

ANNUAL REPORT 2022

The power of change







“
**Our vision is to commercialise
the technology to decarbonise
the world’s energy supply.**”

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CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders,

The 2022 Financial Year was one of consolidation for 1414 Degrees, with the signing of two important contracts which have placed the company on a solid path for both our SiBox technology and our Aurora project.

There was a change towards the end of the financial year in our Executive Leadership team, with our Chief Executive Officer, Mr Matthew Squire, stepping down. Matthew, whilst only at the firm for just short of twelve months, worked tirelessly with the team and external stakeholders to execute the key contracts mentioned above. We wish Matt all the very best, and whilst we conduct our search for a replacement of Matthew the company is in good hands with our Chief Operating Officer, Dr Jordan Parham, acting in the Chief Executive Officer role.

From a Board governance perspective, the company had been fortunate enough to acquire the services of two new directors, adding corporate and commercial expertise and experience. Ms Ford has practiced as a solicitor

for over 30 years, initially in private practice and then as in house counsel and company secretary, largely in the energy and resources sector. Ms Evans has extensive executive leadership experience in private and ASX listed companies in the energy and resources sector, with a focus on growth and energy markets. They were chosen after an extensive search, with their skill sets aligned to the Board's newly implemented skills matrix. Sadly, subsequent to this financial year, Ms Ford resigned due to personal reasons. I thank Ms Ford for her efforts and will genuinely miss her professionalism and sound advice.

In addition to the significant contributions already made by Ms Ford and Ms Evans, I would like to thank Mr Larson and Mr Gan for their sensible and pragmatic approach to their director duties during the year. It has been an honour to lead all four of them as Chair, and I appreciate the faith they have placed in me.

Turning to our projects, firstly an agreement was signed with Woodside Energy Technologies Pty Ltd (Woodside), a subsidiary of Woodside Energy Ltd in October 2021, for up to \$2 million to support further development of our SiBox technology. Since that date the team at 1414 Degrees and Woodside have been working on the design, engineering and fabrication of the 1MWh SiBox Demonstration Module. Further support for the transformational potential of the SiBox technology was demonstrated when 1414 Degrees was awarded a \$2.2 million grant from the Australian Federal Government's Modern Manufacturing Initiative (MMI).

Our Aurora Energy Project has also moved forward this year, as we have found excellent partners to work with. After a false start with Ovida Infrastructure, who withdrew from their exclusivity MOU due to a strategic decision by their shareholders to no longer invest in such electricity projects, we were pleased to announce to the market in June 2022 our joint venture to develop Aurora with a subsidiary of Vast Solar.

This agreement was executed after a process whereby several prospective parties were approached or expressed significant interest in Aurora. The joint venture agreement sets out that we will be working with Vast on realising the vision for Aurora's development as a long-term renewable energy project. Firstly, by accelerating the development of our Stage 1 BESS. In the longer-term providing access rights within the precinct for Vast to independently progress a Concentrated Solar Project (CSP) using Vast's proprietary technology and for 1414 Degrees to independently progress a pilot of its Thermal Energy Storage System (TESS).

In addition to Vast's capital contribution associated with the 50% sale of shares in Silicon Aurora Ltd, Vast will also contribute 50% of all development costs associated with the initial stage 1 development of the project, including the reimbursement for associated costs incurred since the GPS commencement. This deal with Aurora has meant that funding of up to \$2.9 million was secured through the arrangements with Ovida Infrastructure and Vast Solar Pty Ltd, which is in addition to the important 50% sharing of all development costs



associated with the initial Stage 1 development, which will help drive the project development successfully towards final investment decision.

From a geopolitical perspective, whilst the year of 2022 has started with significant turmoil in Europe, which is extremely tragic, the flow-on effects in energy markets highlights the importance of moving away from traditional power sources into more renewable energy alternatives. Indeed, to that very end, we are starting to see an increased activity by governments and investors throughout the world to limit the use of fossil fuels and actively encourage and reward those businesses which are developing products and services in the renewable energy space. This trend makes sense from both an environmental perspective but also from an economic perspective. With governments now moving towards providing greater subsidies to support the renewables space and enhanced costs and penalties for fossil fuel sector, we should start to see more uptake of clean energy technology. This is beneficial for 1414 Degrees as we look to continue the work commenced in the past year on delivering value on our two key projects which both actively support a more sustainable future.

From an Operations perspective, I'm very pleased with the work the team has done to progress its two key strategic priorities. Each time I set foot in Melrose Park it is a delight to see the progress conducted, and the passion with which the team are working towards an end goal of enabling a clean energy future. Importantly, the core group of staff who are working on these key projects have

remained intact, which has been a key ingredient to our progress this year. In addition to the great work performed by Jordan Parham during the year, I'd like to call out the wonderful work done by Josh, Nathan, Mahesh, Will and Brian in relation to the engineering side of the business. I'd also like to thank Annie, Catherine and Shane for all their work in administration management, human resource leadership and financial management and stewardship. Finally, I would also like to personally thank our company secretary, Tania Sargent, for her professionalism, loyalty and commitment to corporate governance.

Furthermore, I had been delighted to see very little turnover of staff within the company, evidencing the happy work life that has existed up until recently at 1414 Degrees. Our people are our biggest asset, and it's extremely important they are well looked after and protected. I am concerned about protecting our people as best as I can from any repercussions and fallout from some activities which happened subsequent to the end of the financial year, which were addressed in an Extraordinary General Meeting. There is a small number of shareholders who seem to continue to wish to create instability. I earnestly want to see calm restored not just for the sake of our staff but also to enable a clear pathway forward for the Company. I will be working with our Board to try to facilitate this. It is very unnerving to staff, Board members, SiBox and Aurora stakeholders and capital markets in general.

Fellow shareholders, despite the agitations of a small block of Shareholders, please be assured that my confidence in the future direction of the company remains

strong, and that I will be acting in the best interests of all our Shareholders, as well as our staff and key business stakeholders to advance its cause in a methodical and logical manner. Projects and developments like the ones we are looking at take time, as most things of significance do, but the foundations of the work that we are doing fills me with confidence. I take this opportunity to stress the importance of having a stable and steady Board to help both the stewardship of the company and the provision of a clear runway for a necessary capital raising required to ensure 1414 Degrees delivers upon our two key pathways.

The existing Board and I remain committed to working with the executive team to assist them where possible to enable the successful delivery of value to you, our esteemed shareholders. As I said in my letter last year, I like to operate an 'open door' policy. I have spoken to many shareholders this year, and it is good to hear the majority of them are supportive of what we are doing. So, if you do have any questions or would like to discuss anything with me directly, please feel free to do so.

Best wishes,
Tony Sacre
Chairman

CEO'S LETTER TO SHAREHOLDERS



SiBox™ and Aurora Energy Project have clear forward pathways and critical upcoming commercial milestones.



Dear Shareholders,

The last 12 months has seen 1414 Degrees make significant progress towards the Company's key strategic priorities of developing and commercialising our silicon-based thermal energy storage technology, SiBox, and developing a hybrid renewable energy power plant to provide clean and reliable electricity, the Aurora Energy Project (AEP).

The engineering team have focussed on the design and engineering of the SiBox Demonstration Module, in collaboration with Woodside Energy Technology. Detailed engineering, and major equipment selection has been largely completed with fabrication in progress on key items including the SiBox furnace, energy recovery system heat exchanger, energy recovery system circulation and exhaust fans, air flow path components. Construction and rigorous testing of the Demonstration Module will take place in early 2023.

Our research and development efforts have focussed on refining the preferred thermal storage media concepts for SiBox. Testing and thermal cycling of different configurations in our furnaces continues to support our selection of materials and optimised design for the SiBox Demonstration Module. Samples have now completed six months of rigorous testing under anticipated real-life conditions. Complementary R&D continued in parallel on innovations to further improve the storage media cost and performance.

Regarding AEP, the Company now has development approval for up to 140MW/280MWh battery energy storage system (BESS), 70MW Solar Photo-Voltaic (PV), 150MW Concentrated Solar Power (CSP) as well as a pilot

for our SiBox thermal energy storage. The project is staged with our initial focus on Stage 1 being the development and connection of the 140 MW/1-2hr BESS to the adjacent 275kV transmission system. The AEP project tenure was also restated following the execution of an amended Tripartite agreement between 1414 Degrees' subsidiary Silicon Aurora Pty Ltd, the pastoral leaseholders Buckleboo Nominees and SA Government.

The company has also been progressing technical activities on AEP including executing a work order with ElectraNet to commence the Generator Performance Standard (GPS) study. This follows confirmation of the key technical input parameters of the Stage 1 140MW/1-2hr capacity BESS. The GPS study is the primary activity remaining in order to be approved by the Australian Energy Market Operator to connect to the National Electricity Market and negotiate a Transmission Connection Agreement with ElectraNet. 1414 Degrees has appointed Emanden Technical Solutions as owner's engineer and AECOM as the modelling consultant to manage and execute the GPS study.

