



opennTM
negotiation
LIMITED

(formerly Appwell Pty Ltd)

ABN 75 612 329 754

Interim Financial Report
For the half-year ended 31 December 2020

www.openn.com.au

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CORPORATE DIRECTORY

Board of Directors

| | |
|-------------------------|---------------------------|
| Wayne Joseph Zekulich | Non-Executive Chairperson |
| Peter John Gibbons | Managing Director |
| Duncan Royce Anderson | Executive Director |
| Darren Michael Bromley | Executive Director |
| Danielle Marguerite Lee | Non-Executive Director |

Company Secretary

Darren Bromley

Registered Office

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Subiaco WA 6008

Principal & Registered Office

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Claremont WA 6010

Contact Details

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Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth, WA 6000

Auditors

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000

DIRECTORS' REPORT

The Board of Directors present their report together with the financial statements of the consolidated entity (**Group**), being Openn Negotiation Limited (**Openn Negotiation** or the **Company**) (*formerly Appwell Pty Ltd*) and controlled entities, for the half-year ended 31 December 2020.

Directors

The names of the Directors of the Company in office during the half-year and to the date of this Report are:

| | | | |
|-------------------------|---|---------------------------|-------------------------------|
| Wayne Joseph Zekulich | - | Non-Executive Chairperson | (Appointed 24 April 2021) |
| Peter John Gibbons | - | Managing Director | |
| Duncan Royce Anderson | - | Executive Director | (Appointed 15 September 2020) |
| Darren Michael Bromley | - | Executive Director | |
| Danielle Marguerite Lee | - | Non-Executive Director | (Appointed 3 March 2021) |
| Bradley Glover | | Non-Executive Director | (Resigned 3 February 2021) |
| Peter Clements | | Executive Director | (Resigned 3 February 2021) |
| Brent Bonadeo | | Executive Director | (Resigned 7 September 2020) |

Principal Activities

Openn is a proptech company established in Western Australia by the Founders, Peter Gibbons, Peter Clements and Bradley Glover which offers innovative technology solutions to the real estate industry to improve transparency of property sale transactions for buyers and sellers. Our solutions are focused on assisting real estate agents operate more efficiently as well as providing the real estate industry with depth of market indicators to promote more informed policy development, risk modelling, and awareness of market support and trends in real time.

Our primary business is the operation (through Openn Pty Ltd, formerly PP Valley Pty Ltd) of the Platform which enables the listing and sale of residential real estate online utilising the exclusive Openn Negotiation Process. The business currently services the Australian and New Zealand residential property markets, but a potential expansion to the North American market is currently being considered.

The Company has developed a growth strategy to develop and expand our operations nationally and internationally, and further develop our core technology. We strive to be a leader in the proptech and property data markets, offering a proven property sales platform that is built around transparency, fairness and reliability.

Operating and financial review

Results from core operations

The Group continued to develop its core technology platform and establish its network of clients to increase sales throughout the year. The results of these activities are set out in the Statement of Profit or Loss and Other Comprehensive Income below. The Group incurred a loss of \$626,524 (31 December 2019: Loss \$802,146) as a result of continued increase in sales offset by the investment in technology development \$167,479 and an increase in labour costs as the Group increased sales and developed additional partnerships and client channels.

Business strategies and future developments

The Openn business is established in the Australian and New Zealand markets and has demonstrated that the Openn Negotiation Process meets a market requirement, bringing greater transparency to the traditional process of selling real estate.

With this validation, we are now pursuing key initiatives with a focus on expanding our core operations and pursuing growth opportunities using our technology expertise and capacity to create new products and services.

The Company proposes to undertake an initial public offer of its shares in support of an application for admission to the official list of the Australian Securities Exchange (**IPO**) and expects this to occur in May/June 2021.

