



CLEAN
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ENERGY
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ANNUAL REPORT 19/20



GAS-TESS at Glenelg Wastewater Treatment Plant

Concept for Aurora Solar Energy Project with TESS-GRID



CORPORATE DIRECTORY

CURRENT DIRECTORS

Kevin Moriarty - Executive Chairman
Richard Willson- Non Executive Director
Dana Larson - Non Executive Director

COMPANY SECRETARY

Richard Willson

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

1414 Degrees Limited
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Telephone: +61 8 8357 8273

SHARE REGISTRY

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Level 5, 115 Grenfell Street
Adelaide SA 5000
Telephone: +61 3 9415 4000
Website: www.computershare.com.au

STOCK EXCHANGE

1414 Degrees Limited shares are quoted
on the Australian Securities Exchange
(ASX:14D)

SOLICITORS

HWL Ebsworth Lawyers
Level 21, 91 King William Street
Adelaide SA 5000

Wallmans Lawyers
Level 5, 400 King William Street
Adelaide SA 5000

PATENT & TRADE MARK ATTORNEYS

Madderns
Level 4, 19 Gouger Street
Adelaide SA 5000

AUDITOR

BDO Advisory (SA) Pty Ltd
Level 7, 420 King William Street
Adelaide SA 5000

WEBSITE

www.1414degrees.com.au

Chairman's Letter to Shareholders

Dear Shareholders,

The year brought a breakthrough in our silicon technology, advancing our core mission to deliver large scale thermal energy storage to stabilise renewable energy supply and secure our energy future. Learning from the scale up of its TESS units in the previous year, your Company reset its product development schedule and enhanced its technical team. Following numerous assessments of projects for potential customers in Australia and overseas, your Company acquired a significant solar energy project in order to prove its electrically charged technology.

1414 Degrees markets the benefits of a complete thermal energy storage system (TESS), however the Company's core technology is its efficient thermal energy storage (TES) which delivers thermal energy to an energy recovery system (ERS). Hence the key to successful commercialisation of 1414 Degrees storage technology is delivering a TES that can efficiently charge from electricity or gas, coupled to an ERS that is selected for the required application and is standard equipment available from many third-party manufacturers. Because turbines become more efficient as they increase in size, it is also a significant advantage if energy storage is scalable such that the cost per unit of energy reduces as the storage grows.

Scale and robustness have been our focus in the past 18 months and this year we announced the SiBox technology that will allow us to build large TES units. SiBox uses a scalable solution for storing silicon latent heat energy in atmospheric conditions, potentially providing a levelised cost of storage currently available only in pumped hydro storage. However, our system can be deployed wherever energy is needed or generated. In a further breakthrough, the new technology uses air for energy transfer, making it robust and safe.

Throughout the year, the GAS-TESS validated our thermal energy storage technology within an industrial site, efficiently burning the biogas without pre-treatment, storing the energy, providing hot water and powering the gas-turbine to specification. The TES has operated reliably however a key component of the energy recovery system (ERS) could not sustain specified performance and the GAS-TESS did not meet electrical efficiency requirements for early procurement. The ERS manufacturer is cooperating to design and supply a higher specification heat exchanger.

In late 2019 we acquired the Aurora Solar Energy Project (ASEP) through the purchase of SiliconAurora Pty Ltd. This was undertaken in order to accelerate the demonstration of the TESS-GRID and provide near term returns for shareholders. The Aurora project has development approval for 70 MW of PV and 150 MW of generation from a concentrated solar plant (CSP) on the 1100 ha site. Two high voltage transmission lines connect to the major Davenport substation on the site of a decommissioned coal fired power plant in Port Augusta.

Following the acquisition, we immediately set about revising the Aurora Project development plan, asking our engineers to design a large TESS-GRID incorporating SiBox storage and to progress technical cooperation with an international ERS manufacturer to meet electrical efficiency targets. Consultants were commissioned to update the engineering and regulatory requirements for transmission connection. This process highlighted that it is necessary to include a battery until the TESS is operational. Financial modelling revealed that a battery energy storage system (BESS) could generate significant revenues and fast payback from the sale of frequency support services to the National Electricity Market (NEM) based on the past five years of data. While the future of Frequency Control Ancillary Services (FCAS), revenue cannot be predicted with certainty, it is also known that FCAS demand is growing with the increasing proportion of distributed renewable generation. At the date of this letter, consultants are optimising the PV and battery sizing for maximum returns from the fast response hybrid power plant. The modelling is being extended to include a TESS-GRID providing long duration power to firm the intermittent renewable supply.

Your Company now has highly competent leadership and teams cooperating to deliver revenue and technology. Recently the board approved the appointment of Dr Jordan Parham as interim CEO to lead 1414 Degrees' focus on technology development and commercialisation. Marie Pavlik, CEO of SiliconAurora is focussing on development of the Aurora project to generate early returns for shareholders. The R&D team, now led by Dr Mahesh Venkataraman, is developing SiBox with support from highly skilled partners relevant to the key TES components. The Business Development team led by Marett Layton, is liaising with several international companies interested in participating in TESS development with a view to future requirements for emission reduction.

I am confident of the future for your Company and its technology and look forward to reporting major progress in the coming year.



Dr Kevin Moriarty
Executive Chairman

Dr Kevin Moriarty
Executive Chairman

Corporate Governance

1414 Degrees Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2020 Corporate Governance Statement is dated as at 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year.

The 2020 Corporate Governance Statement has been approved by the Board.

A description of the Company's current corporate governance practices is set out in the Corporate Governance Statement which can be viewed at www.1414degrees.com.au

1414 DEGREES LIMITED

ACN 138 803 620

ANNUAL REPORT

**FOR THE YEAR ENDED
30 JUNE 2020**

1414 DEGREES LIMITED
ACN 138 803 620

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

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1414 DEGREES LIMITED
ACN 138 803 620

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

The directors of 1414 Degrees Limited present their report on the Group for the financial year ended 30 June 2020.

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 - Chairman
Robert John Keith Shepherd - Resigned 7 November 2019
Dana Larson
Penelope Bettison - Appointed 27 September 2019. Resigned 28 July 2020
Ian Little - Appointed 27 September 2019. Resigned 1 July 2020
Richard Willson - Appointed 2 July 2020

COMPANY SECRETARY

Richard Willson

PRINCIPAL ACTIVITIES

1414 Degrees Limited is commercialising bulk energy storage solutions to transform intermittent renewable generation into baseload electricity and decarbonise heat supply. Its technology uses renewable electricity or biogas to provide combined heat and power solutions for consumers while stabilising electricity grids. Its silicon-based thermal energy storage devices provide compact solutions with the advantages of scalability, low cost, long life and flexible placement.

DIVIDENDS

No dividends have been paid during or since the financial year ended 30 June 2020.

REVIEW OF OPERATIONS

The year has been transformative for the Company, with several significant achievements as well as technical and commercial developments. The Company has also greatly increased its capability for technical management and development, appointing highly qualified materials and mechanical engineering specialists.

