appointed 8 August 2018

PRINCIPAL ACTIVITIES

Revasum designs, manufactures and markets a portfolio of semiconductor processing equipment. The Company's product portfolio includes grinding, polishing and chemical mechanical planarization (CMP) equipment (also referred to as ''systems") used to manufacture substrates and devices for the global semiconductor industry.

The systems that Revasum manufactures are a key part of the production chain in manufacturing and processing wafers sized 200mm and below that are used to make microchips, sensors, LEDs, RF devices and power devices which are commonly used in connected IoT devices, cellphones, wearables, automotive, 5G and industrial applications.

DIVIDENDS

No dividends were paid during the half-year ended 30 June 2018 (2017: $Nil).

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

On 8 November 2016, Revasum, Inc. acquired certain assets and liabilities of Strasbaugh, Inc. ("Strasbaugh"), pursuant to a Foreclosure Sale Agreement ("FSA"). Prior to this date, Revasum was a dormant company.

Revenue for the half-year ended 30 June 2018 was $10.60 million, a significant increase from the half-year ended 30 June 2017, where revenues of $5.32 million were achieved.

For the half-year ended 30 June 2018, the net operating loss was $0.98 million (2017: $1.36 million).

Directors’ Report

MATTERS SUBSEQUENT TO THE HALF-YEAR END

On 31 July 2018, the Company issued a Stock Purchase Warrant (“Warrant”) to purchase up to 650,000 shares of the Company’s common stock, with a par value of $0.0001 per share, an exercise price per share of $10 and an expiry date of 31 July 2025. The warrants may also be exercised at any time via a cashless exercise, the fair value to be determined by the Board, or in the case of an IPO, the fair value will be equal to the IPO price. Consideration of $500,000 was received in respect of the warrant. The warrant was issued to a related party, Firsthand Venture Investors, a fund of which Kevin Landis is the CEO.

On 8 August 2018 Mr. Ryan Benton was appointed to the Board of Directors, and appointed as SVP and CFO on 5 September 2018.

On 17 August 2018, the Company signed an amendment to the lease agreement for the premises at 825 Buckley Road, San Luis Obispo. The amendment extended the lease to 30 November 2023, and also provides the Company with the right to extend the lease two times beyond 30 November 2023 by 30 months each time by providing written notice to the Lessor at least six months before the end of each lease period.

On 28 August 2018, the Company entered into a Securities Purchase Agreement for the issuance and sale of up to $9,000,000 in aggregate principal amount of 5% Senior Unsecured Subordinated Convertible Promissory Notes with a maturity date of 1 July 2019 (“Notes”), of which $8,655,944 were issued. The Notes automatically convert at a fixed discount into the Company’s common stock upon listing approval for the Company to be admitted to the official list of the ASX and for the CHESS Depositary Interests over the Company’s Common Stock (“CDIs”) to be quoted on the ASX in connection with a qualifying Initial Public Offering (“IPO”). The Notes were issued in the following five tranches:

- Tranche 1 was issued on 29 August 2018 for a total of $4,534,950.
- Tranche 2 was issued on 31 August 2018 for a total of $1,617,000.
- Tranche 3 was issued on 31 August 2018 for a total of $307,598. This was issued in lieu of payment of a portion of the investment banking fees.
- Tranche 4 was issued 0n 29 August 2018 to Firsthand Venture Investors, a fund of which Kevin Landis is the CEO. The total value of this tranche was $1,846,397, with $1,000,000 being received in cash, and the remaining $846,397 repaying the then outstanding Secured Promissory Note (see Note 15 for further details).
- Tranche 5 was issued on 31 August 2018 for a total of $350,000, including $100,000 from Jerry Cutini, a director of Revasum.

Directors' Report

MATTERS SUBSEQUENT TO THE HALF-YEAR END *(CONTINUED)*

The Company received total consideration for the issuance of the Notes of $8,031,168, of which $7,089,002 was received in cash, and $846,397 was by way of repayment of the outstanding Secured Promissory Note. The consideration received was net of $624,776 fees and expenses. Tranches 1, 2, and 3 above tranches were entered into at a fixed foreign exchange rate of US$1: A$1.36. After conversion and settlement into US$, the Company recognized a foreign exchange loss of $95,769.