SiBox and AEP have clear forward pathways and critical upcoming commercial milestones. The engineering team are focussed on delivering the SiBox Demonstration Module, moving to construction, commissioning and testing in the next 12 months, which will deliver test results to validate models for design and scale-up of the technology. This will be complemented by the R&D team working on improvements to the SiBox storage media and SiBox design to further improve SiBox competitiveness.

Commercialising the SiBox technology will be a significant focus for the Company, in particular to inform negotiations with Woodside on the creation of the SiBox special purpose vehicle. A key step on this journey will be updating the marketing and communications to robustly articulate SiBox's commercial value proposition as well as the 'go to market' strategy to attract prospective customers or partners and secure investment in SiBox projects. This will be supported by our collaboration with the Heavy Industry Low-Carbon Technology Co-operative Research Centre (HILT-CRC), Long Duration Energy Storage Council and Woodside.

The Aurora team will work closely with our joint-venture partner Vast Solar and our various contractors to develop the Aurora Stage 1 BESS to final investment decision. This will include completing the engineering studies, negotiating the Transmission Connection Agreement and securing key vendors for the BESS supply and EPC contractor for the balance of plant. In parallel, commercial engagement will focus on securing finance to enable procurement and preliminary works to progress as soon as final investment decision is taken.

These tasks, whilst not easy, must be delivered for the long-term success of the company. To this end, I would like to acknowledge the outstanding efforts and dedication of the staff and support of the Board at 1414 Degrees. Their ongoing resilience, dedication and enthusiasm to deliver outcomes puts us in the best possible position to realise value for Shareholders. I would also like to thank our broader team, particularly Woodside Energy Technology and Vast Solar, as well as our key suppliers and contractors, who provide complementary skills and expertise to execute our key projects.

Thank you for your ongoing support

A handwritten signature in black ink, appearing to read 'Jordan Parham', written over a horizontal line.

Yours sincerely,
Jordan Parham
Acting Chief Executive Officer

THE FUTURE OF CLEAN HEAT

A low-carbon revolution for industry

SiBox™ will harness the extremely high latent heat capacity of silicon, to store heat from intermittent renewables.

It will provide industry with reliable, decarbonised, ultra-high temperature heat 24 hours a day, seven days week, targeted at large scale industrial applications and combined heat and power opportunities.

The Company is focussed on building the SiBox Demonstration Module to showcase the technology as a competitive clean energy product, with the support of Woodside Energy Technology and the Australian Federal Government through a Modern Manufacturing Initiative grant.



SIBOX™ TECHNOLOGY





NOTHING BUT BLUE SKY

Low-cost, reliable, clean energy

The vision for Aurora Energy Project is to be a hybrid renewable energy power plant delivering reliable electricity to the National Energy Market.

We are working closely with our joint-venture partner Vast Solar to develop the Stage 1 Battery to final investment decision.

In the longer-term Aurora provides the opportunity to deploy Concentrated Solar Power (CSP) using Vast's proprietary technology and a pilot of our SiBox technology.





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 (4th edition) published by the ASX Corporate Governance Council.

The 2022 Corporate Governance Statement is dated as at 30 June 2022 and reflects the corporate governance practices in place throughout the 2022 financial year.

The 2022 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 1414degrees.com.au

Corporate Directory

Current Directors

Tony Sacre – Chairman
Peter Gan – Non Executive Director
Dana Larson – Non Executive Director
Alison Evans – Non Executive Director
Kevin Moriarty – Non Executive Director

Company Secretary

Tania Sargent

Registered Office & Principal Place of Business

1414 Degrees Limited
136 Daws Road
Melrose Park SA 5039
T +61 8 8357 8273
E info@1414degrees.com.au

Share Registry

Computershare Investor
Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000
T +61 3 9415 4000
W 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

Patent & Trade Mark Attorneys

Madderns
Level 4, 19 Gouger Street
Adelaide SA 5000

Auditor

BDO Audit Pty Ltd
Level 7, 420 King William Street
Adelaide SA 5000

Website

1414degrees.com.au

FINANCIAL STATEMENTS



Directors' report

For the year ended 30 June 2022

The directors of 1414 Degrees Limited present their report on the Company for the financial year ended 30 June 2022.

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:"

Dana Larson
Tony Sacre
Peter Gan

Alison Evans – Appointed 1 May 2022
Kevin Charles Moriarty – Resigned as Director 19 July 2021 and as Executive Chairman 2 September 2021, re-elected 28 July 2022
Sheree Ford – Appointed 1 May 2022, Resigned 15 September 2022

Company secretary

Tania Sargent

Principal activities

1414 Degrees is developing and commercialising its silicon-based thermal energy storage technology, SiBox™, to enable a clean energy future. SiBox will harness the extremely high latent heat capacity of silicon in its proprietary storage system. This will enable intermittent renewables to provide flexible, ultra-high temperature heat 24/7 for large industrial applications and to deliver reliable heat and power supply when required. It is envisaged that the flexibility of the SiBox™ modular development concept will provide a decarbonisation pathway for energy users such as high temperature industrial customers, minerals processing industries, thermal power stations and those needing a combined heat and power solution.

1414 Degrees is also developing the Aurora Energy Project (AEP) located near Port Augusta, South Australia. The focus of the project is to develop a hybrid renewable energy project delivering reliable electricity to the region and national electricity market. The AEP site is also an opportunity to build and demonstrate a large-scale pilot of the SiBox™ technology.

Dividends

No dividends have been paid during or since the financial year ended 30 June 2022.

Review of operations

The Company's strategies, structure and people have continued to evolve as it progresses through the development of a new technology in a dynamic market. In the past year, there have been several significant achievements regarding the technical and commercial development of our silicon based thermal energy storage technology and Aurora Energy Project. This is occurring as we continue to see a very favourable investment environment for clean energy technology and renewable energy generation projects.

Sibox thermal energy storage technology

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 media concept. This breakthrough technology, arranged in a new internal heat exchanger design, is called 'SiBox™'.

In the past year the Company has executed agreements with Woodside Energy Technologies Pty Ltd (Woodside), a subsidiary of Woodside Energy Ltd, to support further development and potential partnership in the future commercialisation of the SiBox™ technology. Woodside will contribute up to \$2m to the circa 1 MWh demonstration module. Following completion of the demonstration module program Woodside will decide whether to participate further in the direct investment of the technology. Should Woodside choose to do so, 1414 Degrees and Woodside will create a Special Purpose Vehicle (SPV) to hold the SiBox intellectual property (IP) for its future development.

Further support for the transformational potential of the SiBox technology was demonstrated when 1414 Degrees was awarded a \$2.2 million grant from the Australian Federal Government's Modern Manufacturing Initiative (MMI). The grant will be used to support the commercialisation of the SiBox technology through the construction of the demonstration module, complementing the agreement with Woodside Energy Technologies. It will also fund commercialisation activities including market research and technoeconomic evaluation of brown-field opportunities for SiBox.

Over the past year the engineering team have focussed on the design and engineering of the SiBox Demonstration Module. Detailed engineering, and major equipment selection has been largely completed with fabrication in progress on key items including the SiBox furnace, energy recovery system heat exchanger,

energy recovery system circulation and exhaust fans, and air flow path components. Construction and rigorous operations and testing will take place in early 2023.

R&D efforts have focussed on refining the preferred thermal storage media concepts for SiBox. Testing and thermal cycling of these options in our furnaces continues to support our selection of materials and optimised configuration for the SiBox demonstration modules. Samples have now completed six months of rigorous testing under anticipated real-life conditions. Complementary R&D is underway on innovations to further improve the Storage Media cost and performance.

Aurora energy project

In December 2019, the Company acquired SolarReserve Australia II Pty Ltd, now renamed SiliconAurora Ltd to develop the Aurora Energy Project (AEP).

During the year the Company updated relevant approvals for the AEP, such that it now has development approval for up to 140MW/280MWh battery energy storage system (BESS), 70MW Solar Photo-Voltaic (PV), 150MW Concentrated Solar Power (CSP) as well as a pilot for our SiBox thermal energy storage. The project is staged with our initial focus on Stage 1 being the development and connection of the 140 MW BESS to the adjacent 275kV transmission system. The AEP project tenure was also restated following the execution of an amended Tripartite agreement between 1414 Degrees' subsidiary Silicon Aurora Pty Ltd, the pastoral leaseholders Buckleboob Nominees, the Minister for Environment and Water, and the Minister for Primary Industries and Regional Development.

The company has also been progressing technical activities including executing a work order with ElectraNet to commence the Generator Performance Standard (GPS) study. This follows confirmation of the key technical input parameters of the Stage 1 140MW/1-2hr capacity BESS. The GPS study is the primary activity remaining to be approved by the Australian Energy Market Operator (AEMO) to connect to the National Electricity Market (NEM) and negotiate a Transmission Connection Agreement with ElectraNet. 1414 Degrees has appointed Emanden Technical Solutions (Emanden) as owner's engineer and AECOM as the modelling consultant to manage and execute the GPS study.