Openn has planned a 2-year roadmap for the continued development and expansion of the Openn business following admission to the official list of ASX. Innovation is critical to the future growth of the Company and we have customer-focussed technology driven strategy. This roadmap is guided by customer needs aimed at optimising agent efficiency to enhance the existing products or add new products or services.

DIRECTORS' REPORT

Business strategies and future developments (continued)

The roadmap includes the following key growth strategies.

| | |
|-----------------------------------|--|
| Scale-up users and uploads | <p>Increase number of users and property uploads to the Platform by:</p> <ul style="list-style-type: none"> investing further in marketing to increase awareness of the Openn Negotiation Process and its benefits, both within real estate industry and with potential sellers and buyers; establishing a dedicated business development team focused on working with real estate agents who are not using the Openn Negotiation Platform; and increase the number of business collaborative partnerships and incentive models with significant real estate agency networks and franchise groups operating in Australia in New Zealand. |
| International expansion | <p>Explore potential expansion of the Openn Business to markets outside of Australia and New Zealand.</p> <p>In this regard, we have commenced a pilot project in the USA to identify how the Openn Negotiation Process and the Platform may be deployed in that market. The initial phase of this project involves conducting a gap analysis to identify what parts of the Openn Negotiation Process and the Platform need to be modified to meet local market process and legal compliance requirements.</p> <p>Further, we have received unsolicited interest in the Openn Negotiation Process and the Platform from other regions, including Europe, South East Asia, and South Africa. However, at the Prospectus Date, discussions with counterparties have not been commenced.</p> |
| Further enhance Technology | <p>Develop 'value-add' modifications, upgrades and new functions for the Platform intended to:</p> <ul style="list-style-type: none"> streamline the workflow for a real estate agent user, such as simplified seller on-boarding processes and integration with customer relationship management (CRM) software; automatically assist real estate agents in utilising the Platform efficiently; expand integrations with advertising portals and real estate agency websites so they can leverage our customer engagement features and in turn drive additional demand for use of the Openn Negotiation Process; develop Platform so that can operate as a listing tool which utilises data generated through the sales process, in addition to operating as a sales enabling tool; extend transparency and digital contracting features to cover traditional tender and offer processes so that real estate agents can manage all their sales methods on the Platform, allowing agents to seamlessly switch sales process to deliver the best outcome for buyers and sellers; develop the Platform to cater for the needs of the real estate market in the USA; increase the use of predictive analytics, machine learning and other artificial intelligence techniques to expand the value proposition for real estate agents using the Platform, with the new functions aimed at improving lead generation and automating coaching services (currently provided manually to real estate agents); expand the integration of the Platform with administrative software systems to further automate accounting, billing and customer service processes; improve integration of the Platform and related systems with customer and collaborative partner systems; and develop tools to collect and analyse transaction data, and report information to support marketing and data-driven business. |
| Collaborative arrangements | <p>Explore opportunities to establish collaboration arrangements, strategic alliances or joint ventures with businesses which provide complementary services to the Group's customers, such as banks/financiers, settlement agents/conveyancers, insurers, removalists etc.</p> |
| Core data services | <p>Explore potential to expand the Openn Business to provide data and technology services to intermediaries, banks, property developers and investors, information vendors and software developers to help them make informed decisions, offer services to their clients.</p> <p>The Platform captures significant and potentially valuable market data from sale transactions. This allows for the potential development of real time lead indicators as to market depth and direction.</p> |
| Complementary services | <p>Explore third party products/services which the Openn Business may provide to customers as an authorised licensee/distributor.</p> |

DIRECTORS' REPORT

Significant changes in the state of affairs

There has been no significant changes to the Company's state of affairs during the half year.

Events Subsequent to Reporting Date

On 20 January 2021 the Company completed the conversion of debt to equity for the outstanding balance of a convertible loan. The Company issued 3,125,002 fully paid ordinary shares at an issue price of \$0.16 per share to convert \$500,000 in debt. The outstanding interest cost was paid in cash.

