



HYDROGENUS
the future of power

Annual Report

Financial year ending 30 June 2023

Hydrogenus Energy Limited | ABN 56 163 460 884

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CORPORATE INFORMATION

ABN : 56 163 460 884

Directors

Mark A Smith

Marcus A Clayton

Martin J Sheahan

Robert J Tindall

Pieter J Bruinstroop

Company Secretary

Pieter J Bruinstroop

info@hydrogenus-energy.com

Registered Office

Block Arcade, Suite 324

96 Elizabeth Street

MELBOURNE VIC 3000

Workshop

17 Eugene Terrace

RINGWOOD VIC 3134

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CHAIRPERSON'S LETTER

Welcome

On 3 May 2022, we held a General Meeting of shareholders to approve a change in our company name, from Hydrogenus to Hydrogenus Energy and also a change in our company's status, from a private company to a public company.

Subsequently, ASIC required us to hold another General Meeting to approve the change in status and that meeting was held on 1 July 2022 and the change in status was approved in August 2022.

As we are now a public company, we are required to provide to our shareholders audited accounts, and as such, this is our first set of audited accounts.

In March we advised that we had, achieved Phase 1 of our R&D plan; that we are able to demonstrate, at our workshop in Ringwood, an Internal Combustion Engine that operates safely, effectively and efficiently using hydrogen as its only fuel.

We have since enhanced the operation of our engine so that we can now claim to have developed an engine that :

- Is fuelled 100% by hydrogen
- Has zero carbon (and NOx and SOx and particulate) emissions
- Is more efficient than any other gas or liquid fuelled engine of a comparable size, at 42%
- Is robust and easy to maintain and service and we can expect long life;
- Copes with changes in load better than any other engine; and
- Stays in better control than any existing engine responding to changes in load; ie. the output is consistent.

We believe we can expect a long life, over 5 years before major engine overhaul with servicing period, oil change etc, up to 12 months with many hundreds of hour of operation. In current operations after we changed the oil in November 2022, the oil in the sump is still clear and looks like it was only just added, having run hundreds of hours.

The engine responsiveness is a very valuable achievement; we can add, and take off, significant loadings and our engine continues to stay within limits of the 1,500rpm, or 50Hz output.

The real technical risk is now behind us and we have achieved a Minimum Viable Product. We have received interest from the manufacturer from which we purchased our test engine for a licence to use our Intellectual Property to manufacture and sell hydrogen fuelled engines in China.

We are in the process of engaging a Patent Attorney to file 1 or 2 patents over our work and also taking other action to protect the IP that we have spent money and time developing. Given this, and the need to come to appropriate commercial arrangements, it is likely to be about 6 months before we would see any revenue.

In addition to the potential to get some return from leasing our IP, we have also had many demonstrations and have 3 parties have indicated interest to explore how they might be able to use our IP in their power projects.

In our previous Annual Report, we advised that we were seeking equity to develop a demonstration operation. Unfortunately, 2023 has been a poor year for higher risk capital as increasing interest rates have caused investors to become more risk averse, partly as investors are able to secure reasonable nominal returns from interest rate exposures.

We are still seeking the equity investment required to spend about \$600k on capital equipment, plus a further \$600k - \$700k on associated costs, to develop a demonstration operation so that we have developed the Integrated Energy Management System at our workshop, rather than trying to develop it in the field in our early-stage projects. This field approach would be at great cost and delay to the project, given that the communication protocols vary between individual makes of equipment and we need all the pieces to talk to each other as part of a single system.

The demonstration operation will also offer us the opportunity to test and integrate new / updated pieces of equipment so that we can optimise our system, as well as being a marketing showpiece.

We have many indications of funds, but we do not have firm commitments.

We have used our time to enhance our IP and run stress tests. Our test engine now operates, with good control, at up to 130kW. To ensure we have some “overhead” in an operation, we intend to market this as a 100kW system, knowing that if a load comes in 30% higher that it will cope.

We also stress tested our engine, running for 6 hours with the doors of our test cell closed so that the ambient temperature was about 70°C. This is well in excess of any field operation.

As we have yet to secure the capital required for the demonstration operation, requiring about 20kW – 30kW of solar panels (the maximum possible on the roof of our workshop in Ringwood is about 30kW), a suitable electrolyser and 2 more engines (as we need to develop a system that manages a number of engines), our focus has been on lower cost engine development.

