



**Year Ended 30 June 2021**

**Appendix 4E Preliminary Final Report  
and  
Annual Financial Report**

# Atomo Diagnostics Limited

## Appendix 4E

### Preliminary Final Report

#### 1. Company details

Name of entity:	Atomo Diagnostics Limited
ABN:	37 142 925 684
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

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#### 2. Results for announcement to the market

				<b>AUD</b>
Revenues from ordinary activities	up	25.1%	to	\$ 6,715,659
Loss from ordinary activities after tax attributable to the owners of Atomo Diagnostics Limited	down	(34.7%)	to	\$ 6,021,215
Loss for the year attributable to the owners of Atomo Diagnostics Limited	down	(39.7%)	to	\$ 5,797,563

##### *Dividends*

No dividends were paid or proposed during the year ended 30 June 2021 (2020: Nil).

##### *Comments*

Refer to the 'Operating and Financial Review' within the Directors' Report of the Annual Financial Statements for further commentary on the year's results, financial position and likely developments in future years.

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#### 3. Net tangible assets

	<b>Reporting period AUD Cents</b>	<b>Previous period AUD Cents</b>
Net tangible assets per ordinary security	<u>4.76</u>	<u>6.15</u>

The net tangible assets / (liabilities) per ordinary security is calculated based on 568,597,807 ordinary shares on issue as at 30 June 2021, and 561,077,807 shares that were on issue as at 30 June 2020 (post-share split).

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#### 4. Control gained over entities

Not applicable

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#### 5. Loss of control over entities

Not applicable

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#### 6. Details of associates and joint ventures entities

Not applicable

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**Atomo Diagnostics Limited**  
**Appendix 4E**  
**Preliminary Final Report**

**7. Audit qualification or review**

The financial statements have been audited and an unqualified opinion has been issued.

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**8. Attachments**

The Annual Financial Report of Atomo Diagnostics Limited for the year ended 30 June 2021 is attached.

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**9. Signed**



Signed \_\_\_\_\_

Date: 27 August 2021

John Keith  
Chair  
Sydney

# **Atomo Diagnostics Limited**

ABN 37 142 925 684

## **Annual Financial Report**

**For the Year Ended 30 June 2021**

**Atomo Diagnostics Limited**  
**Corporate Directory**  
**30 June 2021**

<b>Directors</b>	John Keith (Chair & Non-Executive Director) John Kelly (Managing Director) Curt Labelle (Non-Executive Director) Paul Kasian (Non-Executive Director) Connie Carnabuci (Non-Executive Director)
<b>Company secretary</b>	Gillian Nairn
<b>Registered office</b>	Level 2 701 - 703 Parramatta Road Leichhardt NSW 2040
<b>Principal place of business</b>	Level 2 701 - 703 Parramatta Road Leichhardt NSW 2040
<b>Share registry</b>	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000
<b>Auditor</b>	BDO Audit Pty Ltd Level 11, 1 Margaret Street Sydney NSW 2000
<b>Solicitors</b>	HWL Ebsworth Lawyers Level 14, Australia Square 264 - 278 George Street Sydney NSW 2000
<b>Stock exchange listing</b>	Atomo Diagnostics Limited shares are listed on the Australian Securities Exchange (ASX code: AT1)
<b>Website</b>	<a href="http://www.atomodiagnosics.com">www.atomodiagnosics.com</a>

# Atomo Diagnostics Limited

## Directors' Report

### 30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Atomo Diagnostics 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 2021.

All amounts are presented in Australian dollars (AUD) unless otherwise stated.

#### Directors

The following persons were directors of Atomo Diagnostics Limited during the year and up to the date of this report. The directors were in office for this entire period unless otherwise stated:

Director	Appointed	Resigned
John Keith (Chair & Non-Executive Director)	2 December 2011	n/a
John Kelly (Managing Director)	1 April 2010	n/a
Curt LaBelle (Non-Executive Director)	21 October 2016	n/a
Paul Kasian (Non-Executive Director)	4 February 2020	n/a
Connie Carnabuci (Non-Executive Director)	4 February 2020	n/a

The Company Secretary is Gillian Nairn who was appointed on 4 February 2020.