On 5 September 2018, 169,000 share options were granted with an exercise price of $2.26, including 131,000 options issued to Ryan Benton, a director of Revasum.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company's core growth strategy involves continuing its strong market-driven product development focus in order to continue to capitalize on strong growth in demand for 200mm substrate and device fabrication capacity. The Company's growth strategy also includes:

1. Increasing sales, marketing and product demonstration capabilities to secure new customers and help expedite the conversion of existing pipeline customers.
2. Expanding the product portfolio which in turn increases the addressable market size.
3. Continuing two customer-led product development projects, which are expected to add incremental sales and further enable Revasum to capitalize on key market trends

In order to support this strategy, the Company intends to complete a listing and capital raising on the Australian Securities Exchange tentatively in November 2018, resulting in sufficient funding to support the Company's strategic plans. The Company believes that being well capitalized will provide existing and potential customers additional confidence in the Company's ability to fund working capital and to fulfil larger orders.

The Company will use the funds it plans to raise in the offering to fund the development of two new products, increase headcount to develop, manufacture, sell and support the new products and larger customer base, and for general corporate working capital.

As part of the ASX listing process, the Company plans to add at least one independent Australian-resident Director. The Company may also choose to add one or more industry experts Board Members as well.

PRESENTATION CURRENCY

The functional and presentation currency of the Group is United States Dollars (US Dollars). The financial report is presented in US Dollars with all references to dollars, cents or $'s in these financial statements presented in US currency, unless otherwise stated.

ROUNDING OF AMOUNTS

Unless otherwise stated, amounts have been rounded to the nearest United States dollar.

Directors' Report

JURISDICTION OF INCORPORATION

The Company is incorporated in the State of Delaware, United States of America.

ENVIRONMENTAL REGULATION

The Company is not subject to any significant environmental regulation under United States of America legislation. The Company is committed to the sustainable management of environmental, health, and safety (EHS) concerns as a core business principle. This includes ensuring compliance with all applicable government standards and regulations and providing a safe and healthy workplace, while reducing our environmental footprint. We integrate health, safety, and environmental considerations into all aspects of our business, including product design and services, to provide productive and responsible solutions by:

- Striving for zero accidents through the application of an EHS Management System.
- Implementing pollution prevention control strategies.
- Committing to continual improvement for our customers, Company, and Company's personnel.

The Board of Directors considers that adequate systems are in place to manage the Company's obligations and is not aware of any breach of environmental requirements as they relate to the Company.

SHARE OPTIONS

Share options over issued shares in the Company were granted both during the period, and also subsequent to the half-year end. The number of options outstanding as at the date of this reports, and all other movements in share options, are disclosed in Note 12 to the financial statements.

INDEMNITY AND INSURANCE OF OFFICERS

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

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the half-year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

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

Directors' Report

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company.

On behalf of the directors

Jerry Cutini
Director, President and Chief Executive Officer

Ryan Benton
Director, Senior Vice President and Chief Financial Officer

3 October 2018

San Luis Obispo, California, USA

Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2018

	Note	30 Jun 2018 US$	30 Jun 2017 US$
Revenue	2	**10,601,889**	**5,319,487**
Cost of goods sold		(6,979,671)	(3,605,435)
Gross profit		**3,622,218**	**1,714,052**
Gross margin		**34.2%**	**32.2%**
Expenses			
Research & development	3	(2,097,959)	(1,191,012)
Selling & marketing	3	(1,161,956)	(860,333)
General & administrative	3	(1,313,474)	(1,005,628)
Total expenses		**(4,573,389)**	**(3,056,973)**
Operating loss		**(951,171)**	**(1,342,921)**
Finance income		873	2,000
Finance expenses		(25,648)	(20,296)
Net loss before income tax expense		**(975,946)**	**(1,361,217)**
Income tax expense		-	-
Net loss		**(975,946)**	**(1,361,217)**
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the owners of Revasum, Inc.		**(975,946)**	**(1,361,217)**