Using a single injector, we were able to get enough fuel into the combustion chamber to produce 95kW, sometimes 100kW, but this was not a sustainable level, requiring the inlet valve to be open more than the 20 milliseconds in each revolution (at 1,500rpm). To be able to get more power out of the engine, we developed a twin injector set up and our test engine now runs very happily at 120kW, with 130kW in sight. The increased output also improves efficiency.

Mark A Smith
Chair

Hydrogenus Energy Limited
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Hydrogenus Energy Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

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

Mark Smith (Chair and Non-Executive Director)
Martin Sheahan (Executive Director and Chief Executive Officer)
Marcus Clayton (Executive Director and Chief Technology Officer)
Pieter Bruinstroop (Executive Director, Chief Financial Officer and Company Secretary)
Robert Tindall (Non-Executive Director)

Principal activities

During the financial year, the entity focused on the initial development of the Intellectual Property of the modifications to an Internal Combustion Engine required for an ICE to operate safely, effectively and efficiently using hydrogen as its only fuel.

As of 30 June 2023, the entity had achieved this objective and further development has taken place to achieve higher output and improved efficiency.

Financing is now being sought to develop a demonstration operation, pursue early-stage commercial interest and protection of our Intellectual Property.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$686,903 (30 June 2022: \$975,462).

Significant changes in the state of affairs

The consolidated entity applied to be converted to a public company on 10 May 2022, which was then gazetted with ASIC on 12 August 2022. There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

With the exception of the matters discussed in the going concern note, no matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Mark Smith
Title: Chair and Non-Executive Director
Qualifications: B App.Sc. (Geol.)
Experience and expertise: Mark is a petroleum geologist with over 40 years of geoscience and management experience in Australia, South East Asia, South America and North America. Mark was a founding Director of Karoon Energy (KAR.ASX), from start-up to a market cap of \$A 1.5B. He stepped down from the Board of Karoon at the November 2019 Annual General Meeting, finally ceasing with Karoon in June 2021. Mark has had a long-held interest and involvement in renewables and associated developing technologies through Bennett Clayton Pty Ltd.

Hydrogenus Energy Limited
Directors' report
30 June 2023

Name: Martin Sheahan
 Title: Executive Director and Chief Executive Officer
 Qualifications: n/a
 Experience and expertise: Martin is an experienced Sales Director with a demonstrated high performance history in the IT and Telecommunications industry over 30 years. He is skilled in Telco Services, Professional Services, Data Centre Systems and Sales Team Management. In January 2017 Martin joined Bennett Clayton to assist in sales.

Name: Marcus Clayton
 Title: Non-Executive Director
 Qualifications: PGDip Data Communications, PGCert Specialised (Military) Equipment
 Experience and expertise: Marcus formally trained and served in the RAAF, where he was charged with looking after “everything that did not fly.”, which included air traffic control towers, radio, radar, computer networks and some classified work. He then worked in Factory Automation and robotics for 15 years before joining John Bennett to establish Bennett Clayton. Marcus has managed several innovative projects, and Bennett Clayton has been a finalist in the Australian Clean Tech Open, and past winner of the Green Globe award, a member of the Federal Cleantech Industry Capability Team, and a member of the WG7 advisory committee to the South Australian Government.

Name: Pieter Bruinstroop
 Title: Executive Director
 Qualifications: B Econ, B Com (Hons), GDip Bus (Advance Finance and Investment), (former) CPA
 Experience and expertise: In 1985, Pieter drafted the economic sections of Photo-Voltaic and Wind Turbine R&D funded through the National Energy Research, Development & Demonstration programme. He subsequently worked for the Commonwealth Government on the North West Shelf project. Subsequently Pieter was a fund manager for 11 years, adding significant value in each of his 3 positions. He also worked for 7 years as an equity analyst for 3 different stockbrokers prior to establishing Beer & Co where he has been responsible for corporate advising and commissioned research.