GAS-TESS

The GAS-TESS pilot device has now operated for more than a year at the Glenelg Wastewater Treatment Plant. The focus of activities on the GAS-TESS has been to obtain experimental data to validate design models and to demonstrate its competitive advantages of time-shifting, no gas pre-treatment and lower operating costs compared to reciprocating engines, including:

- Performance characterisation tests on the effect of biogas burner operation, charge-discharge cycling, heat store temperature, gas turbine and other variables on system performance and mass and energy balance;
- Integration tests in which the GAS-TESS was operated in conjunction with the broader wastewater treatment operations;
- Operation characterisation including internal inspections to assess robustness and quantify operations and maintenance requirements and hence costs; and
- Improvement tests including the effect of a co-firing burner to enhance electrical energy efficiency of the gas turbine and hence GAS-TESS device.

A key learning from these operations is that the third-party energy recovery system (ERS) could not perform to the required efficiency specifications. 1414 Degrees is working with external specialists and partners to deliver a commercially robust, high performance ERS.

SA Water remains supportive of the ongoing development of the GAS-TESS technology at the Glenelg site.

SILICON PHASE CHANGE MATERIAL

The Company's core research and development to harness the high energy density of molten silicon has resulted in a new, robust, scalable and energy dense storage technology. This breakthrough silicon phase change technology, arranged in a new internal heat exchanger design, is called 'SiBox'. The technology was developed to improve on the prototype silicon storage technology, which could not sustain many cycles without degrading in large-scale testing, particularly for the GAS-TESS application and in particular has improved robustness, flexibility in geometry and scalability for heat transfer and storage.

The technical advantages of the SiBox technology could open new markets in high temperature industry and will be assessed as a commercialisation opportunity.

TESS-GRID

In December 2019, the Company acquired SolarReserve Australia II Pty Ltd, including the Aurora Solar Energy Project near Port Augusta in South Australia. The company made the strategic acquisition to demonstrate the TESS-GRID technology as part of a large-scale, hybrid power plant able to supply reliable power on demand to the national grid.

The Aurora Solar Energy Project has development approval for a 70 MW solar PV farm and 150 MW of generation from a concentrated solar thermal plant (CSP). Technical and commercial development, including variations to approvals for the project, are progressing. The vision is to deploy a hybrid power station with a sustainable business model generating revenues from renewable power generation, dispatchable power sales and grid stability services commencing in 2022.

Design and development work on the TESS-GRID for the Aurora site has focussed on optimising the heat transfer within the new SiBox storage technology. The ERS design will focus on efficient long duration electrical generation for maximum revenue. The GAS-TESS site can also be used for scaling up the storage technology for the TESS-GRID.

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DIRECTORS' REPORT
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COMMERCIALISATION / BUSINESS DEVELOPMENT

The business development team continued to evaluate potential customer sites for Thermal Energy Storage (TES) systems and have gained valuable insight into commercialisation prospects for the technology. A key finding is that a fully developed electric charging TES is not currently competitive with fossil fuel heating in most customer sites due to the higher input cost of electricity with transmission charges, even when the TES is configured in its most efficient mode of storing electricity and supplying heat only. Based on wide-ranging customer assessments and surveys of growth markets the major commercial opportunities for TES devices have been identified as well-funded markets for long duration grid scale storage, and hybrid power plants. In addition to preparing to service the utility market with the GAS-TESS, the commercial priority is to partner with utilities on large scale innovative energy solutions.

INTELLECTUAL PROPERTY

Current status of patents and trade names

- Patent 2010282232- "Thermal Energy Storage Apparatus, Arrangement and Method" granted in US, NZL, AU, and EU. India still pending
- Patent 2012292959 - "Thermal Energy Storage Apparatus" joint ownership, but subject of appeal by co-owner
- PCT Application 2018239960 "Energy Storage and Retrieval System" (TESS-IND): Amended claims for EU submitted. Renewal due EU 23/3/21, 23/3/22 AU+NZ
- PCT Application PCT/AU2019/000113 "Energy Recovery System" (GAS-TESS): waiting on preliminary examination report
- PCT Application 2020900860 "Thermal Energy Recovery System" submitted 20/3
- SiBox trademark registered in AU, PRC, USA, EU.

COVID-19

The COVID-19 pandemic caused the Group to review its budgets and confirm to the ASX on 2 April 2020 that the entity had sufficient funds to maintain its technology and project development.

The Group adapted to the capital market and business constraints by reducing hours, effecting redundancies and deferring the upgrade of the silicon storage in the GAS-TESS. The board and senior management agreed to between 25% and 75% cut in fees and salaries, with the Executive Chairman taking a 50% pay cut.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Group purchased SiliconAurora Pty Ltd on 13 December 2019 for a consideration of \$2.0M.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Nil.

ENVIRONMENTAL REGULATION

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

1414 DEGREES LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

MEETINGS OF DIRECTORS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2020, and the number of meetings attended by each director are set out below:

<u>Directors</u>	Board		Committee	
	Held	Attended	Held	Attended
Kevin Moriarty	6	6	0	0
Robert Shepherd	2	1	0	0
Dana Larson	6	6	0	0
Penelope Bettison	5	5	0	0
Ian Little	5	5	0	0

INFORMATION ON DIRECTORS

Name: Kevin Moriarty
Title: Executive Chairman
Qualifications: BSc (Hons), Ph.D., MAusIMM

Experience and expertise: 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 and published papers on climate change as an honorary research fellow of Flinders University and the Australian National University.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 12,403,000 ordinary shares
Interests in options: None
Contractual rights to shares: None

Name: Robert Shepherd - Resigned 7 November 2019
Title: Non-Executive Director
Qualifications: FIPA, CTA, JP

Experience and expertise: 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.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 0 ordinary shares
Interests in options: None
Contractual rights to shares: None

Name: Dana Larson
Title: Non-Executive Director
Qualifications: B.Sc Chemical and Petroleum Engineering

Experience and expertise: Dana is an energy expert with 16 years' of experience primarily focusing on acquisitions, reservoir engineering, financial modelling, and engineering management. He has a passion for cultivating a culture of success and for leveraging technical knowledge to create and optimise value for companies. He consults for hedge funds and wealthy individuals on exploration & production, mining, and renewable energy and is currently running an energy acquisition and divestiture consultancy.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 250,000 ordinary shares
Interests in options: None
Contractual rights to shares: None

Name: Penelope Bettison - Appointed 27 September 2019. Resigned 28 July 2020.
Title: Executive Director
Qualifications: BBus, GAICD, FAMI, CPM

Experience and expertise: Penelope has 20 years' experience in marketing and business management and is the Company's Head of Corporate Services. She founded and was a Director and Brand Strategist at Pitstop Marketing. Her experience spans a wide range of industries including financial services, engineering, education, government, business events and tourism.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 0 ordinary shares
Interests in options: None
Contractual rights to shares: None

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Name: Ian Little - Appointed 27 September 2019. Resigned 1 July 2020.
 Title: Non-Executive Director
 Qualifications: Bcom, MBA, FCA, FAICD

Experience and expertise: Ian started work with Arthur Young & Co as a Chartered Accountant in New Zealand in the late 1970's. He then moved to the oil industry, initially in Indonesia, and eventually with Shell, where he worked for over a decade in Australia, London and in the Pacific Region. He was formerly the CFO for GPU GasNet in Victoria, before joining Envestra Ltd as Chief Financial Officer in 2000, and became Managing Director in 2003. Envestra Ltd grew to become an ASX200 company and was eventually sold in a contested takeover in 2014 for \$2.5 billion.

Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 0 ordinary shares
 Interests in options: None
 Contractual rights to shares: None

Name: Richard Willson - Appointed 2 July 2020.
 Title: Non-Executive Director & Company Secretary
 Qualifications: BAcc, FCPA, FAICD

Experience and expertise: Richard is an experienced Non-Executive Director, Company Secretary and CFO with more than 20 years' experience with both publicly listed and private companies. Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He is a Non-Executive Director of Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ), 1414 Degrees Limited (ASX:14D), Graphene Technology Solutions Limited, the not-for-profit Unity Housing Company and Variety SA; and Company Secretary of a number of ASX Listed Companies. Richard is the Chairman of the Audit Committee of Titomic Limited, AusTin Mining Limited, and Unity Housing Company, and is the Chairman of the Remuneration & Nomination Committee of Titomic Limited.

Other current directorships: Titomic Limited (ASX:TTT), AusTin Mining Limited (ASX:ANW), Thomson Resources Limited (ASX:TMZ)
 Former directorships (last 3 years): None
 Interests in shares: 0 ordinary shares
 Interests in options: None
 Contractual rights to shares: None

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

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

COMPANY SECRETARY

Richard Willson is an experienced, Non-Executive Director, Company Secretary and CFO with more than 20 years' experience predominantly within the mining and agricultural sectors for both publicly listed and private companies. Richard has a Bachelor of Accounting from the University of South Australia, is a Fellow of CPA Australia, and a Fellow of the Australian Institute of Company Directors. He has been Company Secretary and/or CFO of a number of ASX Listed Companies.

1414 DEGREES LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

REMUNERATION REPORT (AUDITED)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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

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

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

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

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

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. Non-executive directors do not receive share Performance Rights or other incentives. The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum annual aggregate remuneration for non-executive directors has been set at \$300,000.

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DIRECTORS' REPORT
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Executive remuneration

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

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

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

The Group has a Performance Rights Plan under which it can issue Performance Rights to staff and executives.

Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group consisted of the following directors of 1414 Degrees Ltd:

- Robert Shepherd - Non-Executive Director - Resigned 7 November 2019
- Dana Larson - Non-Executive Director
- Ian Little - Non-Executive Director - Appointed 27 September 2019. Resigned 1 July 2020
- Penelope Bettison - Executive Director (Appointed 27 September 2019. Resigned 28 July 2020) and Head of Corporate Services (Resigned 28 August 2020)
- Kevin Moriarty - Executive Chairman and Chief Executive Officer

And the following persons:

- Richard Willson - Non-Executive Director and Company Secretary - Appointed as director on 1 July 2020.
- Jordan Parham - Chief Operating Officer
- Marie Pavlik - Chief Executive Officer (SiliconAurora) and Business Development Manager - Appointed 14 January 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled Performance Rights	
2020	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Robert Shepherd *	14,127	-	-	1,342	-	-	-	15,469
Dana Larson	31,667	-	-	-	-	-	-	31,667
Ian Little **	25,308	-	-	2,404	-	-	-	27,712
<i>Executive Directors:</i>								
Kevin Moriarty (Chairman)	258,281	-	-	19,255	514	-	-	278,050
Penelope Bettison ***	182,812	-	-	17,367	2,612	-	(8,696)	194,096
<i>Other Key Management Personnel:</i>								
Richard Willson	62,400	-	-	5,928	1,043	-	(737)	68,634
Jordan Parham	183,653	-	-	17,367	3,191	-	29,250	233,461
Marie Pavlik ****	73,442	-	-	6,977	1,552	-	-	81,972
	<u>831,690</u>	-	-	<u>70,641</u>	<u>8,911</u>	-	<u>19,817</u>	<u>931,060</u>

* Represents remuneration from 1 July 2019 to 7 November 2019

** Represents remuneration from 27 September 2019 to 30 June 2020

*** Moved from "Other Key Management Personnel" to "Executive Directors" due to appointment 27 September 2019

**** Represents remuneration from 14 January 2020 to 30 June 2020

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled Performance Rights	
2019	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Robert Shepherd	32,167	-	-	3,056	-	-	-	35,223
Dana Larson *	23,333	-	-	-	-	-	-	23,333
<i>Executive Directors:</i>								
Kevin Moriarty (Chairman)	297,749	-	-	20,479	6,046	-	-	324,275
<i>Other Key Management Personnel:</i>								
Penelope Bettison	195,750	-	-	18,525	3,795	-	11,341	229,412
Richard Willson	106,400	-	-	9,386	954	-	869	117,609
Jordan Parham **	99,000	-	-	8,716	1,891	-	14,183	123,790
	<u>754,399</u>	<u>-</u>	<u>-</u>	<u>60,162</u>	<u>12,686</u>	<u>-</u>	<u>26,393</u>	<u>853,641</u>

* Represents remuneration from 1 December 2018 to 30 June 2019

** Represents remuneration from 14 January 2019 to 30 June 2019

Employment agreements

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

Name: Robert Shepherd - Resigned 7 November 2019
 Title: Non-Executive Director
 Agreement commenced: 11 September 2009
 Term of agreement: Ongoing
 Details: Director fee for the year ending 30 June 2020 of \$40,000 plus superannuation.

Name: Dana Larson
 Title: Non-Executive Director
 Agreement commenced: 1 December 2018; varied effective 1 April 2020
 Term of agreement: Ongoing
 Details: Director fee for the year ending 30 June 2020 of \$10,000.

Name: Ian Little - Appointed 27 September 2019. Resigned 1 July 2020.
 Title: Non-Executive Director
 Agreement commenced: 27 September 2019; varied effective 1 April 2020
 Term of agreement: Ongoing
 Details: Director fee for the year ending 30 June 2020 of \$20,000.

Name: Kevin Moriarty
 Title: Executive Chairman and Chief Executive Officer
 Agreement commenced: 1 January 2020; varied effective 1 April 2020
 Term of agreement: 2 years
 Details: Base salary for the year ending 30 June 2020 of \$147,500 plus superannuation. 3 month termination notice by either party.

Name: Penelope Bettison
 Title: Executive Director (Appointed 27 September 2019, Resigned 28 July 2020) & Head of Corporate Services
 Agreement commenced: 1 March 2019; varied effective 1 April 2020
 Term of agreement: Ongoing
 Details: Base salary for the year ending 30 June 2020 of \$146,250 plus superannuation. 3 month termination notice by either party.

Name: Richard Willson
 Title: Company Secretary
 Agreement commenced: 19 October 2017
 Term of agreement: Ongoing
 Details: Base salary for the year ending 30 June 2020 of \$62,400 plus superannuation. 3 month termination notice by either party.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Employment agreements (Continued)

Name: Jordan Parham
Title: Chief Operating Officer
Agreement commenced: 14 January 2019; varied effective 1 April 2020
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2020 of \$146,500 plus superannuation. 3 month termination notice by either party.

Name: Marie Pavlik
Title: Chief Executive Officer (SiliconAurora) & Business Development Manager
Agreement commenced: 14 January 2020; varied effective 1 April 2020
Term of agreement: Ongoing
Details: Base salary for the year ending 30 June 2020 of \$135,000 plus superannuation. 4 week termination notice by either party.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020

Performance Rights

There were no Performance Rights ("PR") issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Values of PR over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Value of PR granted during the year \$	Value of PR exercised during the year \$	Value of PR lapsed during the year \$	Remuneration consisting of PR for the year %
Penelope Bettison	-	-	(6,051)	-4%
Richard Willson	-	-	(605)	-1%
Jordan Parham	-	29,250	-	13%
	-	29,250	(6,656)	7%

Company performance link to remuneration

The remuneration of key management personnel is linked to the development of the Group's intangible assets, the continued progress towards developing the TESS technology and progress on the Aurora site at Port Augusta.