On 20 January 2021, the Company issued 15,201,370 ordinary shares to sophisticated and professional investors under section 708(8) and 708(11) of the Corporations Act to raise \$2,432,219 (before costs) at an issue price of \$0.16.

On 20 January 2021, the Company issued 2,934,519 options with an exercise price of \$0.24 expiring on 20 January 2025 to promoters of the Company as fees relating to a mandate to lead manage a capital raising for listing on the Australian Securities Exchange.

On 10 February 2021 the Company completed the acquisition of Openn World Pty Ltd and its wholly owned subsidiary Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd). The fair value of the acquisition was \$501,130 payable in shares or cash. The Company issued considered shares of 3,117,461 at \$0.16 per share and paid cash of \$2,336.24 to shareholders. The acquisition has been determined as an asset acquisition with the difference between the net deficiency of the Openn World group and the fair value of consideration being allocated to the technology asset at the residual value. Openn Tech is a holding company and owns the worldwide rights (excluding Australia and New Zealand) for the Openn technology.

On 15 February 2021, the Company repaid a loan to the founding directors on behalf of Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd). At the time Openn Negotiation Limited acquired Openn World Pty Ltd, Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd) was indebted to the Founders or entities controlled by the Founders for \$344,740. This debt represented loans (including payments made/liabilities settled on behalf of Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd)) by the Founders to Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd) for start-up capital, as well as funding the costs of developing and commercialising the Openn Technology.

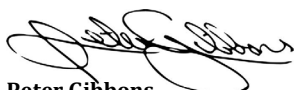
No other material subsequent events have occurred from balance date to the date of this report.

Auditor's independence declaration

The auditor's independence declaration under section 307C of the Corporations Act is set out on page 3.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors.



Peter Gibbons
Managing Director

Dated this 30 April 2021

AUDITOR'S INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Openn Negotiations Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
30 April 2021

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

B G McVeigh
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2020

| | Note | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|---|------|-------------------|-------------------|
| Revenue | 3 | 510,797 | 368,113 |
| Other Income | 3 | 63,522 | - |
| Advertising and marketing expenses | | (145,834) | (118,165) |
| Employment expenses | 3 | (639,106) | (472,439) |
| Consulting expenses | | (24,275) | (49,158) |
| General and administration expenses | 3 | (172,103) | (140,903) |
| Occupancy costs | | (15,633) | (18,145) |
| Financing expenses | | (36,413) | (1,080) |
| Technology expenses | | (167,479) | (370,369) |
| (loss) before income tax expense | | (626,524) | (802,146) |
| Income tax (expense) / benefit | | - | - |
| (loss) after tax from continuing operations | | (626,524) | (802,146) |
| Other Comprehensive Income | | | |
| Items that may be realised through profit and loss | | | |
| Movement in reserves | | - | - |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive (loss) for the period attributable to: | | | |
| Owners of the Company | | (626,524) | (802,146) |
| | | (626,524) | (802,146) |
| Loss per share attributed to the owners of the Company | | | |
| Basic (loss) per share (cents) | | (8.08) | (10.35) |
| Diluted (loss) per share (cents) | | (8.08) | (10.35) |

The accompanying condensed notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the half year ended 31 December 2020