Name: Robert James Tindall
 Title: Executive Director
 Qualifications: M. Tax, BA
 Experience and expertise: Rob worked for Westpac for 14 years, holding positions including Executive Director –Private Banking, National Manager Superannuation and National Technical Manager HNW. Rob subsequently co-founded a boutique corporate advisory firm, GTG Corporate and in November 2015, co-founded The True Origins Company, which distributed New Zealand manufactured infant formula into China under a 50/50 Joint Venture with the South African pharmaceutical giant Aspen Pharma. As the enterprise moved from start-up to operational, Rob stood and subsequently founded the ASX listed company Montem Resources, where he is now a Non-Executive Director.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mark Alexander Smith	8	8
Martin Sheehan	8	8
Mark Allen Clayton	8	8
Pieter Jan Bruinstroop	8	8
Robert James Tindal	4	8

Held: represents the number of meetings held during the time the director held office.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
1 August 2021	30 June 2025	\$1.25	50,000
1 August 2021	30 June 2025	\$1.25	25,000
1 September 2021	30 June 2025	\$1.25	50,000
1 September 2021	30 June 2025	\$1.25	25,000
1 October 2021	30 June 2025	\$1.25	50,000
1 October 2021	30 June 2025	\$1.25	25,000
1 November 2021	30 June 2025	\$1.25	50,000
1 November 2021	30 June 2025	\$1.25	25,000
1 December 2021	30 June 2025	\$1.25	50,000
1 December 2021	30 June 2025	\$1.25	25,000
1 January 2022	30 June 2025	\$1.25	50,000
1 January 2022	30 June 2025	\$1.25	25,000
1 February 2022	30 June 2025	\$1.25	50,000
1 February 2022	30 June 2025	\$1.25	25,000
1 March 2022	30 June 2025	\$1.25	50,000
1 March 2022	30 June 2025	\$1.25	25,000
1 April 2022	30 June 2025	\$1.25	50,000
1 April 2022	30 June 2025	\$1.25	25,000
1 May 2022	30 June 2025	\$1.25	50,000
1 May 2022	30 June 2025	\$1.25	25,000
1 June 2022	30 June 2025	\$2.50	50,000
1 June 2022	30 June 2025	\$2.50	25,000
1 July 2022	30 June 2025	\$2.50	50,000
1 July 2022	30 June 2025	\$2.50	<u>25,000</u>
			<u>900,000</u>

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

Shares issued on the exercise of options

There were no ordinary shares of Hydrogenus Energy Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Auditor's independence declaration

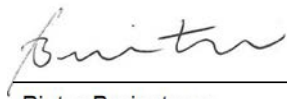
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

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

Hydrogenus Energy Limited
Directors' report
30 June 2023

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



Pieter Bruinstroop
Executive Director, Chief Financial Officer and Company Secretary

30 November 2023

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF HYDROGENUS ENERGY LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Melbourne, 30 November 2023

Hydrogenus Energy Limited Contents

30 June 2023

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General information

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

Hydrogenus Energy Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Block Arcade Suite 324
96 Elizabeth Street
Melbourne VIC 3000

Principal place of business

Block Arcade Suite 324
96 Elizabeth Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 November 2023. The directors have the power to amend and reissue the financial statements.

Hydrogenus Energy Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023	Consolidated 2022 (unaudited)
		\$	\$
Revenue			
Other income	3	286,561	198,539
Expenses			
Finance costs		(35,725)	(19,797)
Research and development costs		(280,311)	(197,289)
Administration		(370,812)	(291,357)
Depreciation and Amortisation		(19,476)	(32,107)
Employee Benefit Expense		<u>(267,140)</u>	<u>(633,451)</u>
Loss before income tax expense		(686,903)	(975,462)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Hydrogenus Energy Limited		(686,903)	(975,462)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Hydrogenus Energy Limited		<u>(686,903)</u>	<u>(975,462)</u>

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

Hydrogenus Energy Limited
Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 \$	Consolidated 2022 (unaudited) \$
Assets			
Current assets			
Cash and cash equivalents		2,330	153,511
Trade and other receivables	4	<u>260,299</u>	<u>209,599</u>
Total current assets		<u>262,629</u>	<u>363,110</u>
Non-current assets			
Right-of-Use Assets		<u>47,297</u>	<u>13,378</u>
Total non-current assets		<u>47,297</u>	<u>13,378</u>
Total assets		<u>309,926</u>	<u>376,488</u>
Liabilities			
Current liabilities			
Trade and other payables	5	295,392	155,393
Lease liabilities		33,466	13,697
Provisions		19,096	15,404
Financial liabilities	6	<u>312,802</u>	<u>150,712</u>
Total current liabilities		<u>660,756</u>	<u>335,206</u>
Non-current liabilities			
Lease liabilities		<u>14,243</u>	-
Total non-current liabilities		<u>14,243</u>	-
Total liabilities		<u>674,999</u>	<u>335,206</u>
Net assets/(liabilities)		<u>(365,073)</u>	<u>41,282</u>
Equity			
Issued capital	7	1,196,000	980,000
Share based payment reserve	8	472,383	407,835
Accumulated losses		<u>(2,033,456)</u>	<u>(1,346,553)</u>
Total equity/(deficiency)		<u>(365,073)</u>	<u>41,282</u>