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

Statement of Financial Position
As at 30 June 2018

	Note	30 Jun 2018 US$	31 Dec 2017 US$
Assets			
Current assets			
Cash and cash equivalents	4	2,505,859	2,405,836
Trade and other receivables	5	4,564,525	2,487,709
Inventories	6	7,471,549	4,039,439
Other assets		419,550	541,694
Total current assets		**14,961,483**	**9,474,678**
Non-current assets			
Property, plant and equipment		419,339	382,060
Intangible assets	7	274,341	237,222
Other receivables		39,088	43,022
Other assets		63,893	73,326
Total non-current assets		**796,661**	**735,630**
Total assets		**15,758,144**	**10,210,308**
Liabilities			
Current liabilities			
Trade and other payables	8	4,350,204	2,414,052
Financial liabilities	9	7,985,744	3,441,441
Employee benefits		232,023	196,668
Provision		104,520	130,781
Borrowings	10	495,705	404,575
Lease liabilities		41,279	81,528
Total current liabilities		**13,209,475**	**6,669,045**
Non-current liabilities			
Borrowings	10	344,481	595,425
Total non-current liabilities		**344,481**	**595,425**
Total liabilities		**13,553,956**	**7,264,470**
Net assets		**2,204,188**	**2,945,838**
Contributed equity	11	7,219,089	7,019,098
Reserves	12	146,490	112,185
Accumulated losses		(5,161,391)	(4,185,445)
Total equity		**2,204,188**	**2,945,838**

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

Statement of Changes in Equity
For the half-year ended 30 June 2018

	Contributed equity US$	Reserves US$	Accumulated losses US$	Total equity US$
Balance at 1 January 2017	**2,201,000**	**-**	**(434,177)**	**1,766,823**
Loss after income tax expense for the period	-	-	(1,361,217)	(1,361,217)
Other comprehensive loss for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(1,361,217)**	**(1,361,217)**
Transactions with owners in their capacity as owners:				
Shares issued	1,999,997	-	-	1,999,997
Share-based payments	-	50,363	-	50,363
Balance at 30 June 2017	**4,200,997**	**50,363**	**(1,795,394)**	**2,455,966**
Balance at 1 January 2018	**7,019,098**	**112,185**	**(4,185,445)**	**2,945,838**
Loss after income tax expense for the period	-	-	(975,946)	(975,946)
Other comprehensive loss for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(975,946)**	**(975,946)**
Transactions with owners in their capacity as owners:				
Shares issued	199,991	-	-	199,991
Share-based payments	-	34,305	-	34,305
Balance at 30 June 2018	**7,219,089**	**146,490**	**(5,161,391)**	**2,204,188**

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

Statement of Cash Flows
For the half-year ended 30 June 2018

	Note	30 Jun 2018 US$	30 Jun 2017 US$
Cash flows from/(used in) operating activities			
Receipts from customers		9,013,373	4,617,471
Payments to suppliers and employees		(8,635,217)	(4,896,286)
Interest paid	5	(25,648)	(20,296)
Net cash from/(used in) operating activities		**352,508**	**(299,111)**
Cash flows used in investing activities			
Payments for property, plant and equipment		(104,740)	(52,998)
Payments for capitalized development expenses		(147,674)	-
Net cash used in investing activities		**(252,414)**	**(52,998)**
Cash flows (used in)/from financing activities			
Proceeds from the issue of preferred stock		199,991	1,999,997
Proceeds from issue of secured promissory note		-	1,000,000
Repayment of secured promissory note		(159,814)	-
Finance lease payments		(40,248)	(38,263)
Net cash (used in)/from financing activities		**(71)**	**2,961,734**
Net increase in cash and cash equivalents		**100,023**	**2,609,625**
Cash and cash equivalents at the beginning of the financial period		2,405,836	1,375,762
Cash and cash equivalents at the end of the period	6	**2,505,859**	**3,985,387**

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

Notes to the Financial Statements
For the half-year ended 30 June 2018

Note 1. Significant accounting policies

Basis of preparation

This financial report is a general purpose financial report prepared in accordance with Australian Accounting Standard AASB 134 “Interim Financial Reporting”. The Half-Year Report does not include notes of the type normally included in an annual financial report and should read in conjunction with the most recent annual financial report. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The same accounting policies and methods of computation are followed in these condensed financial statements as compared with the most recent annual financial statements for the year ended 31 December 2017. The Company has not early adopted any standards, interpretations or amendments that have been issued but that are not yet effective.