In the past year we brought in Ovida Infrastructure to the AEP via an exclusivity MOU. However, this was terminated before progressing to any further agreements due to a strategic decision by their shareholders to no

longer invest in unregulated electricity projects. 1414 Degrees received \$391,000 in payments from Ovida during their involvement and retained all intellectual property generated since execution of the MoU.

Subsequent to Ovida's exit, 1414 Degrees executed agreements with a subsidiary of Vast Solar Pty Ltd to create a joint venture to develop AEP by way of a sale of 50% of the shares in SiliconAurora Pty Ltd. Under the terms of the share sale agreement, the purchase price for the 50% shares in SiliconAurora is \$2.5 million in cash payable by Vast in two instalments: an initial \$1.0 million following completion and a further \$1.5 million following the receipt by SiliconAurora of a written offer to connect to the transmission system from the relevant Network Service Provider under the rules of the National Electricity Market. Vast will contribute 50% of all development costs associated with developing the Stage 1 BESS to a position of readiness for a Final Investment Decision (FID). In addition to accelerating the development of our Stage 1 BESS, the joint venture agreements also provide for development of Aurora in further stages, including access rights within the precinct for Vast to independently progress a CSP Project using Vast's proprietary technology and for 1414 Degrees to independently progress a pilot of its SiBox technology.

Intellectual property

The Company continues to actively manage, document and protect all its intellectual property.

Current status of patents and trade names:

- Patent 2010282232- "Thermal Energy Storage Apparatus, Arrangement and Method". Granted in AU, NZL, EU, China and US.
- Patent 2012292959 - Thermal Energy Storage Apparatus" joint ownership. Granted in AU, NZL, EU, China and US.
- PCT Application 2018239960 "Energy Storage and Retrieval System" (TESS-IND). Granted in US, in progress in AU, NZL and EU.
- PCT Application PCT/AU2019/000113 "Energy Recovery System" (GAS-TESS). Proceeding with National/Regional Phase registration Aus, NZL and US.
- Australian provisional patent application No. 2020904050 (SiBox Storage Media). In application/patent pending.
- 1414 Degrees, SiBox trademark registered in AU, PRC, USA, EU.

Corporate

Matthew Squire joined the Company as Chief Executive Officer on 2nd August 2021. He tendered his resignation as Chief Executive Officer for personal reasons on 19 May, finishing on 30 June 2022. The Company's Chief Operating Officer, Dr Jordan Parham, was appointed to the role of Acting Chief Executive Officer. Dr Parham has been with 1414 Degrees since the beginning of 2019 and has been actively involved in key commercial negotiations concerning the Woodside Energy partnership and the associated development of the SiBox technology. Dr Parham has also been driving the development of the Aurora Energy Project, and was pivotal in progressing the partnership with Vast Solar Pty Ltd.

To further support and strengthen the Company as we enter the final stages of the research and development of our SiBox technology and further develop our Aurora Project, 1414 Degrees appointed two new Non-Executive Directors effective 1 May 2022. Sheree Ford and Alison Evans both bring significant corporate and commercial expertise from many years' experience within resource and energy companies. Additional details below in the Directors' Report.

COVID-19

The COVID-19 pandemic caused the Company to review its budgets and work practices. The Company continues to monitor its finances and workplace arrangements to manage the risk from COVID-19, related isolation periods for impacted employees and flow-on effects from suppliers.

Significant changes in state of affairs

New SiliconAurora Joint Venture arrangement entered into with Vast Solar Aurora Pty Ltd, detailed above in 'Review of Operations'.

On June 30, 2022 the Company had 201,985,458 Ordinary Shares on issue and 3,564 shareholders.

Matters subsequent to the end of the financial year

An Extraordinary General Meeting was held on 28 July 2022, following receipt of a section 249D notice from Focem Pty Ltd as trustee for the Towarnie Superannuation Fund (Focem) (being a company associated with Dr Kevin Moriarty), as announced to the market on 1 June 2022. The meeting considered the resolutions proposed by Focem in the Notice, with the outcome being that Dr Kevin Moriarty was elected as a Director of the Company. The Company received a second section 249D notice from a group of shareholders as announced to the market on 12 September 2022. A member meeting has been convened for 11 November 2022 to consider the resolutions. The Company also wishes to advise that Sheree Ford resigned as a non-executive director on 15 September 2022 for personal reasons.

Environmental regulation

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

Meetings of directors

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2022, and the number of meetings attended by each director are set out below:

Directors	Board	
	Held	Attended
Dana Larson	10	10
Peter Gan	10	10
Tony Sacre	10	10
Sheree Ford	3	3
Alison Evans	3	3
Kevin Moriarty	1	1

Information on directors

Dana Larson

Title

Non-Executive Director

Date of Appointment/Re-election

18 October 2017, 25 November 2021

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

Peter Gan

Title

Non-Executive Director

Date of Appointment/Election

4 January 2021, 25 November 2021

Qualifications

BEng (Hons), MBA

Experience and expertise

Peter is an experienced executive and governance professional, having held positions as Chief Executive Officer, Chief Operating Officer and Company Secretary with both listed and private companies. Peter is currently the CEO of Royal Wins Ltd, a company listed on the Canadian Stock Exchange. Peter's experience includes roles with energy companies, technology start-ups and professional services, whilst also having extensive experience in capital markets. Peter has an Engineering degree (Hons) and also holds a Masters in Business Administration.

Other current directorships

Royal Wins Corporation

Former directorships (last 3 years)

None

Interests in shares

0 ordinary shares

Interests in options

None

Contractual rights to shares

None

Tony Sacre

Title

Chairman and Non-Executive Director

Date of Appointment/Election

3 June 2021, 25 November 2021

Qualifications

BBus, FINSIA, ACA, ACPA, MBA, GAICD

Experience and expertise

Tony is an experienced Non-Executive Director and Executive with more than 25 years' experience with both publicly listed and private companies. Tony is currently the CEO of Bentleys, Australia's tenth largest national accounting organisation. Tony's experience includes roles with international financial institutions, one of Australia's primary securities exchanges and large professional services organisations. Tony has a Bachelor of Business (Queensland University of Technology), is a Fellow of the Securities Institute of Australia, a Chartered Accountant and Certified Practising Accountant, holds a Masters in Business Administration (Macquarie University) and is a Graduate of the Australian Institute of Company Directors.

Other current directorships

Chair – Allinial Global – Asia Pacific

Former directorships (last 3 years)

None

Interests in shares

50,000 ordinary shares

Interests in options

None

Contractual rights to shares

None

Sheree Ford

Title

Non-Executive Director

Date of Appointment

1 May 2022,
Resigned 15 September 2022

Qualifications

BA, LLB, GD Resources Law, MBA

Experience and expertise

Sheree has practiced as a solicitor for over 30 years, initially in private practice and then as in house counsel and company secretary, largely in the energy and resources sector. In the energy sector, Sheree commenced her career as a lawyer for BHP Limited and subsequently undertook roles as general counsel and company secretary and as a member of the executive team at several listed and unlisted companies, including Beach Energy Limited, InterOil Corporation and Roc Oil Company Limited.

Other current directorships

None

Former directorships (last 3 years)

None

Interests in shares

None

Interests in options

None

Contractual rights to shares

None

Alison Evans

Title

Non-Executive Director

Date of Appointment

1 May 2022

Qualifications

BA, LLB

Experience and expertise

Alison has extensive executive leadership experience in private and ASX listed companies in the energy and resources sector, with a focus on growth and energy markets. She has worked in several legal counsel roles with Centrex Metals, GTL Energy and AGL Energy, and most recently she was General Counsel and Company Secretary of Cooper Energy Limited. Alison is currently the Company Secretary for the Adelaide Symphony Orchestra.

Other current directorships

None

Former directorships (last 3 years)

None

Interests in shares

None

Interests in options

None

Contractual rights to shares

None

Kevin Moriarty

Title

Non-Executive Director

Date of Appointment

4 July 2016

Date of Resignation

19 July 2021

Date of Re-election

28 July 2022

Qualifications

BSc (Hons), Ph.D., MAusIMM

Experience and expertise

Dr. Kevin Charles Moriarty, BSc (Hons), Ph.D., MAusIMM has 30 years 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 was Executive Chairman of 1414 Degrees Ltd for 5 years until retiring in 2021. During his term, 1414 Degrees built several prototype devices utilising high temperature silicon energy storage to produce electricity. Two charged from electricity and one by burning biogas. They did not perform to specification and Dr Moriarty brought in new more highly qualified technical team with material science background as well as engineering. This team developed the new SiBox technology aimed at very efficient energy storage and recovery at high temperatures to replace gas burning in industry. This attracted major support from Woodside Energy and the Commonwealth government. He negotiated the purchase of the Aurora Solar project for 1414 Degrees. He was re-elected to the board of 1414 Degrees in 2022.