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

Hydrogenus Energy Limited
Statement of changes in equity As
at 30 June 2023

Consolidated	Issued Capital	Share-based payments reserves	Accumulated Losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2021	730,000		(371,091)	358,909
Loss after income tax expense for the year			(975,462)	(975,462)
Other comprehensive income for the year, net of tax			-	-
Total comprehensive income for the year			(975,462)	(975,462)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	250,000	-	-	250,000
Share-based payments	-	407,835	-	407,835
Balance at 30 June 2022	980,000	407,835	(1,346,553)	41,282
	Issued Capital	Reserves	Accumulated Losses	Total deficiency in equity
	\$	\$	\$	\$
Balance at 1 July 2022	980,000	407,835	(1,346,553)	41,282
Loss after income tax expense for the year	-	-	(686,903)	(686,903)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(686,903)	(686,903)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	216,000	-	-	216,000
Share-based payments	-	64,548	-	64,548
Balance at 30 June 2023	1,196,000	472,383	(2,033,456)	(365,073)

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

Hydrogenus Energy Limited
Statement of cash flows
For the year ended 30 June 2022

		Consolidated	
	Note	2023	2022
		\$	(unaudited)
			\$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(695,517)	(557,911)
Proceeds from grant income		233,547	186,724
Interest received		314	-
Interest and other finance costs paid		(35,725)	(19,797)
Net cash used in operating activities	16	(497,381)	(390,984)
Net cash from investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of shares	7	216,000	250,000
Proceeds (repayment) from borrowings - third parties		76,040	99,196
Proceeds (repayment) from borrowings - related parties		88,050	60,827
Repayment of lease liabilities		(33,890)	(33,890)
Net cash from financing activities		346,200	376,133
Net decrease in cash and cash equivalents		(151,181)	(14,851)
Cash and cash equivalents at the beginning of the financial year		153,511	168,362
Cash and cash equivalents at the end of the financial year		2,330	153,511

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

These financial statements have been prepared on a going concern basis, notwithstanding that for the year ended 30 June 2023 the consolidated entity generated a net loss of \$686,903, cash outflows from operations for the year were \$497,381. As at 30 June 2023, the consolidated entity had a working capital deficit of \$398,128 and owed \$308,766 to related parties through loans and trade and other payables which are classified as a current liability.

These factors indicate a material uncertainty exists which may cast significant doubt on the entity's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The directors have prepared a financial forecast for the twelve months from the date of approval of these financial statements. The directors have concluded that it is appropriate to prepare the financial statements on a going concern basis after considering the financial forecasts, and the following:

- The consolidated entity's ability to raise capital; the forecast includes proceeds from expected capital raising activities. The directors of the consolidated entity believe that such capital raising activities will eventuate based upon the consolidated entity's track record of successfully issuing capital.
- The consolidated entity's ability to curtail non-operating expenses including costs for employing and retaining key management personnel, as represented in Note 9, including amounts owing to them as at report date, as set out in Note 9. These key management personnel have written to the consolidated entity as at the date of signing these financial statements advising that they will, if necessary to safeguard the consolidated entity's quantum of available working capital, to defer calling upon amounts owing to them, for at least as long as the forecast period;
- The consolidated entity's ability to flex the R&D program; for the year ended 30 June 2023, the consolidated entity incurred \$619,386 in research and development activities. The consolidated entity only conducts research and development activities when and only when it has sufficient working capital and it has not entered into any contract with its research and development activities with break cost clauses that are materially significant to these financial statements that would impact its overall solvency.

Subsequent events

As at the date of signing these financial statements, the entity has decreased its deficit of current assets relative to current liabilities. This has been influenced by the following:

- A successful raising of capital totalling \$225,000, through the issue of 112,500 shares under placement on 29 August 2023.
- The consolidated entity has received a grant of \$251,191 from Australian Taxation Office received 3 October 2023 relating to its research and development activities, which had not been recorded in the statement of financial position as at report date.
- The consolidated entity has received funds from related parties totalling \$52,331, which are non-interest bearing and had not been recorded in the statement of financial position as at report date. These related parties have the intention to forgo payments from the consolidated entity.