| | Note | DEC 2020 \$ | JUNE 2020 \$ |
|--------------------------------------|------|-------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 4 | 165,808 | 360,482 |
| Research and development receivable | 6 | - | 265,597 |
| Other receivables and assets | 5 | 44,475 | 42,900 |
| Total current assets | | 210,283 | 668,979 |
| Non-current assets | | | |
| Plant and equipment | 7 | 86,223 | 98,437 |
| Intangible assets | 8 | 192,181 | - |
| Other receivables | | 16,142 | 16,142 |
| Total non-current assets | | 294,546 | 114,579 |
| TOTAL ASSETS | | 504,829 | 783,558 |
| Current liabilities | | | |
| Trade and other payables | 9 | 287,610 | 201,660 |
| Borrowings | 11 | 494,385 | 25,000 |
| Lease liability | 10 | 23,924 | 11,501 |
| Total current liabilities | | 805,919 | 238,161 |
| Non-current liabilities | | | |
| Borrowings | 11 | - | 448,975 |
| Lease liability | 10 | 51,773 | 75,697 |
| Total non-current liabilities | | 51,773 | 524,672 |
| TOTAL LIABILITIES | | 857,692 | 762,833 |
| NET (LIABILITIES) / ASSETS | | (352,863) | 20,725 |
| Equity | | | |
| Issued capital | 12 | 4,816,900 | 4,566,900 |
| Reserves | 13 | 23,490 | 20,554 |
| (Accumulated losses) | | (5,193,253) | (4,566,729) |
| TOTAL (DEFICIENCY) / EQUITY | | (352,863) | 20,725 |

The accompanying condensed notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2020

| | Consolidated | | | | |
|---|-----------------------|--------------------------|----------------------|---------------------|--------------------|
| | Ordinary Shares \$ | Accumulated Losses \$ | Option Reserve \$ | Other Reserve \$ | Total Equity \$ |
| Balance at 1 Jul 2020 | | | | | |
| Balance at the beginning of the year | 4,566,900 | (4,566,729) | 20,554 | - | 20,725 |
| Issue of shares (net of costs) | 250,000 | - | - | - | 250,000 |
| Issue of options – employees | - | - | 2,936 | - | 2,936 |
| Total comprehensive income | | | | | |
| (Loss) for the period | - | (626,524) | - | - | (626,524) |
| Movement in reserves | - | - | - | - | - |
| Total comprehensive (loss) for the period | - | (626,524) | - | - | (626,524) |
| Balance as at 31 Dec 2020 | 4,816,900 | (5,193,253) | 23,490 | - | (352,863) |

| | Consolidated | | | | |
|---|-----------------------|--------------------------|----------------------|---------------------|--------------------|
| | Ordinary Shares \$ | Accumulated Losses \$ | Option Reserve \$ | Other Reserve \$ | Total Equity \$ |
| Balance at 1 Jul 2019 | | | | | |
| Balance at the beginning of the year | 4,364,900 | (3,360,123) | 8,809 | - | 1,013,586 |
| Issue of shares (net of costs) | 202,000 | - | - | - | 202,000 |
| Issue of options – employees | - | - | 8,809 | - | 8,809 |
| Total comprehensive income | | | | | |
| (Loss) for the period | - | (802,146) | - | - | (802,146) |
| Movement in reserves | - | - | - | - | - |
| Total comprehensive (loss) for the period | - | (802,146) | - | - | (802,146) |
| Balance as at 31 Dec 2019 | 4,566,900 | (4,162,269) | 17,618 | - | 422,249 |

The accompanying condensed notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2020

| Note | 31 Dec 2020 \$ | 30 Dec 2019 \$ |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Receipts from customers | 597,001 | 406,445 |
| Payments to suppliers and employees | (1,124,255) | (1,141,122) |
| Interest paid | (36,413) | (1,080) |
| Income tax – R&D incentive received | 265,597 | 330,909 |
| Government assistance | 63,522 | - |
| Net cash (used in) operating activities | (234,548) | (404,848) |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (4,106) | (2,562) |
| Payment for technology development | (194,519) | - |
| Net cash (used in) investing activities | (198,625) | (2,562) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 250,000 | 202,000 |
| Repayment of leases | (11,501) | (12,582) |
| Net cash provided by financing activities | 238,499 | 189,418 |
| Net (decrease) in cash and cash equivalents | (194,674) | (217,992) |
| Cash and cash equivalents at the beginning of the year | 360,482 | 794,386 |
| Cash and cash equivalents at the end of the year | 165,808 | 576,394 |

The accompanying condensed notes form part of the consolidated financial statements.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

1. Summary of significant accounting policies

This consolidated interim financial report for the half-year ended 31 December 2020 includes the financial statements and notes of Openn Negotiation Limited (*formerly Appwell Pty Ltd*) (**Openn Negotiation** or **Company**) which is a public company limited by shares, incorporated and domiciled in Australia, and its controlled entities (**Group**).