Other current directorships

None

Former directorships (last 3 years)

None

Interests in shares

12,915,694 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

Tania Sargent is an experienced governance, company secretary and non-executive director and is the current State Chair of the Governance Institute. Tania has a Bachelor of Arts (Accounting) from the University of South Australia, is a member of the Institute of Chartered Accountants (Aust & NZ), has completed a Masters in Business Administration, is a graduate member of the Australian Institute of Company Directors and has completed a Diploma of Applied Corporate Governance with the Governance Institute of Australia.

Remuneration report (audited)

The remuneration report details the Key Management Personnel ('KMP') remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP 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 and reviews the remuneration arrangements annually for KMP. During the year, the Board approved a new Reward and Remuneration Policy, with reward and remuneration to be in alignment with the overall strategy of the Company. The performance of the Company depends on the quality of its directors and executives, and the Reward and Remuneration philosophy 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 Company, with an appropriate level of fixed remuneration for KMP, as well as a proportion of performance based remuneration.

The reward framework is designed to align executive reward and their performance hurdles to the targets of the Company as well as shareholders' interests. In considering shareholder wealth, the Board considers that this is generally driven by successful commercialisation and long-term proposition, rather than being directly linked to financial performance. The Board also considers the Enterprise Value of the Company, being the market capitalisation at the end of each period end, adjusted for cash held at year end.

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

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth

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

Non-executive directors' remuneration

Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors fees are reviewed periodically by the Board and are regularly compared with companies with comparable market capitalisation and stage of development. 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.

Executive remuneration

The Company 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 Company 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 Company are set out in the following tables.

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

- Dana Larson – Non-Executive Director
- Tony Sacre – Chairman and Non-Executive Director
- Peter Gan – Non-Executive Director
- Sheree Ford – Non-Executive Director – Appointed 1 May 2022, Resigned 15 September 2022
- Alison Evans – Non-Executive Director – Appointed 1 May 2022
- Kevin Moriarty – Executive Chairman – Resigned as Director 19 July 2021 and as Executive Chairman 2 September 2021, re-elected as Non-Executive Director 28 July 2022

And the following persons:

- Matthew Squire – Chief Executive Officer – Appointed 1 August 2021, Resigned 30 June 2022
- Jordan Parham – Chief Operating Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Salary and fees	Cash bonus	Non-monetary	Superannuation	Long service leave	Equity-settled shares	Equity-settled Performance Rights	
2022	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
Tony Sacre	66,667	-	-	-	-	-	-	66,667
Dana Larson	41,667	-	-	-	-	-	-	41,667
Peter Gan	41,667	-	-	-	-	-	-	41,667
Sheree Ford *	8,333	-	-	-	-	-	-	8,333
Alison Evans *	8,333	-	-	-	-	-	-	8,333
Executive Directors:								
Kevin Moriarty **	89,315	-	-	5,144	-	-	-	94,459
Other Key Management Personnel:								
Matthew Squire ***	321,246	-	-	23,509	-	-	25,800	370,555
Jordan Parham	223,167	-	-	21,755	7,165	5,500	25,740	283,326
	800,395	-	-	50,407	7,165	5,500	51,540	915,007

* Represents remuneration from 1 May 2022 to 30 June 2022

** Represents remuneration from 1 July 2021 to 2 September 2021

*** Represents remuneration from 1 August 2021 to 30 June 2022

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments			Total
	Salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled Performance Rights	
2021	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
Tony Sacre	5,417	–	–	–	–	–	–	5,417
Dana Larson	30,000	–	–	–	–	–	–	30,000
Peter Gan	20,000	–	–	–	–	–	–	20,000
Richard Willson *	80,438	–	–	7,048	–	–	–	87,486
Executive Directors:								
Kevin Moriarty	182,500	–	–	17,337	7,443	–	–	207,280
Penelope Bettison **	73,362	–	–	5,424	–	–	–	78,786
Other Key Management Personnel:								
Matthew Squire	–	–	–	–	–	–	–	–
Jamie Summons ***	132,002	–	–	10,847	–	–	–	142,849
Jordan Parham	170,937	–	–	16,239	5,669	–	15,000	207,845
Marie Pavlik ****	128,635	–	–	10,444	–	–	35,800	174,879
	823,291	–	–	67,339	13,112	–	50,800	954,542

* Represents remuneration from 1 July 2020 to 24 May 2021

** Represents remuneration from 1 July 2020 to 28 August 2020

*** Represents remuneration from 14 January 2021 to 23 June 2021

**** Represents remuneration from 1 July 2020 to 5 March 2021

Contract Details

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

Dana Larson

Title

Non-Executive Director

Agreement commenced

1 December 2018; varied effective 1 May 2022

Term of agreement

Ongoing

Details

Annual fee effective 1 May 2022 of \$50,000; varied effective 1 August 2022 to \$45,000

Tony Sacre

Title

Chairman and Non-Executive Director

Agreement commenced

3 June 2021; varied effective 1 May 2022

Term of agreement

Ongoing

Details

Annual fee effective 1 May 2022 of \$75,000; varied effective 1 August 2022 to \$70,000

Peter Gan

Title

Non-Executive Director

Agreement commenced

4 January 2021; varied effective 1 May 2022

Term of agreement

Ongoing

Details

Annual fee effective 1 May 2022 of \$50,000; varied effective 1 August 2022 to \$45,000

Sheree Ford

Title

Non-Executive Director

Agreement commenced

1 May 2022

Term of agreement

Resigned 15 September 2022

Details

Annual fee effective 1 May 2022 of \$50,000; varied effective 1 August 2022 to \$45,000

Alison Evans

Title

Non-Executive Director

Agreement commenced

1 May 2022

Term of agreement

Ongoing

Details

Annual fee effective 1 May 2022 of \$50,000; varied effective 1 August 2022 to \$45,000

Kevin Moriarty

Title

Non-Executive Director

Agreement commenced

28 July 2022

Term of agreement

Ongoing

Details

Annual fee effective 1 August 2022 of \$45,000

Matthew Squire

Title

Chief Executive Officer

Agreement commenced

1 August 2021

Term of agreement

Resigned 30 June 2022

Details

Base salary for the year ended 30 June 2022 of \$350,000 plus superannuation. 3 month termination notice by either party.

Jordan Parham

Title

Chief Operating Officer

Agreement commenced

14 January 2019; varied effective 1 September 2021

Term of agreement

Ongoing

Details

Base salary for the year ended 30 June 2022 of \$211,500 plus superannuation; revised to \$261,500 from 1 July 2022. 3 month 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

Shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022

Name	Grant Date	Number of Shares Issued	Value of Shares Issued
			\$
Jordan Parham	14-Dec-21	50,000	5,500

Performance Rights

Performance Rights issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022

Name	Number of PR's Granted	Value of PR's Issued
		\$
Matthew Squire – Converted 19 April 2022	300,000	25,800
Matthew Squire – Lapsed 30 June 2022	3,200,000	272,000

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 2022 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 Shares & PR for the year
	\$	\$	\$	%
Jordan Parham	–	44,000	(45,350)	11%
Matthew Squire	297,800	25,800	(272,000)	7%
Kevin Moriarty	–	–	(120,000)	
Dana Larson	–	–	(15,000)	
	297,800	69,800	(452,350)	

Company performance link to remuneration

The remuneration of key management personnel is linked to the development of the Company's intangible assets, the continued progress towards developing the TESS technology and progress on the Aurora site at Port Augusta. Various performance criteria are linked to Performance Rights granted.

Other transactions with key management personnel and their related parties

Nil

Additional disclosures relating to key management personnel

Shareholding

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

2022	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the date of this report
Ordinary shares					
Tony Sacre	–	–	50,000	–	50,000
Peter Gan	–	–	–	–	–
Dana Larson	250,000	–	–	–	250,000
Sheree Ford	–	–	–	–	–
Alison Evans	–	–	–	–	–
Kevin Moriarty	12,653,000	–	352,694	(90,000)	12,915,694
Jordan Parham	150,000	–	450,000	–	600,000
Matthew Squire	–	–	450,000	–	450,000
	13,053,000	–	1,302,694	(90,000)	14,265,694

Performance Rights holding

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

2022	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the date of this report
PR over ordinary shares					
Kevin Moriarty	800,000	–	–	(800,000)	–
Dana Larson	100,000	–	–	(100,000)	–
Matthew Squire	–	3,500,000	(300,000)	(3,200,000)	–
Jordan Parham	1,150,000	–	(400,000)	(250,000)	500,000
	2,050,000	3,500,000	(700,000)	(4,350,000)	500,000

Refer to note 18 for further disclosure of performance rights.

Matthew Squire was granted Performance Rights after the Company obtained approval under ASX Listing Rule 10.14.

None of the performance rights outstanding as at the date of this report are vested and therefore cannot be exercised.

This concludes the audited remuneration report.

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.

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, with standard exceptions for fraud and misconduct.

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided 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 (2021: nil).