Functional currency

The financial statements are presented in US dollars, which is the functional and presentational currency of Revasum, Inc. There has been no change in the functional and presentational currency of the Company.

Rounding of amounts

Amounts in this report have been rounded off to the nearest United States dollar.

Going Concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and settlement of liabilities in the normal course of business.

During the half-year ended 30 June 2018, the Company incurred a net loss after tax of $975,946 (30 June 2017: $1,361,217) and a cash outflow from operating activities of $352,508 (30 June 2017: $299,111).

As at 30 June 2018, the Company had cash and cash equivalents of $2.51 million (31 December 2017: $2.41 million), net assets of $2,505,859 (31 December 2017: $2,405,836), and net current assets of $1,752,008 (31 December 2017: $2,805,633).

As noted in the events subsequent to the year end, the Company has completed the issue of convertible notes and warrants resulting in cash inflows of $7,589,002.

The Company has prepared a detailed cash flow forecast which estimates a positive net cash inflow over the 12-month period from the date of this report. However, this forecast is reliant upon the receipt of additional financing in the period. As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

The Company plans to obtain funding in late-2018 through the issue of equity as part of a listing on the ASX and is currently undergoing due diligence procedures as part of the prospective listing.

Should the listing prove to be unsuccessful, the Company has alternative sources of finance through the issue of debt and equity instruments. To date management has a proven track record of obtaining significant financing through debt and equity instruments and the Directors have reasonable expectations that they will be able to raise further financing as required over the next 12 months.

Note 1. Significant accounting policies *(continued)*

Going Concern *(continued)*

The Directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate, based upon the following:

- The ability to further vary cash flows through control of headcount and other expenses;
- The negotiation and commencement of new commercial agreements; and
- The ability of the Company to obtain funding through various debt and/or equity issues, including the listing of the Company on the ASX which is currently being investigated by management.

Should the Company not continue as a going concern it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Leases: This standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. At this stage, the Company does not expect that there will be a material impact on the Company's assets and liabilities when the standard is adopted.

Note 2. Revenue

	30 Jun 2018 US$	30 Jun 2017 US$
Product revenue	10,457,306	5,153,761
Commission income	144,583	165,726
Total revenue from contracts with customers	**10,601,889**	**5,319,487**

Notes to the Financial Statements
For the half-year ended 30 June 2018

Note 3. Expenses

Loss before income tax includes the following specific expenses:

	30 Jun 2018 US$	30 Jun 2017 US$
Research & development		
Salary and benefits expense	1,645,352	894,843
Travel	111,805	58,070
Other	488,476	238,099
Capitalization of development costs	(147,674)	-
	2,097,959	1,191,012
Selling & marketing		
Salary and benefits expense	654,611	361,739
Commissions and bonuses	202,807	64,331
Travel	110,563	59,940
Amortization (Note 7)	110,555	156,333
Other	83,420	217,990
	1,161,956	860,333
General & administrative		
Salary and benefits expense	756,380	620,252
TSA expense	311,454	194,748
Other	245,640	190,628
	1,313,474	1,005,628
The following expense has been allocated between the above categories:		
Operating lease expense	281,089	204,180

Note 4. Current assets - cash and cash equivalents

	30 Jun 2018 US$	31 Dec 2017 US$
Cash at bank	2,505,859	2,405,836
	2,505,859	**2,405,836**

There are no restrictions or limitations on the use of cash and cash equivalents.