These financial statements do not include any adjustments to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, which might be necessary should the consolidated entity not be able to continue as a going concern.

Basis of preparation

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

Note 1. Significant accounting policies (continued)

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 14.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hydrogenus Energy Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Hydrogenus Energy Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Government grants and research and development credits

Government grants including research and development incentives are recognised at fair value when there is reasonable assurance that the grant will be received, and all grant conditions will be met. Grants relating to research and development expenditure are recognised as income over the periods necessary to match the grant costs they are compensating. The incentive is recognised as income as it is not tied to offsetting assessable income in tax.

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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.

Note 1. Significant accounting policies (continued)

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 consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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

Trade and other payables

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

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 consolidated entity'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.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick 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. Non-accumulating sick leave is expensed to profit or loss when incurred.

Share-based payments

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the 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.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

Fair value measurement

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

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

Issued capital

Ordinary shares are classified as equity.

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

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

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Research and Development Rebate

The company is entitled to claim grant credits from the Australian Government in recompense for its research and development program expenditure. The program is overseen by AusIndustry, which is entitled to audit and/or review claims lodged for the past 4 years. In the event of a negative finding from such an audit or review, AusIndustry has the right to rescind and clawback those prior claims, potentially with penalties. Such a finding may only occur in the event that those expenditures do not appropriately qualify for the grant program. In their estimation, considering also the independent external expertise they have contracted to draft and claim such expenditures, the directors of the company consider that such a negative review has a remote likelihood of occurring.

Note 3. Other Income

	Consolidated	
	2022	
	2023	(unaudited)
	\$	\$
R&D Grants	286,247	198,491
Interest income	314	48
Other income	286,561	198,539
	<u>286,561</u>	<u>198,539</u>

Note 4. Trade and other receivables

	Consolidated	
	2022	
	2023	(unaudited)
	\$	\$
<i>Current assets</i>		
R&D Tax Incentive Grant	251,191	198,491
Rental deposit	9,108	9,108
Loan receivable		2,000
Other income	260,299	209,599
	<u>260,299</u>	<u>209,599</u>

Note 5. Trade and other payables

	Consolidated	
	2022	
	2023	(unaudited)
	\$	\$
<i>Current liabilities</i>		
Trade payables	82,166	13,554
Accrued expenses	22,500	23,818
Director fees accrued	-	60,000
Trade payables to related parties	171,200	47,950
BAS payable	11,853	10,071
Other payables	7,673	-
	<u>295,392</u>	<u>155,393</u>

Refer to note 9 for further information on financial instruments.

Note 6. Loan payables

	Consolidated	
	2022	
	2023	(unaudited)
	\$	\$
<i>Current liabilities</i>		
Loan payable to directors	136,714	51,516
R&D loan payable	175,236	99,196
Loan payable to contractors	852	-
	<u>312,802</u>	<u>150,712</u>

Note 6. Loan payables (continued)

Loan payables to directors and contractors

As of 30 June 2023, there was a loan balance of \$63,552 (2022: \$51,516) owing to GOH-PJB Superannuation Fund which is the superannuation fund of Pieter Bruinstroop. This loan has a limit of \$63,246 (2022: \$50,000) of which interest is charged daily at a fixed rate of 0.035% (2022: 0.035%) per day. It is unsecured and due on demand.

The remaining loan payables to directors and contractors are non-interest bearing, unsecured and due on demand.

R&D loan payable

This loan is secured against present and future right, title and interest in refund entitlement and proceed and other assets necessary to enable the lessor to obtain the benefit of the refund. Interest is charged monthly at a fixed rate of 15% (2022: 15%) per annum. It has a limit of \$176,000 (2022: \$96,115) which matures on 31 December 2023 (2022: 30 November 2022) upon which point it is repayable to the loan holder at call and there is no equity conversion agreement.

Note 7. Issued capital

	2023	Consolidated		
	2023	2023	2023	2022
	shares	shares	\$	\$
Ordinary shares - fully paid	3,063,000	2,955,000	1,196,000	980,000

Ordinary shares

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

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

Capital risk management

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2023 Annual Report.