The financial statements were authorised for issue by the Directors on 30 April 2021.

a. Basis of preparation

This interim financial report for the half-year period ended 31 December 2020 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)* (**Corporations Act**). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this interim financial report be read in conjunction with the annual financial report for the financial period ended 30 June 2020 and considered together with any public available information released by the Company.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new or amended standards became applicable for the current reporting period. The Group did not have to make retrospective adjustments as a result of adopting these standards.

b. Going concern

The financial report has been prepared on a going concern basis.

The Directors believe there are sufficient grounds to believe that the business will be able to continue to pay its debts as and when they fall due. This is based on future cash forecasts, existing cash reserves and proposed capital raising which is currently in an advanced stage.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to generate profit from its activities, raise funds from capital raising and manage cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The directors have prepared a cash flow forecast, which has an allowance for further capital to be raised and indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The Company is in the advanced stages of preparations to undertake the IPO and applying to list on the Australian Securities Exchange for the purpose of funding expansion and growth, as well as to provide general working capital;
- The Company has the ability to manage cash outflows and while the capital raising occurs; and
- The Company anticipates the continued support of its current major shareholders

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due

c. New standards, interpretations and amendments adopted by the Group

A number of new or amended accounting standards and interpretations are effective for the Group from 1 July 2020. However, these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

d. New standards, interpretations and amendments not yet adopted by the Group

New accounting standards, interpretations and amendments have been issued but are not yet effective, however these are not considered relevant to the activities of the Group nor are they expected to have a material impact on the financial statements of the Group.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

2. Segment information

Segment information

The Company has one segment, which is technology in the real estate sector within Australia.

3. Loss from continuing operations

31 Dec 2020
\$

31 Dec 2019
\$

Loss from continuing operations before income tax has been determined after:

(a) Revenue

| | | |
|------------------------------|----------------|----------------|
| Website and associated sales | 509,106 | 366,613 |
| Marketing sales | 1,669 | 1,040 |
| Interest revenue | 22 | 460 |
| | 510,797 | 368,113 |

(b) Other income

| | | |
|-----------------------|---------------|----------|
| Government assistance | 63,522 | - |
| | 63,522 | - |

(c) Expenses – Employment expenses

| | | |
|--|----------------|----------------|
| Salary and wages | 557,785 | 410,020 |
| Other personnel costs | 5,860 | 3,862 |
| Superannuation | 54,553 | 38,895 |
| Increase/(decrease) in leave liabilities | 17,972 | 10,853 |
| | 636,170 | 463,630 |

| | | |
|-----------------------------|-------|-------|
| Share-based payment expense | 2,936 | 8,809 |
|-----------------------------|-------|-------|

| | | |
|--------------|----------------|----------------|
| TOTAL | 639,106 | 472,439 |
|--------------|----------------|----------------|

(d) Expenses – General and administration costs

| | | |
|-------------------------------|----------------|----------------|
| Accounting expenses | 16,555 | 24,340 |
| Audit fees | 5,000 | - |
| Depreciation and amortisation | 47,023 | 16,082 |
| Insurance expenses | 754 | 418 |
| Partnership expenses | 10,027 | 2,487 |
| Travel expenses | 1,731 | 24,760 |
| Sales costs | 52,328 | 32,800 |
| Other administration expenses | 38,685 | 10,016 |
| | 172,103 | 110,903 |

4. Current assets: Cash and cash equivalents

31 Dec 2020
\$

30 Jun 2020
\$

| | | |
|------------------------------|----------------|----------------|
| Cash at bank and on hand (1) | 165,808 | 360,482 |
| | 165,808 | 360,482 |