Notes to the Financial Statements
For the half-year ended 30 June 2018

Note 5. Current assets - trade and other receivables

	30 Jun 2018 US$	31 Dec 2017 US$
Trade receivables	4,581,428	2,487,709
Less: provision for doubtful debts	(16,903)	-
	4,564,525	**2,487,709**

Note 6. Current assets - inventories

	30 Jun 2018 US$	31 Dec 2017 US$
Raw materials	4,871,362	2,796,972
Work in progress	2,187,136	1,059,114
Finished goods	413,051	183,353
	7,471,549	**4,039,439**

Note 7. Non-current assets - intangible assets

	30 Jun 2018 US$	31 Dec 2017 US$
Intangible assets – at cost	602,000	602,000
Less: Accumulated amortization	(475,333)	(364,778)
	126,667	**237,222**
Capitalized development - at cost	147,674	-
Less: Accumulated amortization	-	-
	147,674	**-**
Net written down value intangible assets	**274,341**	**237,222**

	Capitalized Development US$	Product Technology US$	Backlog US$	Customer Relationships US$	Commission Agreement US$	Total US$
Balance at 1 Jan 2018	**-**	**92,000**	**69,778**	**53,667**	**21,777**	**237,222**
Additions	147,674	-	-	-	-	147,674
Amortization expense	-	(12,000)	(69,778)	(7,000)	(21,777)	(110,555)
Balance at 30 Jun 2018	**147,674**	**80,000**	**-**	**46,667**	**-**	**274,341**

Revasum commenced capitalizing development costs associated with new projects. Disclosure of the new accounting policy adopted is noted below.

Note 7. Non-current assets - intangible assets *(continued)*

Accounting policy for capitalized development

Development costs

Development costs on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during the development.

The costs that are eligible for capitalization of development costs are the following:

- Engineers' compensation for time directly attributable to developing the project.
- An allocated amount of indirect costs, such as overhead related to the project and the facilities they occupy.
- Costs associated with testing of the product for market.
- Borrowing costs.
- Patents acquisition and registration costs (patents, application fees, and legal fees).
- Other direct developing costs that are incurred to bring the product to market.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit which is 5 years.

Amortization is recorded in profit or loss. During the period of development, the asset is tested for impairment annually.

Development costs are amortized on a straight-line basis over the period of expected future sales from the related project.

At the end of the year, the Company has considered indicators of impairment of the intangible assets and determined there were none.

Critical accounting judgements, estimates and assumptions

Capitalized development costs

The Company capitalizes development costs for a project in accordance with the accounting policy. Initial capitalization of cost is based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of the benefits.

Impairment of intangible assets

The Company assesses impairment of intangible assets at each reporting date by evaluating conditions specific to the Company 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.

Note 8. Current liabilities - trade and other payables

	30 Jun 2018 US$	31 Dec 2017 US$
Trade payables and accruals	2,997,912	1,391,406
Accrued expenses	1,352,292	1,022,646
	4,350,204	**2,414,052**

Note 9. Current liabilities – financial liabilities

	30 Jun 2018 US$	31 Dec 2017 US$
Deferred revenue	616,375	128,074
Customer deposits on sales	7,369,369	3,313,367
	7,985,744	**3,441,441**

Note 10. Borrowings

Borrowings includes the following liabilities carried at amortized cost:

	30 Jun 2018 US$	31 Dec 2017 US$
Current		
Financial liability with Firsthand Venture Investors	495,705	404,575
Non-Current		
Financial liability with Firsthand Venture Investors	344,481	595,425
	840,186	**1,000,000**

	30 Jun 2018 $
Balance 1 January 2018	**1,000,000**
Interest accrued on facility	24,005
Interest paid on facility	(24,005)
Repayments	(159,814)
Balance 30 June 2018	**840,186**

Note 10. Borrowings *(continued)*

(1) Firsthand Venture Investors

In March 2017, the Company entered into a secured promissory note agreement with the major shareholder of the Company, Firsthand Venture Investors totaling $1 million for a term of 36 months and an interest rate of 5%. Interest only payments were required for the first 12 months with a reduction in principal due thereafter and maturing in February 2020.

The balance outstanding at 30 June 2018 is secured over all personal property of the Company, whether presently existing or hereafter created or acquired, as per the supporting Security Agreement to the note agreement.

The secured promissory note was fully repaid post year end on 29 August 2018 by way of the issue of a Senior Unsecured Subordinated Convertible Promissory Note with a maturity date of 1 July 2019.