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DIRECTORS' REPORT
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Other transactions with key management personnel and their related parties

Merchant Accounting, a company related to Robert Shepherd, charged fees of \$8,690 during the year and no balance relating to these charges was outstanding at 30 June 2020. All transactions were made on normal commercial terms and conditions and at market rates. These fees was recognised as an expense in the period.

This concludes the remuneration report, which has been Audited.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the date of this report
<i>Ordinary shares</i>					
Robert Shepherd*	7,107,594	-	-	(7,107,594)	-
Dana Larson	250,000	-	-	-	250,000
Ian Little	-	-	-	-	-
Kevin Moriarty	12,403,000	-	-	-	12,403,000
Penelope Bettison**	1,000,000	-	-	(1,000,000)	-
Richard Willson	-	-	-	-	-
Jordan Parham	-	-	150,000	-	150,000
Marie Pavlik***	-	-	-	5,564	5,564
	<u>20,760,594</u>	<u>-</u>	<u>150,000</u>	<u>(8,102,030)</u>	<u>12,808,564</u>

* Disposals/other' is to recognise resignation on 7 November 2019 and hence removal of shareholding from disclosure at the date of this report.

** Disposals/other' is to recognise resignation from KMP on 28 August 2020 and hence removal of shareholding from disclosure at the date of this report.

*** Appointed 14 January 2020. 'Disposals/Other' denotes balance held prior to joining the group.

Performance Rights holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the date of this report
<i>PR over ordinary shares</i>					
Penelope Bettison	750,000	-	-	(750,000)	-
Richard Willson	50,000	-	-	(25,000)	25,000
Jordan Parham	200,000	-	(150,000)	(50,000)	-
	<u>1,000,000</u>	<u>-</u>	<u>(150,000)</u>	<u>(825,000)</u>	<u>25,000</u>

None of the performance rights in the table above are currently vested and therefore cannot be exercised.

1414 DEGREES LIMITED
ACN 138 803 620

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

INDEMNIFICATION AND INSURANCE 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 auditor of 1414 Degrees Limited.

To the extent permitted by law, the Group has indemnified (fully insured) each director and the secretary of the Group for a premium of \$65,000. 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 Group 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 Group.

PROCEEDINGS ON BEHALF OF THE GROUP

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided by the auditor are outlined in note 7 to the financial statements. The amount is nil during the financial year as no non-audit services were provided (2019: \$nil).

OFFICERS OF THE GROUP WHO ARE FORMER PARTNERS OF ACCOUNTING FIRM BDO

There are no officers of the Group who are former partners of Accounting Firm BDO.

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

Accounting Firm BDO continues in office in accordance with section 327 of the Corporations Act 2001.

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



Kevin Moriarty
Executive Chairman

Adelaide

Dated this 12th day of October 2020

1414 DEGREES LIMITED
ACN 138 803 620

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 AUD\$	2019 AUD\$
Other Income	5	411,054	298,820
Administration and Professional Expenses		906,889	926,439
Occupancy Expenses		37,042	365,709
Marketing Expenses		76,521	218,528
Depreciation and Amortisation		342,076	33,658
Employee Benefits Expense	6	1,451,631	1,567,347
Share Based Payments (Equity-settled)		93,932	103,339
Directors Fees		71,935	53,333
Other Expenses		253,098	700,113
Finance Costs		29,555	74,507
IPO Expense		-	526,662
(Loss) before income tax		(2,851,625)	(4,270,815)
Income tax benefit / (expense)	8	-	-
(Loss) for the year		(2,851,625)	(4,270,815)
Other comprehensive income for the year		-	-
Items that will be reclassified subsequently to profit or loss:		-	-
		-	-
Total comprehensive (loss) for the year		(2,851,625)	(4,270,815)
Basic loss per share	16	(1.65) cents	(2.58) cents
Diluted loss per share	16	(1.65) cents	(2.58) cents

The above consolidated 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 AUD\$	2019 AUD\$
ASSETS			
Current assets			
Cash and cash equivalents	9	4,395,479	9,721,192
Trade and other receivables	10	1,436,805	2,448,344
Other current assets		142,882	216,215
Total current assets		<u>5,975,166</u>	<u>12,385,751</u>
Non-current assets			
Property, plant and equipment		204,155	135,487
Intangible Assets	11	8,359,688	5,109,045
Right-of-use assets	12	2,674,765	-
Total non-current assets		<u>11,238,608</u>	<u>5,244,532</u>
Total assets		<u>17,213,774</u>	<u>17,630,283</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	355,139	485,316
Provision for employee benefits		90,628	126,031
Lease liabilities		129,938	-
Total current liabilities		<u>575,705</u>	<u>611,347</u>
Non-current liabilities			
Provision for employee benefits		14,906	93,005
Lease liabilities (NC)	14	2,489,643	-
Total non-current liabilities		<u>2,504,549</u>	<u>93,005</u>
Total liabilities		<u>3,080,254</u>	<u>704,352</u>
Net assets		<u>14,133,520</u>	<u>16,925,931</u>
EQUITY			
Contributed equity	15	29,197,369	29,097,294
Share Based Payments Reserve	17	116,968	123,111
Accumulated losses		(15,180,817)	(12,294,474)
Total equity		<u>14,133,520</u>	<u>16,925,931</u>

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

1414 DEGREES LIMITED
ACN 138 803 620

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 AUD\$	2019 AUD\$
Cash flows from operating activities			
Cash received from customers		24,991	8,250
Cash paid to suppliers and employees		(2,981,431)	(4,291,809)
Government grants		233,636	60,273
Interest received		148,623	163,770
Interest paid		(9,500)	(74,507)
Interest paid on lease liabilities		(23,533)	-
Net cash inflow/(outflow) from operating activities	18	<u>(2,607,214)</u>	<u>(4,134,023)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(36,263)	(29,531)
Purchase of entities		(2,000,000)	-
Payments for product development activities		(3,278,550)	(6,068,625)
Government grant received and used for intangible asset		236,000	430,930
Research and development tax offset received and used for intangible asset		2,743,782	2,568,476
Net cash inflow/(outflow) from investing activities		<u>(2,335,031)</u>	<u>(3,098,750)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	1,335,493
Repayment of borrowings		-	(1,335,493)
Repayment of lease liabilities		(398,868)	-
Transaction costs related to issues of shares or options		-	(315,839)
Proceeds from exercise of share options		-	31,657
Proceeds from the issue of shares		-	16,306,690
Net cash inflow/(outflow) from financing activities		<u>(398,868)</u>	<u>16,022,508</u>
Net increase/(decrease) in cash and cash equivalents		(5,341,113)	8,789,735
Net foreign exchange differences		15,400	3,215
Cash and cash equivalents at beginning of period		9,721,192	928,242
Cash and cash equivalents at end of period	9	<u>4,395,479</u>	<u>9,721,192</u>