(1) Cash at bank and on hand earns interest at floating rates based on daily bank deposits

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

5. Current assets: Other assets and receivables

| | 31 Dec 2020 | 30 Jun 2020 |
|---------------------|---------------|---------------|
| | \$ | \$ |
| GST receivables | 5,685 | 14,250 |
| Prepayments | 18,944 | 20,333 |
| Related party loans | 19,324 | 6,338 |
| Sundry receivables | 522 | 1,979 |
| | <u>44,475</u> | <u>42,900</u> |

No receivables are considered past due other than those provided for.

6. Research and development tax incentive

| | 31 Dec 2020 | 30 Jun 2020 |
|----------------|-------------|----------------|
| | \$ | \$ |
| R&D receivable | - | 265,597 |
| | <u>-</u> | <u>265,597</u> |

1. The Company has claimed a research and development tax for the period.

2. The amount was received post year end.

7. Non-current assets: Property, plant & equipment

| | 31 Dec 2020 | 30 Jun 2020 |
|---|---------------|---------------|
| | \$ | \$ |
| Fixed assets | | |
| Right of use assets - Property | | |
| At cost | 109,317 | 109,317 |
| Less: Accumulated depreciation | (36,439) | (24,293) |
| | <u>72,878</u> | <u>85,024</u> |
| Office equipment | | |
| At cost | 29,915 | 25,809 |
| Less: Accumulated depreciation | (16,570) | (12,396) |
| | <u>13,345</u> | <u>13,413</u> |
| Reconciliation/movement for the year | | |
| Carrying amount at beginning of year | 98,437 | 15,116 |
| Additions | 4,106 | 4,762 |
| Recognition of right to use asset | - | 109,317 |
| Depreciation charge | (16,320) | (30,758) |
| Carrying amount at end of period | <u>86,223</u> | <u>98,437</u> |

8. Non-current assets: Capitalised technology costs

| | 31 Dec 2020 | 30 Jun 2020 |
|----------------------------------|----------------|-------------|
| | \$ | \$ |
| Technology | 194,519 | - |
| Less: Amortisation | (2,338) | - |
| Carrying amount at end of period | <u>192,181</u> | <u>-</u> |

1. During the period, the Company acquired the Rights to develop the Technology for the Australasian market. From the date of this acquisition the Company has commenced capitalising the development costs to the asset.

2. The amortisation period is 8 years from when the cost has been incurred.

9. Current liabilities: Trade and other payables

| | 31 Dec 2020 | 30 Jun 2020 |
|--------------------|----------------|----------------|
| | \$ | \$ |
| Trade payables (1) | 152,585 | 103,596 |
| Other payables | 135,025 | 98,064 |
| | <u>287,610</u> | <u>201,660</u> |

1. No trade payables past due over 30 days as at 31 Dec 2020 (2020: \$NIL)

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

10. Lease liability

| | 31 Dec 2020 | 30 Jun 2020 |
|-----------------------|---------------|---------------|
| | \$ | \$ |
| Leases | | |
| Current liability | 23,924 | 11,501 |
| Non-current liability | 51,773 | 75,697 |
| TOTAL | 75,697 | 87,198 |

Reconciliation of movements in the balance

| | | |
|---|----------|----------|
| Opening balance | | |
| Amounts borrowed (recognised on transition) | 87,198 | 109,317 |
| Less: amount repaid | (11,501) | (22,119) |
| Closing balance at end of period | 75,697 | 87,198 |

(i) Leases

The Company has assessed the new leasing standard and has determined that it is applicable for the period. The key inputs to the calculation are as follows:

Time Period: 52 months from 1 July 2019
 Rate: Implicit interest rate of 4.50%
 Fair Value at the transition date: \$109,317