Note 11. Equity - Contributed equity

	30 Jun 2018 Number	30 Jun 2018 US$	31 Dec 2017 Number	31 Dec 2017 US$
Ordinary shares – Common Stock	48,500	19,095	48,500	19,095
Ordinary shares – Preferred Stock	3,011,074	7,199,994	2,986,470	7,000,003
	3,059,574	**7,219,089**	3,034,970	7,019,098

Movements in common stock on issue

There was no movement in common stock on issue during the period.

Terms and conditions of contributed equity

The holders of common stock 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 a par value of $0.0001 and the Company has a limited amount of authorized capital of 7,200,000 shares, 4,000,000 of which are designated “Common Stock” and 3,200,000 of which are designated “Preferred Stock”.

The holders of Common Stock are entitled for one vote for each share of common stock held at the meetings of stockholders. There shall be no cumulative voting. They are also entitled to receive, when, as and if declared by the Board, out of any assets of the Company legally available therefor, any dividends as may be declared from time to time by the Board.

Note 11. Equity - Contributed equity *(continued)*

Movements in preferred stock on issue

	Series Seed Preferred Stock	Series A Preferred Stock	Series B Preferred Stock	Total Number	Total US$
Balance at 1 January 2018	2,200,000	441,988	344,472	2,986,470	7,000,003
Issued (1)	-	-	24,604	24,604	199,991
Balance at 30 June 2018	**2,200,000**	**441,988**	**369,076**	**3,011,074**	**7,199,994**

(1) On 1 January 2018, 24,604 shares of Series B preferred stock were issued with a par value do $0.001 at an issue price of $8.1284.

Terms and conditions of contributed equity

The holders of Preferred Stock are entitled to the number of voting rights equal to the number of shares of Common Stock into which such shares of Preferred Stock held by such holder could then be converted. The Preferred Stock holders are eligible to vote on all matters on which the Common Stock holder is entitled to vote.

Critical accounting judgements, estimates and assumptions

The terms of the certificate of incorporation (COI) of the Company stipulate that preferred stock holders are entitled to vote, and that they vote together with the common stock holders as a single class, as though they had already converted their preferred stock. The preferred stock holders control the board as a result of this. The COI stipulates that there is no redemption feature in respect of the preferred stock, and dividends are not cumulative. Based on the above facts, management consider that the preferred stock is an equity instrument, and as such have classified it accordingly.

Note 12. Share-based payments

Share based payment reserve

The reserve is used to recognize the value of equity benefits provided to employees, consultants and directors as part of their remuneration, and other parties as part of their compensation for services.

	Share options Number	Share Based Payment Reserve US$
Opening reserve 1 January 2018	697,370	112,185
Expense in the period	-	34,305
Granted	-	-
Exercised	-	-
Forfeited	-	-
Expired	-	-
Closing reserve 30 June 2018	**697,370**	**146,490**

	30 Jun 2018 US$	30 Jun 2017 US$
Share based payment expense:		
Options issued to directors, employee and consultants	34,305	50,363
	34,305	**50,363**

The Company grants stock options to its employees, directors, and consultants for a fixed number of shares with an exercise price equal to the fair value of the shares at the date of grant and expire no later than 10 years from the date of grant.

Note 13. Related party transactions

Key management personnel

The following persons were identified as key management personnel of Revasum during the half year ended 30 June 2018:

Jerry Cutini	Board Member, President and CEO
Kevin Landis	Non-Executive Director

Share options granted to directors and other key management personnel

No new options were granted during the half year.

Transactions with related parties

Receivable from and payable to related parties

There were trade receivables from or trade payables to related parties at the current and previous reporting dates.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting dates.

Financial instrument balances held with related parties

Related party name	Nature of related party relationship	Financial instrument type	Number of instruments held 31 Dec 2017	Number of instruments held 30 Jun 2018
Firsthand Investor ventures	Directors in common	Preferred stock	2,955,717	2,955,717
Cutini Family Living Trust	Director	Preferred stock	-	6,151
Jerry Cutini	Director	Common stock	8,000	8,000

Note 14. Events after the reporting period

On 31 July 2018, the Company issued a Stock Purchase Warrant (“Warrant”) to purchase up to 650,000 shares of the Company’s common stock, with a par value of $0.0001 per share, an exercise price per share of $10 and an expiry date of 31 July 2025. The warrants may also be exercised at any time via a cashless exercise, the fair value to be determined by the Board, or in the case of an IPO, the fair value will be equal to the IPO price. Consideration of $500,000 was received in respect of the warrant. The warrant was issued to a related party, Firsthand Venture Investors, a fund of which Kevin Landis is the CEO.