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

1414 DEGREES LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Contributed equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total equity \$
At 1 July 2018	<u>12,954,139</u>	<u>19,772</u>	<u>(8,023,659)</u>	<u>4,950,252</u>
Loss for the year	-	-	(4,270,815)	(4,270,815)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(4,270,815)</u>	<u>(4,270,815)</u>
Transactions with owners in their capacity as owners				
Employee Share Scheme - Performance Rights Issue	-	103,339	-	103,339
Contributions of equity net of transaction costs	16,143,155	-	-	16,143,155
	<u>16,143,155</u>	<u>103,339</u>	<u>-</u>	<u>16,246,494</u>
At 30 June 2019	<u>29,097,294</u>	<u>123,111</u>	<u>(12,294,474)</u>	<u>16,925,931</u>
Adjustment for change in accounting policy (note 1)			(34,718)	(34,718)
Balance at 1 July 2019 - Restated	<u>29,097,294</u>	<u>123,111</u>	<u>(12,329,192)</u>	<u>16,891,213</u>
Loss for the year	-	-	(2,851,625)	(2,851,625)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(2,851,625)</u>	<u>(2,851,625)</u>
Transactions with owners in their capacity as owners				
Employee Share Scheme - Performance Rights Valuation	-	93,932	-	93,932
Employee Share Scheme - Conversion of Performance Rights	100,075	(100,075)	-	-
Contributions of equity net of transaction costs	-	-	-	-
	<u>100,075</u>	<u>(6,143)</u>	<u>-</u>	<u>93,932</u>
At 30 June 2020	<u>29,197,369</u>	<u>116,968</u>	<u>(15,180,817)</u>	<u>14,133,520</u>

The above consolidated 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 2020

NOTE 1 CORPORATE INFORMATION

The financial statements of 1414 Degrees Limited for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 12 October 2020 and cover the group as required by Australian Accounting Standards.

The financial statements are presented in the Australian currency.

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

The address of the group's registered office and principal place of business is Level 1, 10 Greenhill Road, Wayville SA 5034.

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 group is a for-profit group 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 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) Other Income Recognition

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

Grant

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the group 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 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
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 group 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. Goodwill on business acquisition and the intangible asset that is not yet ready for use is tested for impairment annually, or more frequently if events or changes in circumstances indicated that they might be impaired.

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, 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) Property, Plant and Equipment

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line or diminishing value basis over the asset's useful life to the group commencing from the time the asset is held ready for use. The following estimated useful lives will be used in the calculation of depreciation:

- Plant and equipment	2 - 15 years
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The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

(h) 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.

The R&D refund is recognised on an accrual basis, calculated using actual costs incurred on eligible activities and is subject to potential review by Government for up to 5 years.

Goodwill

Goodwill is calculated as the excess of the:

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

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

1414 DEGREES LIMITED
ACN 138 803 620NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Intangible Assets (Continued)**

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(i) Leases

Refer Note 2 (q) below.

(j) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the group 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.

(k) Employee benefits*Short-term employee benefits*

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

Other long-term employee benefits

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) Financial Assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(n) Principles of Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(o) Business Combinations

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Business Combinations (continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

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

(p) Accounting Standards Issued But Not Yet Effective

There are no accounting standards that have not been early adopted for the year ended 30 June 2020 but will be applicable to the group in future reporting periods which are expected to have a material impact on the financial statements.

(q) Application of new and revised Accounting Standards

The group 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 group.

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of Adoption

AASB 16 was adopted using the modified retrospective approach as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	1-Jul-19 AUD\$
Operating lease commitments as at 1 January 2019 (AASB 16)	974,688
Accumulated Depreciation as at 1 July 2019	(686,677)
Right-of-use assets	288,011
Lease liabilities - current	(322,729)
Reduction in opening retained earnings as at 1 July 2019	<u>(34,718)</u>

Right-of-use Assets

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

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

The consolidated entity has elected to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets.

Lease Liabilities

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

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Application of new and revised Accounting Standards (continued)

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

NOTE 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 group.

Key Estimates - Impairment

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

With respect to cash flow projections for intangible assets and those with a finite useful life but not yet considered ready for use, relevant inputs have been factored into valuation models on the basis of management's expectations regarding the growth of the market and the group's ability to capture market share. Pre-tax discount rates of 11% have been used in all models.

With respect to cash flow projections for the goodwill on business acquisition, the calculations use cash flow projections based on the most readily available modelling work performed for/by the entity. Relevant inputs have been factored into models on the basis of management's expectations regarding potential revenues and the group's ability to capture market share. Pre-tax discount rates of 10% have been used in all models.

The goodwill on business acquisition and intangible asset is tested for impairment annually at the end of the reporting period.

Key Judgements - Product Development

Included within intangible assets at the end of the reporting period is Product Development with a net carrying value of \$6,488,220 (2019: \$5,109,045) being the carrying value of the Product Development intangible asset of \$16,296,263 (2019: \$13,017,713) less the associated Government Grant funding of \$2,568,000 (2019: \$2,332,000) and the R&D refundable tax offsets applied of \$7,240,043 (2019: \$5,576,668). 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. The directors are satisfied that it is probable that the intangible asset will generate future economic benefits based on internal financial models and potential project scenario analysis.

NOTE 4 SEGMENT REPORTING

There is only one segment which is the entire business, which operates entirely within Australia.

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	2020 AUD\$	2019 AUD\$
NOTE 5 OTHER INCOME		
Interest Received	79,198	238,547
Rent & Office Recoveries	22,720	-
Provision of services	-	-
Government grants	309,136	60,273
	<u>411,054</u>	<u>298,820</u>
NOTE 6 EXPENSES		
Profit/(loss) before income tax includes the following specific expenses:		
<i>Superannuation expense</i>		
Defined contribution superannuation expense	123,987	121,533
	<u>123,987</u>	<u>121,533</u>
NOTE 7 AUDITORS' REMUNERATION		
Audit services		
Amounts paid/payable to BDO for audit/review of the financial statements of the group	37,000	32,105
Amounts paid/payable to a related practice of the auditor for corporate finance services	-	-
	<u>37,000</u>	<u>32,105</u>
NOTE 8 INCOME TAX EXPENSE		
Income Tax expense/(benefit) comprises:		
Current tax expense		
Current tax expense/(benefit)	-	-
Adjustments for previous years	-	-
Total current income tax expense	<u>-</u>	<u>-</u>
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Total income tax expense/(benefit) in profit or loss	<u>-</u>	<u>-</u>
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:		
Profit/(Loss) from operations before tax	(2,851,625)	(4,270,815)
Income tax calculated at 27.5%	(784,197)	(1,174,474)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	784,197	1,174,474
Non-deductible expenses	29,862	172,984
Assessable income not included in profit/loss	64,900	118,506
Other reconciling items	(48,893)	(48,789)
Timing differences on deferred tax assets not recognised	(34,226)	44,051
Tax losses not recognised	772,554	887,722
Tax expense	<u>-</u>	<u>-</u>
The amount of gross tax losses relating to Australian operations that are carried forward is \$8,197,403 (2019: \$5,388,118).		
NOTE 9 CASH AND CASH EQUIVALENTS		
Cash at bank	4,395,479	1,588,487
Cash term deposits	-	8,132,705
	<u>4,395,479</u>	<u>9,721,192</u>
An amount of \$215,582 included as cash has been set aside to support a bank guarantee issued to the landlord of the rented premises.		
NOTE 10 TRADE AND OTHER RECEIVABLES		
Trade receivables	63,000	-
R&D refundable tax offset	1,367,937	2,448,344
Other receivables	5,868	-
	<u>1,436,805</u>	<u>2,448,344</u>