11. Borrowings

| | 31 Dec 2020 | 30 Jun 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| Borrowings | | |
| Current borrowings | | |
| Borrowings – related party | 25,000 | 25,000 |
| Borrowing – third party | 469,385 | - |
| TOTAL | 494,385 | 25,000 |
| Non-current – borrowings – third party | - | 448,975 |
| TOTAL | - | 448,975 |

Reconciliation/movements in the balance

| | | |
|---|----------------|----------------|
| Opening balance (i) | 473,975 | 25,000 |
| Amounts borrowed | - | 500,000 |
| Less: Borrowing costs | - | (61,230) |
| Reduced by: amortisation of borrowing costs | 20,410 | 10,205 |
| Carrying amount at end of period | 494,385 | 473,975 |

(i) Related party borrowings

The Company received \$25,000 from the directors for the purchase of shares relating to a transaction in 2017. The terms of the loan are set out below.

Time Period: No formal expiry, repayable on demand
 Rate: Nil
 Security: Nil

(ii) Third party loans

During the prior period, the Company entered into a facility with 2 external parties. The terms of the loan are as follows:

Facility face value - convertible notes A\$1,500,000. Drawn downs are allowed in \$100,000 minimums.
 Facility fee A\$30,000
 Interest rate: 10% simple interest plus an internal rate of return equal to 15%
 Security: Over assets of the Company
 Maturity date: 18 months after the 1st draw down
 Conversion: the greater of a \$30 million valuation of the next series B raising

In December 2020, the lenders agreed to fix the conversion price at \$0.16 per share and converted the equity in January 2021. The fair value of the conversion right for one month was not material.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

12. Issued capital

Equity (number of shares on issue and the amount paid (or value attributed) for the shares)

125,000,011 fully paid ordinary shares (2020: 7,750,000)

(a) The following changes to the shares on issue and the attributed value during the periods:

| | 31 Dec 2020 | 30 Jun 2020 | 31 Dec 2020 | 30 Jun 2020 |
|---------------------------------------|--------------------|------------------|------------------|------------------|
| | Number | Number | \$ | \$ |
| Balance at the beginning of the year | 7,750,000 | 7,649,000 | 4,566,900 | 4,364,900 |
| Issue of shares in a placement (1) | - | 101,000 | - | 202,000 |
| Issue of shares in a placement (2) | - | - | 250,000 | - |
| Re-organisation of issued capital (3) | 117,250,011 | - | - | - |
| Share issue costs | - | - | - | - |
| Sub-total | 125,000,011 | 7,750,000 | 4,816,900 | 4,566,900 |

The Company issued the following securities during the period:

- On 10 July 2019, the Company issued 101,000 fully paid ordinary shares at an issue price of \$2 per share to investors.
- On 2 December 2020 the Company received \$250,000 in advance of a placement which was completed in January 2021. The Company issued 15,201,370 fully paid ordinary shares at an issue price of \$0.16 per share to raise \$2.4mill (before costs).
- On 21 December 2020, shareholders approved the split of share on a 1 for 16.129 basis (rounded up). The total shares on issue post the re-organisation was 125,000,011.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

13. Reserves

| | 31 Dec 2020 | 30 Jun 2020 |
|-----------------|---------------|---------------|
| | \$ | \$ |
| Option reserves | 23,490 | 20,554 |
| | 23,490 | 20,554 |

(a) Share based payments - Options

| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | Number | Number | \$ | \$ |
| Balance at the beginning of the year | 17,523 | 17,523 | 20,554 | 8,809 |
| Issue of options to employee (1) | - | - | 2,936 | 11,745 |
| Balance as at 31 Dec 2020 | 17,523 | 17,523 | 23,490 | 20,554 |

The Company issued the following securities during the period.