On 8 August 2018 Mr. Ryan Benton was appointed to the Board of Directors, and appointed as SVP and CFO on 5 September 2018.

On 17 August 2018, the Company signed an amendment to the lease agreement for the premises at 825 Buckley Road, San Luis Obispo. The amendment extended the lease to 30 November 2023, and also provides the Company with the right to extend the lease two times beyond 30 November 2023 by 30 months each time by providing written notice to the Lessor at least six months before the end of each lease period.

On 28 August 2018, the Company entered into a Securities Purchase Agreement for the issuance and sale of up to $9,000,000 in aggregate principal amount of 5% Senior Unsecured Subordinated Convertible Promissory Notes with a maturity date of 1 July 2019 (“Notes”), of which $8,655,944 were issued. The Notes automatically convert at a fixed discount into the Company’s common stock upon listing approval for the Company to be admitted to the official list of the ASX and for the CHESS Depositary Interests over the Company’s Common Stock (“CDIs”) to be quoted on the ASX in connection with a qualifying Initial Public Offering (“IPO”). The Notes were issued in the following five tranches:

- Tranche 1 was issued on 29 August 2018 for a total of $4,534,950.
- Tranche 2 was issued on 31 August 2018 for a total of $1,617,000.
- Tranche 3 was issued on 31 August 2018 for a total of $307,598. This was issued in lieu of payment of a significant portion of the investment banking fees.
- Tranche 4 was issued 0n 29 August 2018 to Firsthand Venture Investors, a fund of which Kevin Landis is the CEO. The total value of this tranche was $1,846,397, with $1,000,000 being received in cash, and the remaining $846,397 repaying the then outstanding Secured Promissory Note (see Note 15 for further details).
- Tranche 5 was issued on 31 August 2018 for a total of $350,000, including $100,000 from Jerry Cutini, a director of Revasum.

The Company received total consideration for the issuance of the Notes of $7,089,002 in cash and repaid the $846,397 outstanding Secured Promissory Note. The consideration received was net of $624,776 fees and expenses. Tranches 1, 2, and 3 above tranches were entered into at a fixed foreign exchange rate of US$1: A$1.36. After conversion and settlement into US$, the Company recognized a foreign exchange loss of $95,769.

Note 14. Events after the reporting period (continued)

On 5 September 2018, 169,000 share options were granted with an exercise price of $2.26, including 131,000 options issued to Ryan Benton, a director of Revasum.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Directors’ declaration for the Half-Year ended 30 June 2018

In accordance with a resolution of the directors of Revasum, Inc. the directors of the Company declare that:

1. The financial statements and notes thereto comply with Australian Accounting Standard *AASB 134 Interim Financial Reporting*;

2. The financial statements and notes thereto, give a true and fair view of the Group’s financial position as at 30 June 2018 and of the performance for the half-year ended on that date; and

3. In the directors’ opinion there are reasonable grounds to believe that Revasum, Inc. will be able to pay its debts as and when they become due and payable.

On behalf of the directors

Jerry Cutini
Director, President and Chief Executive Officer

Ryan Benton
Director, Senior Vice President and Chief Financial Officer

3 October 2018

San Luis Obispo, California, USA

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Revasum, Inc.

Report on the Half-Year Financial Report

Qualified Conclusion

We have reviewed the half-year financial report of Revasum, Inc. (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the half-year financial report of the Entity does not present fairly, in all material respects, the financial position of the Entity as at 30 June 2018, and of its financial performance and its cash flows for the period ended on that date, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for qualified conclusion

We were appointed as auditors of the Company on 10 August 2018 and thus did not observe the counting of physical inventories as at the beginning of the period. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2017, which are stated in the statement of financial position at $4,039,439. Our conclusion on the half-year financial report is also modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the half-year financial report which describes the events conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not presented fairly, in all material respects, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of the Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 3 October 2018