Officers of the company who are former partners of accounting firm BDO

There are no officers of the Company who are former partners of Accounting Firm BDO Audit Pty Ltd.

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 Audit Pty Ltd 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.



Tony Sacre

Chairman and Non-Executive Director
Dated this 27th day of September 2022

**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 2022, 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 Degree Limited and the entity it controlled during the period.



Paul Gosnold
Director

BDO Audit Pty Ltd

Adelaide, 27 September 2022

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 AUD\$	2021 AUD\$
Other Income	5	566,612	486,553
Profit on Sale of 50% of Shares in SiliconAurora	20	1,563,046	-
SiliconAurora Fair Value Gain/(Loss)	20	1,730,638	-
Research and Development Expenses		-	6,553
Administration and Professional Expenses		1,596,249	1,319,515
Provision for Gas-TESS Decommissioning (Glenelg Project)		500,000	-
Occupancy Expenses		1,556	73,739
Marketing Expenses		69,541	50,851
Depreciation and Amortisation		380,879	136,772
Asset Impairment		997,516	2,933,040
Employee Benefits Expense	6	1,063,714	1,285,226
Share Based Payments (Equity-settled)		149,121	252,949
Directors Fees		161,338	83,561
Other Expenses		32,695	214,276
Finance Costs		276,998	104,249
(Loss) before income tax		<u>(1,369,310)</u>	<u>(5,974,178)</u>
Income tax benefit / (expense)	8	-	-
(Loss) for the year		<u>(1,369,310)</u>	<u>(5,974,178)</u>
Other comprehensive income for the year		-	-
Items that will be reclassified subsequently to profit or loss:		-	-
		-	-
Total comprehensive (loss) for the year		<u>(1,369,310)</u>	<u>(5,974,178)</u>
Basic loss per share	17	(0.68) cents	(3.11) cents
Diluted loss per share	17	(0.68) cents	(3.11) cents

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

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 AUD\$	2021 AUD\$
ASSETS			
Current assets			
Cash and cash equivalents	9	3,549,416	5,704,957
Trade and other receivables	10	3,442,624	544,370
Other current assets		137,021	131,721
Total current assets		<u>7,129,061</u>	<u>6,381,048</u>
Non-current assets			
Property, plant and equipment		60,966	173,434
Investments	20	2,500,000	-
Silicon Aurora Loan A/C		64,075	-
Intangible Assets	11	1,822,904	5,661,300
Right-of-use assets	12	414,705	1,601,502
Total non-current assets		<u>4,862,650</u>	<u>7,436,236</u>
Total assets		<u>11,991,711</u>	<u>13,817,284</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	444,991	608,819
Other Current Liabilities	14	500,000	-
Provision for employee benefits		58,577	78,825
Lease liabilities		205,000	315,000
Total current liabilities		<u>1,208,568</u>	<u>1,002,644</u>
Non-current liabilities			
Provision for employee benefits		75,238	31,072
Lease liabilities (NC)	15	232,167	1,255,232
Total non-current liabilities		<u>307,405</u>	<u>1,286,304</u>
Total liabilities		<u>1,515,973</u>	<u>2,288,948</u>
Net assets		<u>10,475,738</u>	<u>11,528,336</u>
EQUITY			
Contributed equity	16	32,656,879	32,486,429
Share Based Payments Reserve	18	323,395	196,904
Accumulated losses		(22,504,536)	(21,154,997)
Total equity		<u>10,475,738</u>	<u>11,528,336</u>

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

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 AUD\$	2021 AUD\$
Cash flows from operating activities			
Cash received from customers		172,334	50,975
Cash paid to suppliers and employees		(3,019,385)	(2,912,441)
Research & Development tax offset received		-	-
Government grants		-	492,250
Interest received		19,004	18,398
Ovida Payments (Partner Project Contributions)		390,909	-
Interest paid on lease liabilities		-	(42,637)
Net cash inflow/(outflow) from operating activities	19	<u>(2,437,138)</u>	<u>(2,393,455)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(47,828)	(7,548)
Payments for product development activities		(2,259,751)	(1,376,133)
Partner Project Contributions		1,113,025	-
Government grant received and used for intangible asset		896,000	16,000
Proceeds from 50% sale of SiliconAurora Pty Ltd	20	100,000	-
Research and development tax offset received and used for intangible asset		830,107	1,954,840
Net cash inflow/(outflow) from investing activities		<u>631,553</u>	<u>587,159</u>
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Repayment of lease liabilities		(350,000)	-
Transaction costs related to issues of shares or options		-	(59,492)
Proceeds from exercise of share options		-	-
Proceeds from the issue of shares		-	3,175,540
Net cash inflow/(outflow) from financing activities		<u>(350,000)</u>	<u>3,116,048</u>
Net increase/(decrease) in cash and cash equivalents		(2,155,585)	1,309,752
Net foreign exchange differences		44	(274)
Cash and cash equivalents at beginning of period		5,704,957	4,395,479
Cash and cash equivalents at end of period	9	<u>3,549,416</u>	<u>5,704,957</u>

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

1414 DEGREES LIMITED
ACN 138 803 620

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Contributed equity \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total equity \$
At 30 June 2020	29,197,369	116,968	(15,215,288)	14,099,049
Adjustment for prior period restatement of leased asset			34,471	34,471
Loss for the year	-	-	(5,974,178)	(5,974,178)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(5,974,178)	(5,974,178)
Transactions with owners in their capacity as owners				
Employee Share Scheme - Performance Rights Valuation	-	252,949	-	252,949
Employee Share Scheme - Conversion of Performance Rights	173,013	(173,013)	-	-
Contributions of equity net of transaction costs	3,116,047	-	-	3,116,047
	3,289,060	79,936	-	3,368,996
At 30 June 2021	32,486,429	196,904	(21,154,997)	11,528,336
Loss for the year	-	-	(1,369,310)	(1,369,310)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(1,369,310)	(1,369,310)
Transactions with owners in their capacity as owners				
Share Based Payment	11,000	147,820	19,772	178,592
Employee Share Scheme - Performance Rights Valuation	-	138,121	-	138,121
Employee Share Scheme - Conversion of Performance Rights	159,450	(159,450)	-	-
	170,450	126,491	19,772	316,713
At 30 June 2022	32,656,879	323,395	(22,504,536)	10,475,738

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

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 1 CORPORATE INFORMATION

The financial statements of 1414 Degrees Limited for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 27 September 2022 and cover the Company as required by Australian Accounting Standards.

The financial statements are presented in the Australian currency.

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

The address of the Company's registered office and principal place of business is 136 Daws Rd, Melrose Park SA 5039

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards, Australian Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The Company is a for-profit entity 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 Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to intangible assets are deducted from the cost of the asset.

Interest

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

(c) Goods and Services Tax (GST)

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

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

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

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

1414 DEGREES LIMITED
ACN 138 803 620

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) Leases

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 Company 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.

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 Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

(k) Trade and Other Payables

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

All trade and other payables are non interest bearing.

(l) 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.

1414 DEGREES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the 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.

(m) 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.

(n) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(o) 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.

(p) 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.

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.

(q) Accounting Standards Issued But Not Yet Effective

There are no accounting standards that have not been early adopted for the year ended 30 June 2022 but will be applicable to the Company in future reporting periods which are expected to have a material impact on the financial statements.

(r) Application of new and revised Accounting Standards

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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

Key Estimates - Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key 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 Company's ability to capture market share. Pre-tax discount rates of 11% have been used in all models.

Key Estimates - Gas-TESS Decommissioning Provision

The \$500,000 provision for decommissioning the Gas-TESS (Glenelg Project) site is based on supplier estimates for removal and reinstatement works on major components (approximately \$300,000), plus an estimate of \$150,000 for relocation expenses based on similar costs incurred in past projects, plus \$50,000 for project management, other minor costs, and contingency.

Key Judgements - Product Development

Included within intangible assets at the end of the reporting period is Product Development with a net carrying value of \$1,822,904 (2021: \$3,789,832) being the carrying value of the Product Development intangible asset of \$10,018,165 (2021: \$9,801,097) less the associated Government Grant funding of \$1,896,000 (2021: \$1,000,000), the R&D refundable tax offsets applied of \$5,249,261 (2021: \$5,011,265) and the Woodside Energy Technologies Pty Ltd contributions applied \$1,050,000 (2021: Nil). 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.