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	2020 AUD\$	2019 AUD\$
NOTE 11 INTANGIBLE ASSETS		
<i>Product Development</i>		
Product Development - Intellectual Property		
Intangible assets under development - at cost	16,296,263	13,017,713
Government Grants applied	(2,568,000)	(2,332,000)
R&D Refundable Tax Offset applied	(7,240,043)	(5,576,668)
	<u>6,488,220</u>	<u>5,109,045</u>
Reconciliation of Product Development - Intellectual Property		
Balance at the beginning of the year	5,109,045	2,174,579
Additions	3,278,550	6,068,625
Government Grants applied	(236,000)	(430,930)
R&D Refundable Tax Offset applied	(1,663,375)	(2,703,229)
Closing carrying value	<u>6,488,220</u>	<u>5,109,045</u>

Intellectual property consists of TESS (thermal energy storage system) development of bulk energy storage solutions.

No amortisation has been recognised as the intellectual property is not available for use as at 30 June 2020. The intangible asset is tested for impairment annually. The government grant relates to accelerating the commercialisation of the group's intellectual property.

The recoverable amount of the group's Product Development intangible asset has been determined by a value-in-use calculation using a discounted cash flow model, based on an 8 year projection period approved by management.

The following key assumptions were used in the discounted cash flow model:

- 11% pre-tax discount rate;
- No revenue earned until 2022;
- Consistent sales from 2022 to 2023; and from 2024 to 2025;
- Increasing sales from 2026 to 2028;

The discount rate of 11% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the revenue presented in the model is justified, based on the potential indicated in the market.

Goodwill on business acquisition

Goodwill on business acquisition (Note 19)	1,871,468	-
	<u>1,871,468</u>	<u>-</u>
Reconciliation of goodwill on business acquisition		
Balance at the beginning of the year	-	-
Purchase of SiliconAurora Pty Ltd	1,871,468	-
Closing carrying value	<u>1,871,468</u>	<u>-</u>

Goodwill is tested for impairment annually.

The recoverable amount of the group's goodwill intangible asset has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management.

The following key assumptions were used in the discounted cash flow model:

- 11% pre-tax discount rate;
- Consistent revenue beginning in FY2023
- Revenue and CAPEX based on modelling recently performed for the Group;
- Financing mix unknown, however model based on 100% debt in order to consider impacts of interest and debt repayments

The discount rate of 11% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the revenue presented in the model is justified, based on modelling work referred to above.

There were no other key assumptions.

NOTE 12 NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

Land and buildings - right-of-use	3,847,152	-
Less: Accumulated depreciation	(1,172,387)	-
	<u>2,674,765</u>	<u>-</u>

Additions to the right-of-use assets during the year were \$2,728,842.

NOTE 13 TRADE AND OTHER PAYABLES

Trade and other payables	297,339	424,013
Other payables and accruals	57,800	61,303
	<u>355,139</u>	<u>485,316</u>

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	2020 AUD\$	2019 AUD\$
NOTE 14 NON-CURRENT LIABILITIES - LEASE LIABILITIES		
Lease liabilities	2,489,643	-

NOTE 15 CONTRIBUTED EQUITY

	2020 No. of Shares	2020 AUD\$
Share capital		
Ordinary shares - authorised, issued and fully paid opening balance	172,389,923	29,097,294
Employee Share Scheme - Conversion of Performance Rights	515,000	100,075
Ordinary shares - authorised, issued and fully paid closing balance	172,904,923	29,197,369

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the group 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 group in order to ensure that the group can fund its operations and continue as a going concern.

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

Management effectively manages the group's capital by assessing the group'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 group since the prior year and the objectives for managing capital have been met.

NOTE 16 EARNINGS PER SHARE

	2020 AUD\$	2019 AUD\$
<i>Earnings per share for profit (loss)</i>		
Profit (loss) after income tax	(2,851,625)	(4,270,815)
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd	(2,851,625)	(4,270,815)
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd used in calculating diluted earnings per share	(2,851,625)	(4,270,815)
	Cents	Cents
Basic earnings per share	(1.65)	(2.58)
Diluted earnings per share	(1.65)	(2.58)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	172,612,635	165,823,930
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares if dilutive	-	-
Convertible notes	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	172,612,635	165,823,930

The 2,650,000 performance rights have not been taken into account when calculating diluted earnings per share as they are anti dilutive.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17 SHARE BASED PAYMENTS

150,000 shares were issued to key management personnel in this financial year as part of the group's Performance Rights plan. In the year ended 30 June 2019 no shares were issued to key management personnel in this financial year.

A Performance Rights plan was established by the group in the 2019 financial year, whereby the group may, at the discretion of the board, grant Performance Rights (PR) over ordinary shares in the group to certain employees of the group. The PR are issued for nil consideration and are granted in accordance with performance guidelines established by the board.

Set out below are summaries of PR's outstanding at the of the financial year:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2/04/2019	1/07/2019	\$0.00	75,000	-	(70,000)	(5,000)	-
2/04/2019	14/01/2020	\$0.00	200,000	-	(150,000)	(50,000)	-
2/04/2019	15/01/2020	\$0.00	725,000	-	(295,000)	(430,000)	-
2/04/2019	1/07/2020	\$0.00	350,000	-	-	(100,000)	250,000
2/04/2019	15/01/2021	\$0.00	925,000	-	-	(150,000)	775,000
2/04/2019	15/01/2022	\$0.00	975,000	-	-	(100,000)	875,000
2/04/2019	15/01/2023	\$0.00	1,100,000	-	-	(350,000)	750,000
			<u>4,350,000</u>	<u>-</u>	<u>(515,000)</u>	<u>(1,185,000)</u>	<u>2,650,000</u>
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2/04/2019	1/07/2019	\$0.00	-	75,000	-	-	75,000
2/04/2019	14/01/2020	\$0.00	-	200,000	-	-	200,000
2/04/2019	15/01/2020	\$0.00	-	925,000	-	(200,000)	725,000
2/04/2019	1/07/2020	\$0.00	-	350,000	-	-	350,000
2/04/2019	15/01/2021	\$0.00	-	925,000	-	-	925,000
2/04/2019	15/01/2022	\$0.00	-	2,225,000	-	(1,250,000)	975,000
2/04/2019	15/01/2023	\$0.00	-	1,100,000	-	-	1,100,000
			<u>-</u>	<u>5,800,000</u>	<u>-</u>	<u>(1,450,000)</u>	<u>4,350,000</u>
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

There are no Performance Rights exercisable at the end of the financial year and no Performance Rights granted during 2020 financial year.

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial year was 1.12 years (2019: 2.01).

During the year the expense recognised in relation to the valuation of these Performance Rights was \$94k.