- On 31 December 2018, the Company issued 17,523 options exercisable at \$0.895 per option and expiring on 30 December 2023 to an employee to provide a performance linked incentive component in his remuneration. The options vested over 2 years. The Company valued the options using a Black-Scholes Option Pricing model with the following inputs:
 - Grant date – 31 December 2018
 - Expiry date – 30 December 2023
 - Market price of securities – \$2
 - Exercise price of securities – \$0.895
 - Risk free rate – 1.5%
 - Volatility – 48.34%

The fair value for the options were \$23,400 which was amortised over the vesting period.

14. Commitments

Technology commitments

At reporting date, the Company has no capital commitments.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2020

15. Contingencies

Contingent liabilities

At reporting date, the Company has no contingent commitments.

16. Related party transactions

(a) Loans to and transactions with related parties

During the period the Company entered into the following related party transactions:

1. Mr P Clements provided services to the Company through an associated real estate agency during the period. The total services rendered for the half year was \$735. The services were at normal commercial rates and paid during the period.
2. Mr B Glovers provided services to the Company through an associated real estate agency during the period. The total services rendered for the half year was \$800. The services were at normal commercial rates and paid during the period.
3. Mr D Bromley provided services to the Company during the period. The total services rendered for the half year was \$15,496. The services were at normal commercial rates and paid during the period.

26. Subsequent events

On 20 January 2021 the Company completed the conversion of debt to equity for the outstanding balance of a convertible loan. The Company issued 3,125,002 fully paid ordinary shares at an issue price of \$0.16 per share to convert \$500,000 in debt. The outstanding interest cost was paid in cash.

On 20 January 2021, the Company issued 15,201,370 ordinary shares to sophisticated and professional investors under section 708(8) and 708(11) of the Corporations Act to raise \$2,432,219 (before costs) at an issue price of \$0.16.

On 20 January 2021, the Company issued 2,934,519 options with an exercise price of \$0.24 expiring on 20 January 2025 to promoters of the Company as fees relating to a mandate to lead manage a capital raising for listing on the Australian Securities Exchange.

On 10 February 2021 the Company completed the acquisition of Openn World Pty Ltd and its wholly owned subsidiary Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd). The fair value of the acquisition was \$501,130 payable in shares or cash. The Company issued considered shares of 3,117,461 at \$0.16 per share and paid cash of \$2,336.24 to shareholders. The acquisition has been determined as an asset acquisition with the difference between the net deficiency of the Openn World group and the fair value of consideration being allocated to the technology asset at the residual value. Openn Tech is a holding company and owns the worldwide rights (excluding Australia and New Zealand) for the Openn technology.

On 15 February 2021, the Company repaid a loan to the founding directors on behalf of Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd). At the time Openn Negotiation Limited acquired Openn World Pty Ltd, Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd) was indebted to the Founders or entities controlled by the Founders for \$344,740. This debt represented loans (including payments made/liabilities settled on behalf of Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd)) by the Founders to Openn Tech Pty Ltd (formerly Cleverbons Pty Ltd) for start-up capital, as well as funding the costs of developing and commercialising the Openn Technology.

No other material subsequent events have occurred from balance date to the date of this report.

DIRECTORS' DECLARATION

The Directors have determined that Openn Negotiation Limited (formerly Appwell Pty Ltd) (**Openn Negotiation** or **Company**) is not a reporting entity and that this general purpose financial report was prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors declare that:

- (a) The financial statements and notes, as set out on pages 5 to 15, are in accordance with the *Corporations Act 2001 (Cth)* (**Corporations Act**), including:
 - i. complying with Accounting Standard AASB 134 – Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.
- (b) 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.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act.

On behalf of the Directors



Peter Gibbons
Managing Director

Dated this 30 April 2021

INDEPENDENT AUDITOR'S REVIEW REPORT



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Openn Negotiation Limited (formerly Appwell Pty Ltd)

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Openn Negotiation Limited (formerly Appwell Pty Ltd) ("the company") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Openn Negotiation Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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INDEPENDENT AUDITOR'S REVIEW REPORT



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
30 April 2021**

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

**B G McVeigh
Partner**