NOTE 5 OTHER INCOME

	2022 AUD\$	2021 AUD\$
Interest Received	19,001	18,828
Rent & Office Recoveries	-	4,257
Claim Settlement	151,430	46,718
Ovida Contribution	390,909	-
Other Income	5,272	-
Government grants	-	416,750
	<u>566,612</u>	<u>486,553</u>

NOTE 6 EXPENSES

Profit(loss) before income tax includes the following specific expenses:

Defined contribution superannuation expense	79,691	107,841
Right of Use Assets - Depreciation expense	277,819	103,539
Right of Use Assets - Depreciation adjustment for change in Tripartite Agreement terms	64,851	-
Right of Use Assets - Interest expense	147,758	104,249
Right of Use Assets - Interest adjustment for change in Tripartite Agreement terms	129,240	-
	<u>699,359</u>	<u>315,629</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 7 AUDITORS' REMUNERATION

Audit services

Amounts paid/payable to BDO for audit/review of the financial statements of the group	35,000	31,225
Amounts paid/payable to the auditor or a related practice of the auditor for other services	-	-
	<u>35,000</u>	<u>31,225</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>
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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	(1,369,310)	(5,974,178)
Income tax calculated at 25.0% (2021: 26%)	(342,328)	(1,553,286)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	342,328	1,553,286
Non-deductible expenses	79,178	81,795
Assessable income not included in profit/loss	-	4,160
Other reconciling items	(47,422)	(49,319)
Timing differences on deferred tax assets not recognised	3,788	503
Tax losses not recognised	306,784	1,516,147
Tax expense	<u>-</u>	<u>-</u>

NOTE 9 CASH AND CASH EQUIVALENTS

Cash at bank	3,549,416	5,704,957
Cash term deposits	-	-
	<u>3,549,416</u>	<u>5,704,957</u>

An amount of \$125,381 included as cash has been set aside to support a bank guarantee issued to the landlords of rented properties.

NOTE 10 TRADE AND OTHER RECEIVABLES

Trade receivables	-	696
R&D refundable tax offset	991,633	538,577
SiliconAurora Sales Proceeds Receivable	2,400,000	-
Other receivables	50,991	5,097
	<u>3,442,624</u>	<u>544,370</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

	2022 AUD\$	2021 AUD\$
NOTE 11 INTANGIBLE ASSETS		
Product Development - Intellectual Property		
Intangible assets under development - at cost	10,018,165	9,801,097
Government Grants applied	(1,896,000)	(1,000,000)
R&D Refundable Tax Offset applied	(5,249,261)	(5,011,265)
Woodside Funding applied	(1,050,000)	-
Goodwill - SiliconAurora	-	1,871,468
	<u>1,822,904</u>	<u>5,661,300</u>
Reconciliation of Intangible Assets		
Balance at the beginning of the year	5,661,300	8,359,688
Additions	2,259,751	1,376,133
Government Grants applied	(896,000)	(16,000)
R&D Refundable Tax Offset applied	(1,283,163)	(1,125,481)
TESS IND MKII Impairment	(997,516)	-
GAS TESS Impairment	-	(2,933,040)
Woodside Funding applied	(1,050,000)	-
Sale of SiliconAurora	(1,871,468)	-
Closing carrying value	<u>1,822,904</u>	<u>5,661,300</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 2022. The intangible asset is tested for impairment annually. The government grants relate to accelerating the commercialisation of the Company's intellectual property.		
The recoverable amount of the Company'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:		
<ul style="list-style-type: none"> • 11% pre-tax discount rate; • No revenue earned until 2024; • Major project deliverables in 2024, 2027, and 2030. 		
The discount rate of 11% pre-tax reflects management's estimate of the time value of money and the Company'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.		
There were no other key assumptions.		
NOTE 12 NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS		
Land and buildings - Right-of-Use	716,307	1,766,174
Less: Accumulated depreciation	(301,602)	(164,672)
	<u>414,705</u>	<u>1,601,502</u>
Opening Balance	1,601,502	1,126,136
Initial recognition of Daws Rd lease	-	570,437
Daws Rd amortisation	(214,686)	(60,045)
Asset revaluation on cease of Daws Rd sub-let	119,000	-
Tripartite Lease revaluation on terms adjustment	819,774	-
Tripartite lease amortisation	(51,646)	(35,026)
Sale of SiliconAurora Pty Ltd	(1,859,239)	-
	<u>414,705</u>	<u>1,601,502</u>
NOTE 13 TRADE AND OTHER PAYABLES		
Trade and other payables	355,481	395,133
Other payables and accruals	89,510	213,686
	<u>444,991</u>	<u>608,819</u>
NOTE 14 OTHER CURRENT LIABILITIES		
Provision for Gas TESS Decommissioning	500,000	-

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NOTES TO THE FINANCIAL STATEMENTS
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	2022 AUD\$	2021 AUD\$
NOTE 15 NON-CURRENT LIABILITIES - LEASE LIABILITIES		
Opening Value	1,255,232	975,485
Revaluation of SiliconAurora Lease to reflect change in timing of lease payments	-	37,983
Initial recognition of Daws Road lease	-	365,437
Revaluation of SiliconAurora Lease on adjustment to terms of Tripartite Agreement	1,014,161	-
Disposal of SiliconAurora Subsidiary	(1,988,964)	-
Revaluation of Daws Rd Lease on cessation of sub-let agreement	151,130	-
Re-class to Current Liability	(199,392)	(123,583)
Lease liabilities	232,167	1,255,232

Lease Type	Term	Rate Applied to Lease Liability		
Tripartite Agreement - Pastoral Lease	40 years	6.23%	-	965,089
Office Space	2 years & 2 months, 1 year right of renewal	4.98%	232,167	290,143
			232,167	1,255,232

Total cash outflow for the year ended 30 June 2022

	2022 AUD\$
Tripartite Agreement - Pastoral Lease	110,000
Office Space	250,000
	360,000

NOTE 16 CONTRIBUTED EQUITY

	2022 No. of Shares	2022 AUD\$	2021 No. of Shares	2021 AUD\$
Share capital				
Ordinary shares - authorised, issued and fully paid opening balance	200,310,458	32,486,429	172,904,923	29,197,369
Shares issued	100,000	11,000	-	-
Employee Share Scheme - Conversion of Performance Rights	1,575,000	159,450	942,500	173,013
Share Purchase Plan	-	-	26,463,035	3,175,540
Costs of issue	-	-	-	(59,493)
Ordinary shares - authorised, issued and fully paid closing balance	201,985,458	32,656,879	200,310,458	32,486,429

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll. Ordinary shares have no par value.

Capital Management

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

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

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

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NOTE 17 EARNINGS PER SHARE

	2022 AUD\$	2021 AUD\$
<i>Earnings per share for profit (loss)</i>		
Profit (loss) after income tax	(1,369,310)	(5,974,178)
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd	<u>(1,369,310)</u>	<u>(5,974,178)</u>
Profit (loss) after income tax attributable to the owners of 1414 Degrees Ltd used in calculating diluted earnings per share	<u>(1,369,310)</u>	<u>(5,974,178)</u>
	Cents	Cents
Basic earnings per share	(0.68)	(3.11)
Diluted earnings per share	(0.68)	(3.11)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>200,968,335</u>	<u>191,870,410</u>
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	<u>200,968,335</u>	<u>191,870,410</u>

The 2,250,000 performance rights have not been taken into account when calculating diluted earnings per share as they are anti dilutive.

NOTE 18 SHARE BASED PAYMENTS

700,000 shares were issued to key management personnel in this financial year as part of the Company's Performance Rights plan, with an additional 50,000 shares issued to key management personnel as part of compensation. In the year ended 30 June 2021 350,000 shares were issued to key management personnel during the financial year.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 18 SHARE BASED PAYMENTS (continued)

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

2022

Grant date	Vesting and 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	15/01/2023	\$0.00	500,000	-	-	-	500,000
23/07/2020	1/07/2021	\$0.00	250,000	-	(250,000)	-	-
23/07/2020	1/07/2022	\$0.00	100,000	-	-	(100,000)	-
23/07/2020	15/01/2023	\$0.00	1,000,000	-	-	-	1,000,000
30/11/2020	30/11/2021	\$0.00	500,000	-	-	(500,000)	-
30/11/2020	30/11/2022	\$0.00	400,000	-	-	(400,000)	-
9/04/2021	15/07/2021	\$0.00	250,000	-	(200,000)	(50,000)	-
9/04/2021	31/07/2021	\$0.00	100,000	-	-	(100,000)	-
9/04/2021	1/09/2021	\$0.00	100,000	-	(100,000)	-	-
9/04/2021	15/01/2022	\$0.00	325,000	-	(25,000)	(300,000)	-
9/04/2021	15/01/2023	\$0.00	100,000	-	-	(50,000)	50,000
9/04/2021	15/01/2024	\$0.00	500,000	-	-	-	500,000
9/04/2021	31/12/2021	\$0.00	500,000	-	(500,000)	-	-
11/04/2022	14/04/2022	\$0.00	-	300,000	(300,000)	-	-
11/04/2022	1/08/2024	\$0.00	-	3,200,000	-	(3,200,000)	-
6/06/2022	15/06/2022	\$0.00	-	200,000	(200,000)	-	-
6/06/2022	15/06/2023	\$0.00	-	200,000	-	-	200,000
			4,625,000	3,900,000	(1,575,000)	(4,700,000)	2,250,000
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