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	2020 AUD\$	2019 AUD\$
NOTE 18 CASH FLOW INFORMATION		
Reconciliation of profit after income tax to net cash flow from operating activities		
Loss for the year	(2,851,625)	(4,270,815)
Non-cash flows in profit/(loss):		
- Depreciation and Amortisation	342,076	33,658
- Share Based Payments	93,932	103,339
- Foreign exchange differences	(15,400)	(3,215)
- IPO Cost Expensed	-	526,662
Change in operating assets and liabilities		
- (increase)/decrease in trade and other receivables	(5,851)	167,019
- (increase)/decrease in other current assets	73,333	(216,215)
- increase/(decrease) in trade and other payables	(130,177)	(629,987)
- increase/(decrease) in employee benefits	(113,502)	155,531
Net cash flow from operating activities	<u>(2,607,214)</u>	<u>(4,134,023)</u>

NOTE 19 BUSINESS COMBINATION

On 13 December 2019 1414 Degrees Ltd acquired 100% of the issued shares in SolarReserve II Pty Ltd (Renamed to SiliconAurora Pty Ltd). SiliconAurora owns the advanced Aurora Solar Energy Project ("Aurora Project") near Port Augusta in South Australia. The group proposes to develop the Aurora Project, which has approval for 70MW of solar photovoltaic (PV) and 150MW of concentrated solar thermal plant (CSP) systems, and intends to demonstrate its world leading TESS-GRID technology.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	AUD\$
Cash paid	2,000,000
Total purchase consideration	<u>2,000,000</u>
The assets and liabilities recognised as a result of the acquisition are as follows:	
	Fair Value AUD\$
Cash	1,000
GST Receivable	8,809
Property, plant and equipment	85,601
Right-of-use assets	2,728,842
Lease liabilities - Current	(110,000)
Lease liabilities - Non-Current	<u>(2,585,720)</u>
Net identifiable assets acquired	<u>128,532</u>
Add: Goodwill (Note 11)	<u>1,871,468</u>
	<u>2,000,000</u>

The goodwill is attributable to SiliconAurora's approval for the development of 70MW of PV and 150MW of CSP systems and access to land resources to demonstrate the Group's TESS-GRID technology. Documentation and contracts were obtained as part of the purchase, however these do not qualify for separate recognition.

NOTE 20 CONTINGENCIES

Contingent Liabilities

At 30 June 2020 those charged with governance of the group note that there are no known contingent liabilities (2019: nil).

As the market is aware however, the Group recently moved its corporate office from Flinders Street, Adelaide to its current premises at Greenhill Road. Before doing so, the Group received a leasing proposal in relation to a separate premises and took some steps to transition its operations to that premises. It was ultimately decided not to enter into a lease on the property. The Group has received notice of legal action from the landlord claiming that a binding lease agreement had been entered into. The Group does not consider that a binding lease was ever formed and will defend its position.

NOTE 21 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. - Merchant Accounting, a company related to Robert Shepherd, charged fees of \$8,690 during the year and no balance relating to these charges was outstanding at 30 June 2020.

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NOTE 21 RELATED PARTY (continued)**(b) Director and Director-related Interests in the group**

Disclosures relating to director and director-related interests, as well as key management personnel are set out in Note 22 below and the remuneration report included in the director's report.

NOTE 22 KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to KMP of the group during the year are as follows:

	2020	2019
	AUD\$	AUD\$
Short-term employee benefits	831,690	754,399
Post-employment benefits	70,641	60,162
Other long term benefits	8,911	12,686
Share-based payments	19,817	26,393
Total KMP compensation	<u>931,060</u>	<u>853,641</u>

These amounts represent the group's employee benefits and shared-based-payments expense for the year.

NOTE 23 FINANCIAL RISK MANAGEMENT

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

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2020	2019
		AUD\$	AUD\$
Financial Assets			
Financial Assets at amortised cost:			
Cash and cash equivalents	9	4,395,479	9,721,192
Trade and other receivables - R&D tax refund	10	1,367,937	2,448,344
Total financial assets		<u>5,763,416</u>	<u>12,169,536</u>
Financial Liabilities			
Financial Liabilities at amortised cost:			
Trade and other payables	13	355,139	485,316
Total financial liabilities		<u>355,139</u>	<u>485,316</u>

General objectives, policies and processes

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group'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 group'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 group's activities have no material exposure to financial risks of changes in interest rates. The group analyses its risk by considering sensitivity on its interest rate exposures and determining the potential impact on its 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.

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the group is holding deposits of foreign currency to cover major commercial cost in foreign currency. The foreign currency amounts were purchased around the time the future commitments were entered into to secure the costs in Australian Dollar.

Credit Risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group, except for the Australian Taxation Office which is the counterparty to the R&D refundable tax offset shown in note 10. Trade receivables represent the maximum exposure to credit risk, credit quality is considered good.

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NOTE 23 FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

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

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	AUD\$	AU\$	AU\$	AU\$	AUD\$	AUD\$	AUD\$	AUD\$
	2020	2019	2020	2019	2020	2019	2020	2019
Financial liabilities due for settlement								
Trade and other payables	355,139	485,316	-	-	-	-	355,139	485,316
Lease Liabilities	129,938	-	326,227	-	2,163,416	-	2,619,581	-
	<u>485,077</u>	<u>485,316</u>	<u>326,227</u>	<u>-</u>	<u>2,163,416</u>	<u>-</u>	<u>2,974,720</u>	<u>485,316</u>

Financial assets - cash flows realisable

Cash at bank	4,395,479	1,588,487	-	-	-	-	4,395,479	1,588,487
Trade and other receivables	1,367,937	2,448,344	-	-	-	-	1,367,937	2,448,344
Cash term deposits	-	8,132,705	-	-	-	-	-	8,132,705
	<u>5,763,416</u>	<u>12,169,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,763,416</u>	<u>12,169,536</u>

Sensitivity Analysis

Interest rate risk

At 30th June 2020 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$4,395,479. A +/-1% change in interest rates during the year ended 30th June 2020 will result in a +/- change in net interest income of \$43,955.

At 30th June 2019 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$9,721,192. A +/-1% change in interest rates during the year ended 30th June 2019 will result in a +/- change in net interest income of \$97,212.

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

Foreign currency risk

	Assets		Liabilities	
	2020 AUD\$	2019 AUD\$	2020 AUD\$	2019 AUD\$
Cash at bank held in or trade payables denominated in				
US dollars	1,493	356,053	-	-
Euros	4,303	-	14,661	8,989
	<u>5,796</u>	<u>356,053</u>	<u>14,661</u>	<u>8,989</u>

The group had net liabilities denominated in foreign currencies of \$8,865 as at 30 June 2020 (2019: net assets \$347,064).

Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2019: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the group's profit before tax for the year would have been \$887 lower/\$443 higher (2018: \$34,706 higher/\$17,352 lower) and equity would have been \$887 lower/\$443 higher (2019: \$34,706 higher/\$17,352 lower).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

The actual foreign exchange loss for the year ended 30 June 2020 was \$21,472 (2019: gain of \$2,951).

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 24 COMMITMENTS FOR EXPENDITURE

There are no capital commitments as at 30 June 2020 (2019: nil)

NOTE 25 SUBSEQUENT EVENTS

On 3 September 2020, the group announced that it was offering shareholders an opportunity to participate in a Share Purchase Plan (SPP) targeted to raise approximately \$3.0M. The SPP opened on 10 September 2020, with a closing date of 12 October 2020.