Note 8. Share based payment reserve

	Consolidated	
	2023	2022
	\$	\$
Share-based payments reserve	472,383	407,835

Share-based payments reserve

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

Note 8. Share based payment reserve (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payment reserve	Total
	\$	\$
Balance at 1 July 2022	-	-
Options granted in the period	407,835	407,835
Balance at 30 June 2022	407,835	407,835
Options granted in the period	64,548	64,548
Balance at 30 June 2023	<u>472,383</u>	<u>472,383</u>

Note 9. Financial instruments

Financial risk management objectives

The Company's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and loan from related party. The Board of Directors are responsible for monitoring and managing financial risk exposures of the Company.

The consolidated entity's activities only exposes it to liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis ageing analysis for credit risk.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. As at 30 June 2023, with the exception of lease liabilities, all financial liabilities had maturity terms of 60 days or less (2022: 60 days or less).

Note 10. Key management personnel disclosures

Directors

The following persons were directors of Hydrogenus Energy Limited during the financial year:

Mark Smith
 Martin Sheahan
 Marcus Clayton
 Pieter Bruinstroop
 Robert Tindall

Note 10. Key management personnel disclosures (continued)

Compensation

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

	Consolidated	
	2023	2022
	\$	(unaudited)
		\$
Short-term employee benefits	537,769	450,154
Post-employment benefits	16,538	18,000
Share-based payments	64,548	407,835
	618,855	875,989
	618,855	875,989

In addition, there were loans and trade and other payables to key management personnel totalling \$308,766 (2022: \$159,466) - refer to Note 7

Note 11. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services - William Buck</i>		
Audit and preparation of the financial statements	13,750	
	13,750	
	13,750	

Note 12. Contingent liabilities

The company has given a bank guarantee as at 30 June 2023 of \$9,108 (2022: \$9,108) in respect of its rental agreement. There were no further contingent liabilities as at 30 June 2023 and 30 June 2022.

Note 13. Related party transactions

Parent entity

Hydrogenus Energy Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 10.

Transactions with related parties

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

Receivable from and payable to related parties

Disclosures relating to trade payables to related parties are set out in note 5. There were no trade receivables to related parties at the current and previous reporting date.

Loans to/from related parties

Disclosures relating to loans from related parties are set out in note 6. There were no loans to related parties at the current and previous reporting date.

Note 14. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023	2022
	\$	\$
Loss after income tax	(686,903)	(975,462)
Total comprehensive income	<u>(686,903)</u>	<u>(975,462)</u>

Statement of financial position

	Parent	
	2023	2022
	\$	\$
Total current assets	<u>262,629</u>	<u>363,110</u>
Total assets	<u>309,926</u>	<u>376,488</u>
Total current liabilities	<u>660,756</u>	<u>335,206</u>
Total liabilities	<u>674,999</u>	<u>335,206</u>
Equity		
Issued capital	1,196,000	980,000
Share-based payments reserve	472,383	407,835
Accumulated losses	<u>(2,033,456)</u>	<u>(1,346,553)</u>
Total equity/(deficiency)	<u>(365,073)</u>	<u>41,282</u>

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

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

Note 15. Events after the reporting period

With the exception of the matters discussed in the going concern note, no matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 16. Reconciliation of loss after income tax to net cash used in operating activities

	2023	Consolidated 2022 (unaudited)
	\$	\$
Loss after income tax expense for the year	(686,903)	(975,462)
Adjustments for:		
Depreciation and amortisation	19,476	32,107
Share-based payments	64,548	407,835
Change in operating assets and liabilities:		
Increase in trade and other receivables	(52,700)	(11,815)
Increase in trade and other payables	154,506	140,947
Increase in employee benefits	<u>3,692</u>	<u>15,404</u>
Net cash used in operating activities	<u>(497,381)</u>	<u>(390,984)</u>

Hydrogenus Energy Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Pieter Bruinstroop
Executive Director, Chief Financial Officer and Company Secretary
30 November 2023

Hydrogenus Energy Limited Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Hydrogenus Energy Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, 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 statements, including a summary of significant accounting policies and other explanatory information, 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 2023 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which describes that during the year ended 30 June 2023 the Group generated a net loss of \$686,903, cash outflows from operations were \$497,381, and at 30 June 2023 the Group had a working capital deficit of \$398,127. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N. S. Benbow
Director

Melbourne, 30 November 2023



Zero Carbon Emissions

Power

Fuelled by Hydrogen

at LOW cost