2021

Grant date	Vesting and 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	1/07/2020	\$0.00	250,000	-	(75,000)	(175,000)	-
2/04/2019	15/01/2021	\$0.00	775,000	-	(125,000)	(650,000)	-
2/04/2019	15/01/2022	\$0.00	875,000	-	-	(875,000)	-
2/04/2019	15/01/2023	\$0.00	750,000	-	-	(250,000)	500,000
23/07/2020	31/07/2020	\$0.00	-	742,500	(542,500)	(200,000)	-
23/07/2020	1/07/2021	\$0.00	-	250,000	-	-	250,000
23/07/2020	15/01/2021	\$0.00	-	600,000	(200,000)	(400,000)	-
23/07/2020	15/01/2022	\$0.00	-	400,000	-	(400,000)	-
23/07/2020	1/07/2022	\$0.00	-	100,000	-	-	100,000
23/07/2020	15/01/2023	\$0.00	-	1,000,000	-	-	1,000,000
30/11/2020	30/11/2021	\$0.00	-	700,000	-	(200,000)	500,000
30/11/2020	30/11/2022	\$0.00	-	600,000	-	(200,000)	400,000
9/04/2021	15/07/2021	\$0.00	-	250,000	-	-	250,000
9/04/2021	31/07/2021	\$0.00	-	100,000	-	-	100,000
9/04/2021	1/09/2021	\$0.00	-	100,000	-	-	100,000
9/04/2021	15/01/2022	\$0.00	-	325,000	-	-	325,000
9/04/2021	15/01/2023	\$0.00	-	100,000	-	-	100,000
9/04/2021	15/01/2024	\$0.00	-	500,000	-	-	500,000
9/04/2021	31/12/2021	\$0.00	-	500,000	-	-	500,000
			2,650,000	6,267,500	(942,500)	(3,350,000)	4,625,000
Weighted average exercise price			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 18 SHARE BASED PAYMENTS (continued)

There are no Performance Rights exercisable at the end of the financial year.

The weighted average remaining contractual life of Performance Rights outstanding at the end of the financial year was 0.80 years (2021: 0.94).

During the year the expense recognised in relation to the valuation of these Performance Rights was \$138,121.

All Performance Rights granted during the year had zero dollar exercise price, such Rights have a default value per Right being the Company share price on grant date. Therefore an option pricing model for estimating the fair value of Rights granted was not required.

	2022 AUD\$	2021 AUD\$
NOTE 19 CASH FLOW INFORMATION		
Reconciliation of profit after income tax to net cash flow from operating activities		
Loss for the year	(1,369,310)	(5,974,178)
Non-cash flows in profit/(loss):		
- Depreciation and Amortisation (excluding SiliconAurora)	253,574	136,772
- Share Based Payments	316,713	252,949
- Foreign exchange differences	(44)	274
- SiliconAurora Sale Proceeds	(2,400,000)	-
- 50% of JV Assets sold	769,362	-
- Silicon Aurora Investment Fair Value Adjustment	(1,730,638)	-
- Asset Impairment	997,516	2,933,040
- Provision for Gas-TESS decommissioning	500,000	-
Change in operating assets and liabilities		
- (increase)/decrease in trade and other receivables	18,522	771
- (increase)/decrease in other current assets	(5,300)	11,161
- (increase)/decrease in lease liability	350,000	-
- increase/(decrease) in trade and other payables	(161,451)	241,393
- increase/(decrease) in employee benefits	23,918	4,363
Net cash flow from operating activities	<u>(2,437,138)</u>	<u>(2,393,455)</u>

NOTE 20 DISPOSAL OF SUBSIDIARY

On 13 December 2019 1414 Degrees Ltd (14D) acquired 100% of the issued shares in SolarReserve II Pty Ltd (Renamed to SiliconAurora Pty Ltd). SiliconAurora owns the Aurora Energy Project near Port Augusta in South Australia and includes development approval from the South Australian government for a Battery Energy Storage System (BESS) up to 140 MW / 280 MWh, 70 MW solar photo-voltaic array (PV) and 150 MW concentrated solar thermal plant (CSP) as well as connection to the adjacent 275 kV transmission line.

On 19 June 2022 14D entered into an agreement for the sale of 50% of the shares in SiliconAurora Pty Ltd to a wholly owned subsidiary of Vast Solar Pty Ltd (Vast Solar). In addition, 14D and Vast Solar have executed a Shareholders Agreement that will govern the ongoing operation of Silicon Aurora and the development of the Aurora Energy Project.

Sale of 50% of the shares in SiliconAurora Pty Ltd to Vast Solar Aurora Pty Ltd

Number of Shares Sold 1,105,672

			AUD\$
Initial Payment Received - 29 June 2022			100,000
Balance Payment Received - 29 July 2022			900,000
Deferred Payment - Due 30 days from Connection Agreement			1,500,000
Total Sale consideration			<u>2,500,000</u>
SiliconAurora Assets Sold		Net Assets	
	PP&E	58,552	29,276
	Right of Use asset	1,859,239	929,619
	Goodwill	1,871,468	935,734
	Lease & Other accrued liabilities	(2,250,535)	(1,125,267)
			<u>769,362</u>
Call Option Valuation (12,119,127 Options)			167,592
			<u>936,954</u>
Consolidated Profit on disposal of 50% of Net Assets in SiliconAurora Pty Ltd			<u>1,563,046</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 20 DISPOSAL OF SUBSIDIARY (continued)

1414 Degrees Ltd.'s remaining 50% share in SiliconAurora was remeasured to its fair value of \$2,500,000 on completion of the sale to Vast Solar Aurora Pty Ltd.

Silicon Aurora Fair Value Adjustment

Opening value	1,538,724
Sale of 50% of SiliconAurora Investment to Vast Solar Aurora Pty Ltd	(769,362)
Value on Sale Completion	769,362
Fair Value Adjustment	1,730,638
Closing balance	<u>2,500,000</u>

NOTE 21 CONTINGENCIES

Contingent Liabilities

At 30 June 2022 those charged with governance of the Company note that there are no known contingent liabilities (2021: nil).

NOTE 22 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.

There were no transactions with related parties during the year ended 30 June 2022

(b) Director and Director-related Interests in the Company

Disclosures relating to director and director-related interests, as well as key management personnel are set out in Note 23 below and the remuneration report included in the director's report.

NOTE 23 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2022 AUD\$	2021 AUD\$
Short-term employee benefits	800,395	823,291
Post-employment benefits	50,407	67,339
Other long term benefits	7,165	13,112
Share-based payments	57,040	50,800
Total KMP compensation	<u>915,007</u>	<u>954,542</u>

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

NOTE 24 FINANCIAL RISK MANAGEMENT

The Company'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	2022 AUD\$	2021 AUD\$
Financial Assets			
Financial Assets at amortised cost:			
Cash and cash equivalents	9	3,549,416	5,704,957
Trade and other receivables - SiliconAurora Sales Proceeds	10	2,400,000	-
Trade and other receivables - R&D tax refund	10	991,633	538,577
Total financial assets		<u>6,941,049</u>	<u>6,243,534</u>
Financial Liabilities			
Financial Liabilities at amortised cost:			
Trade and other payables	13	444,991	608,819
Lease Liabilities		437,167	1,570,232
Total financial liabilities		<u>882,158</u>	<u>2,179,051</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 24 FINANCIAL RISK MANAGEMENT (continued)

General objectives, policies and processes

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

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

Market Risk

The Company's activities have no material exposure to financial risks of changes in interest rates. The Company analyses its risk by considering sensitivity on its interest rate exposures and determining the potential impact on 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 Company 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.

Credit Risk

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

The Company does not have any material credit risk exposure to any single debtor or 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 and Vast Solar Pty Ltd which is our Joint Venture partner following their purchase of 50% of the shares in Silicon Aurora Pty Ltd. Trade receivables represent the maximum exposure to credit risk, credit quality is considered good.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The directors manage liquidity risk by monitoring forecast cash flows and ensuring that the Company'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\$ 2022	AUD\$ 2021	AUD\$ 2022	AUD\$ 2021	AUD\$ 2022	AUD\$ 2021	AUD\$ 2022	AUD\$ 2021
Financial liabilities due for settlement								
Trade and other payables	444,991	608,819	-	-	-	-	444,991	608,819
Lease Liabilities	205,000	315,000	232,167	333,104	-	922,128	437,167	1,570,232
	<u>649,991</u>	<u>923,819</u>	<u>232,167</u>	<u>333,104</u>	<u>-</u>	<u>922,128</u>	<u>882,158</u>	<u>2,179,051</u>
Financial assets - cash flows realisable								
Cash at bank	3,549,416	5,704,957	-	-	-	-	3,549,416	5,704,957
Trade and other receivables	3,391,633	538,577	-	-	-	-	3,391,633	538,577
Cash term deposits	-	-	-	-	-	-	-	-
	<u>6,941,049</u>	<u>6,243,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,941,049</u>	<u>6,243,534</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

NOTE 24 FINANCIAL RISK MANAGEMENT (continued)

Sensitivity Analysis

Interest rate risk

At 30th June 2022 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$3,549,416. A +/-1% change in interest rates during the year ended 30th June 2022 will result in a +/- change in net interest income of \$35,494.