NOTE 26 PARENT ENTITY INFORMATION

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

Statement of Profit or Loss and Other Comprehensive Income

	2020 AUD\$
Loss after income tax	(2,526,376)
Total comprehensive income	<u>(2,526,376)</u>

Statement of Financial Position

	2020 AUD\$
Total Current Assets	5,974,166
Total Assets	<u>14,604,064</u>
Total Current Liabilities	130,388
Total Liabilities	<u>145,294</u>
Equity	
Contributed equity	29,197,369
Share Based Payments Reserve	116,968
Accumulated losses	(14,855,567)
Total Equity/(Deficiency)	<u>14,458,770</u>

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020.

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2020.

Capital Commitments - Property, Plant and Equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020.

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2.

1414 DEGREES LIMITED
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DIRECTORS' DECLARATION

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

- 1 The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are prepared in accordance with Australian Accounting Standards and present fairly the group's financial position as at 30 June 2020 and its performance for the year ended on that date.
- 2 The group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
- 3 In the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.
- 4 The directors have been given the declarations as required by s295A of the Corporations Act.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Kevin Moriarty
Executive Chairman

Adelaide

Dated this 12th day of October 2020

**DECLARATION OF INDEPENDENCE
BY PAUL GOSNOLD
TO THE DIRECTORS OF 1414 DEGREES LIMITED**

As lead auditor of 1414 Degrees Limited for the year ended 30 June 2020, 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.

This declaration is in respect of 1414 Degrees Limited and the entity it controlled during the period.



Paul Gosnold
Director

BDO Audit (SA) Pty Ltd

Adelaide, 12 October 2020

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) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 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 Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Intangible Asset

Key audit matter	How the matter was addressed in our audit
<p>The carrying value of the intangible asset product development - intellectual property as set out in note 11 is a key audit matter due to:</p> <ul style="list-style-type: none"> ▶ The significance of the total balance. ▶ The level of audit procedures undertaken to evaluate management’s application of the recognition criteria for internally generated intangible assets required by AASB 138 Intangible Assets. ▶ The level of judgment applied by management and inherent subjectivity in their assessment of the potential impairment of the asset and compliance with the requirements of AASB 136 Impairment of Assets. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ▶ Assessing the composition of development costs and the capitalisation criteria against the requirements of AASB 138 - Intangible Assets. ▶ Agreeing a sample of additions to supporting documentation, and ensuring the amounts were appropriately capitalised. ▶ Obtaining an understanding of the key processes and controls associated with the allocation of costs to the product development category. ▶ Assessing the results of trials of the prototype product and the potential market size for similar applications of the technology. ▶ Considering and evaluating assumptions contained within management’s impairment assessment and assessing the discount rate applied. ▶ Performing a sensitivity analysis on the key financial assumptions of the forecasted cash flows and discount rate in the model and considering the likelihood of such movements in these key assumptions.

Acquisition of SolarReserve Australia II Pty Ltd

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 19 of the financial report, 1414 Degrees Limited acquired the business of SolarReserve Australia II Pty Ltd during the year.</p> <p>The accounting for this business acquisition is a key audit matter due to:</p> <ul style="list-style-type: none"> ▶ Estimation of the fair value of assets acquired and liabilities assumed. ▶ The amount of goodwill recognised on acquisition relative to the value assigned to other assets. ▶ The significant judgements and assumptions made by management in assessing whether the acquired entity constituted a business. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ▶ Reviewing the executed transaction documents to understand the key terms and conditions of the acquisition; ▶ Evaluating management’s determination of the accounting acquirer and whether the transaction constituted a business or an asset acquisition; ▶ Challenging the methodology and assumptions utilised to identify and determine the fair value of the assets and liabilities acquired; and ▶ Assessing the adequacy of the group’s disclosures in Note 19 of the financial report.



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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, 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 ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of 1414 Degrees Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

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

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'Paul Gosnold'.

Paul Gosnold

Director

Adelaide, 12 October 2020

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2020.

Share Capital

- 173,522,423 fully paid Ordinary Shares are held by 3,266 individual Shareholders.
- 4,300,000 Unlisted Performance Rights with various performance hurdles are held by 10 individual holders.
- All Ordinary Shares carry one vote per share.
- There is no current on-market buyback.

Distribution of Equity Securities

The number of shareholders, by size of holding, in each class are:

<u>Range</u>	<u>Securities</u>	<u>%</u>	<u>No. of holders</u>	<u>%</u>
100,001 and Over	19,483	0.01%	51	1.56%
10,001 to 100,000	1,982,710	1.14%	651	19.93%
5,001 to 10,000	7,344,181	4.23%	972	29.76%
1,001 to 5,000	43,506,727	25.07%	1,404	42.99%
1 to 1,000	120,669,322	69.54%	188	5.76%
Total	173,522,423	100.00%	3,266	100.00%
Unmarketable Parcels at 12.5 cents per share			522	15.98%

Substantial Shareholders

(As disclosed in substantial holding notices given to the Company)

	<u>No. of Shares Held</u>	<u>%</u>
FOCEM PTY LTD <TOWARNIE SUPER FUND A/C>	12,403,000	7.20%
MATTHEW JOHNSON / SUSAN JOHNSON	9,973,487	5.80%

Twenty largest holders of Quoted Ordinary Shares

<u>Rank</u>	<u>Name</u>	<u>No. of Shares Held</u>	<u>%</u>
1	FOCEM PTY LTD <TOWARNIE SUPER FUND A/C>	12,403,000	7.15
2	MRS WENDY ELIZABETH MOSS + MR JOHN HENRY MOSS <MOSS RETIREMENT A/C>	8,567,427	4.94
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,402,854	3.69
4	MR ROBERT JOHN KEITH SHEPHERD+ MRS LYNETTE DOROTHY SHEPHERD <RJK SHEPHERD & ASS>	5,820,682	3.35
5	AMMJOHN PTY LTD	5,439,868	3.13
6	MR HAROLD TOMBLIN + MRS JUDITH JOHNSTON <HAROLD TOMBLIN S/F A/C>	4,709,898	2.71
7	MEWTWO GLOBAL INVESTMENTS LLC	4,333,333	2.5
8	CITICORP NOMINEES PTY LIMITED	3,960,211	2.28
9	MR JOHN LANGLEY HANCOCK	3,378,333	1.95
10	MS SUSAN JOHNSON <LATENT HEAT HOLDINGS A/C>	2,657,448	1.53
11	BENGER SUPERANNUATION PTY LIMITED <BENGER SUPER FUND A/C>	2,300,000	1.33
12	LHO LA PTY LTD <ACME FOUNDATION A/C>	2,000,000	1.15
13	MR JONATHAN WHALLEY + MRS MARTINE ANNE WHALLEY <YURREBILLA FUND A/C>	1,996,684	1.15
14	KNIGHTS VALLEY LTD	1,666,500	0.96
15	MR IAN ROSS BURDON + MS CATHERINE LOUISE TAYLOR <IAN BURDON S/F A/C>	1,500,000	0.86
16	RANAT INVESTMENTS PTY LTD <MARANANGA A/C>	1,250,000	0.72
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,179,582	0.68
18	MARHFEL PTY LTD <HUNTLEY A/C>	1,125,000	0.65
19	MS MARETTA ALYSSA LAYTON	1,030,000	0.59
20	AMMJOHN PTY LTD	1,026,171	0.59
	Total	72,746,991	41.92
	Balance of register	100,775,432	58.08
	Grand total	173,522,423	100.00%

1414DEGREES.COM.AU



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