At 30th June 2021 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$5,704,957. A +/-1% change in interest rates during the year ended 30th June 2021 will result in a +/- change in net interest income of \$57,050.

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	
	2022 AUD\$	2021 AUD\$	2022 AUD\$	2021 AUD\$
Cash at bank held in or trade payables denominated in				
US dollars	840	772	-	-
Euros	486	510	-	-
	<u>1,326</u>	<u>1,282</u>	<u>-</u>	<u>-</u>

The Company had net assets denominated in foreign currencies of \$1,326 as at 30 June 2022 (2021: \$1,282).

Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2021: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Company's profit before tax for the year would have been \$133 lower/\$66 higher (2021: \$128 lower/\$64 higher) and equity would have been \$133 lower/\$66 higher (2021: \$128 lower/\$64 higher).

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 2022 was \$6,138 (2021: loss of \$497).

NOTE 25 COMMITMENTS FOR EXPENDITURE

There was one capital commitment as at 30 June 2022 (2021: nil)

Asset Class	Within 1 Year	1 to 5 years	Over 5 years
Plant & Equipment - Furnace	521,213	-	-

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NOTE 26 SUBSEQUENT EVENTS

An Extraordinary General Meeting was held on 28 July 2022, following receipt of a section 249D notice from Focem Pty Ltd as trustee for the Towarnie Superannuation Fund (Focem) (being a company associated with Dr Kevin Moriarty), as announced to the market on 1 June 2022. The meeting considered the resolutions proposed by Focem in the Notice, with the outcome being that Dr Kevin Moriarty was elected as a Director of the Company. The Company received a second section 249D notice from a group of shareholders as announced to the market on 12 September 2022. A member meeting has been convened for 11 November 2022 to consider the resolutions. The Company also wishes to advise that Sheree Ford resigned as a non-executive director on 15 September 2022 for personal reasons.

NOTE 27 INTERESTS IN SUBSIDIARIES

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership Interest	
		2022	2021
SiliconAurora Pty Ltd (ceased consolidating in 2022)	Australia	50%	100%
Aurora FinCo Pty Ltd	Australia	100%	100%

NOTE 28 DEFERRED TAXES

The balance comprises temporary differences attributable to:

	2022	2021
Deferred tax assets attributable to:		
Capital Raising Costs - 5yr write-off	3,603	32,754
Employee benefits	33,454	27,394
Superannuation accrual	8,587	10,858
Interest accrual	-	15,571
Lease liability	58,042	313,808
	<u>103,685</u>	<u>400,386</u>
Set-off deferred tax liabilities pursuant to set-off provisions:		
Deferred tax liabilities attributable to:		
Accrued interest revenue	(9)	(10)
Right of use asset	(103,677)	(400,376)
	<u>(103,685)</u>	<u>(400,386)</u>
Net deferred tax asset/(liability) balance	<u>-</u>	<u>-</u>

Deductible temporary differences have been brought to account as Deferred Tax Assets above to the extent they offset Deferred Tax Liabilities

Unrecognised deductible temporary differences relating to Capital Raising Costs \$109,157 (2021: \$257,798)

The company has no franking credits available for use in subsequent reporting periods.

The amount of gross tax losses carried forward though not brought to account as Deferred Tax Assets is \$15,255,878 (2021: \$14,171,581).

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DIRECTORS' DECLARATION

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

- 1 The financial statements, 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 a true and fair view of the Company's financial position as at 30 June 2022 and its performance for the year ended on that date.
- 2 The Company 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 Company 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:



Tony Sacre
Chairman and Non-Executive Director

Sydney

Dated this 27th day of September 2022

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 2022, 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 2022 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.

Accounting and disclosure for the loss of control over a subsidiary

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>The measurement and treatment for the disposal of a subsidiary as set out in note 20 is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the impact of the transaction on profit or loss. • The extent of audit procedures undertaken to evaluate management’s application of the measurement and recognition criteria for disposal of a subsidiary as required by AASB 10 Consolidated Financial Statements. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the contractual terms as they related to the consideration receivable for the disposal. • Vouching that the carrying amount of assets and liabilities of the disposed subsidiary were fairly stated. • Considering transactions associated with the disposal including the grant date and fair value of options granted to the acquirer. • Checking that the disclosure of the disposal accurately reflected the substance of the transaction, the amounts involved and met the requirements of AASB 10 Consolidated Financial Statements.

Accounting for the recognition of a joint venture

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<p>The recognition and carrying value of the joint venture as set out in the statement of financial position and note 20 is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the total balance. • The extent of audit procedures undertaken to evaluate management’s application of the measurement and recognition criteria for joint venture asset fair value required by AASB 11 Joint Arrangements. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the contractual terms and arrangements indicating joint control as defined by AASB 11 Joint Arrangements. • Considering the evidence supporting the measurement of the asset fair value on creation of the joint venture with reference to the consideration payable by the joint venture partner for their interest.

Intangible Asset - Product Development

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 extent of audit procedures undertaken to evaluate management’s application of the recognition criteria for internally generated intangible assets required by AASB 138 Intangible 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. • Considering the application of third party funding and verifying amounts applied to underlying agreements. • Agreeing a sample of additions to supporting documentation, and ensuring the amounts were appropriately capitalised.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Obtaining an understanding of the key processes and controls associated with the allocation of costs to the product development category. 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.

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 2022, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and 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 Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 21 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of 1414 Degrees Limited, for the year ended 30 June 2022, 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 stylized, handwritten signature of the BDO firm in blue ink.

BDO Audit Pty Ltd

A handwritten signature of Paul Gosnold in blue ink.

Paul Gosnold
Director

Adelaide, 27 September 2022

Shareholder Information

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 21 September 2022.

Share Capital

- 201,985,458 fully paid Ordinary Shares are held by 3,591 individual Shareholders.
- 2,250,000 Unlisted Performance Rights with various performance hurdles are held by 6 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>
1 to 1,000	21,661	0.01%	62	1.73%
1,001 to 5,000	2,280,881	1.13%	718	19.99%
5,001 to 10,000	6,976,362	3.45%	927	25.81%
10,001 to 100,000	52,517,281	26.00%	1,606	44.72%
100,001 Over	140,189,273	69.41%	278	7.74%
Total	201,985,458	100.00%	3,591	100.00%
Unmarketable Parcels at 10.0 cents per share			840	23.39%

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>	12,715,694	6.30%

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>	12,715,694	6.30
2	AMMJOHN PTY LTD	6,466,039	3.20
3	MR JOHN HENRY MOSS + MRS WENDY ELIZABETH MOSS <MOSS RETIREMENT A/C>	5,249,188	2.60
4	MEWTWO GLOBAL INVESTMENTS	4,333,333	2.15
5	MR HAROLD TOMBLIN + MRS JUDITH JOHNSTON <HAROLD TOMBLIN S/F A/C>	4,206,976	2.08
6	MR ROBERT JOHN KEITH SHEPHERD + MRS LYNETTE DOROTHY SHEPHERD <RJK SHEPHERD & ASSOC SF A/C>	4,015,216	1.99
7	BNP PARIBAS NOMS PTY LTD <DRP>	3,673,425	1.82
8	MR JOHN LANGLEY HANCOCK	2,778,333	1.38
9	MRS SUSAN JACQUELINE JOHNSON <LATENT HEAT HOLDINGS A/C>	2,657,448	1.32
10	MR TREVOR WRIGHT + MRS OLIVE WRIGHT <WRIGHT FAMILY SUPERFUND A/C>	2,500,000	1.24
11	CITICORP NOMINEES PTY LIMITED	2,445,497	1.21
12	BENGER SUPERANNUATION PTY LIMITED <BENGER SUPER FUND A/C>	2,300,000	1.14
13	LHO LA PTY LTD <ACME FOUNDATION A/C>	2,000,000	0.99
13	RANAT INVESTMENTS PTY LTD <MARANANGA A/C>	2,000,000	0.99
15	MR IAN ROSS BURDON + MS CATHERINE LOUISE TAYLOR <IAN BURDON S/F A/C>	1,700,000	0.84
16	KNIGHTS VALLEY LTD	1,666,500	0.83
17	MR IAN ROSS BURDON + MS CATHERINE LOUISE TAYLOR	1,500,000	0.74
18	MR JONATHAN WHALLEY + MRS MARTINE ANNE WHALLEY <YURREBILLA FUND A/C>	1,393,085	0.69
19	MS MARETTA ALYSSA LAYTON	1,357,000	0.67
20	MARHFEL PTY LTD <HUNTLEY A/C>	1,325,000	0.66
	Total	66,282,734	32.82
	Balance of register	135,702,724	67.18
	Grand total	201,985,458	100.00%

1414 Degrees Ltd

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