#### Operating & Financial Review

##### *Principal activities*

The principal activities of the Group during the course of the year were the development and sale of medical devices.

There were no significant changes in the nature of the activities of the Group during the year.

##### *Review of operations*

The loss for the consolidated entity after providing for income tax amounted to \$6,021,215 (2020: loss of \$9,218,105).

Revenue from customers increased by 25.1% for the year, from \$5.37 million in 2020 to \$6.72 million in 2021. This growth in revenue was driven by:

- demand for the Group's devices from customers in Europe and North America for the production of COVID-19 antibody tests;
- sales in Australia of Atomo branded COVID-19 rapid antibody and antigen tests;
- growth in demand from other OEM customers for the Group's devices for use in their finished products; and
- sales of the Group's HIV products in Australia and internationally through global health channels and in the European market.

Cash and cash equivalents as at 30 June 2021 amounted to \$17.9 million compared to \$27.1 million as at 30 June 2020. The decrease in cash and cash equivalents during the year is attributable to substantial investment in intangibles and plant and equipment as the business continued its research and development activities, accelerated scale-up in manufacturing capacity and as a result of ongoing operating losses as the business drives forward with a growth agenda.

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

*Significant changes in the state of affairs*

- On 4 September 2020, the Company issued 320,000 ordinary shares to various employees under the Company's Exempt Employee Share Plan. None of these shares were issued to key management personnel.
- During the period, 7,200,000 options were exercised resulting in the issue of 7,200,000 ordinary shares and a \$1.31 million cash contribution when the exercise price was paid.
- On 31 May 2021, the Company issued 4,000,000 options to Bondi Partners in consideration for provision of strategic advisory services. These options were issued as part of Bondi Partners' appointment to assist with the development and execution of Atomo's US go-to-market strategy and commercial engagements across both private and public

Tranche 1 (2,000,000 options) will vest on 31 October 2022 subject to Atomo extending Bondi Partners' consultancy engagement for a further period of at least six (6) months (in Atomo's sole discretion). These options are exercisable at an exercise price of \$0.40 per option and expire on 30 April 2024.

Tranche 2 (2,000,000 options) are exercisable at \$0.60, vest on 30 April 2022 and expire on 30 April 2024.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the financial year.

*Matters subsequent to the end of the financial year*

- Mr Fabio Baglioni, a former executive of the Group, resigned on 30 July 2021. Consequently, 1,600,000 options issued to Mr Baglioni under the Company's Post-IPO option plan, lapsed.
- 1,733,333 options issued to executives under the Company's Post-IPO option plan lapsed as the KPIs applicable to the options were not satisfied with respect to the year ended 30 June 2021.
- The Board has exercised its discretion to allocate 759,999 options to executives under the Company's post-IPO option plan to reward the diligent execution of the corporate strategy and to ensure retention of the key talent needed to deliver strategic outcomes in the interest of shareholders.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

*Impacts of Covid-19*

Atomo's activities continued throughout FY21 notwithstanding the COVID-19 pandemic. There were some delays in activity caused by the pandemic, for example, the global tender for HIV Self Tests run by Unitaid was substantially delayed, the consequence of which was that Atomo's revenue from that tender was modest and primarily occurred at the very end of the financial year. That said, a significant portion of additional revenue was driven by demand for Atomo's COVID-19 products in Australia and for its platforms for use by OEM customers in their own COVID-19 rapid tests internationally.

*Likely developments and expected results of operations*

As Atomo moves into the new financial year, it remains in a very strong financial position and, having invested substantially during the period in scaling up capacity, is well placed to leverage that capacity in FY22. The primary focus moving into FY22 will be on:

- ramping up production and supply into the global HIV self-test market following Viatrix' success late in FY21 in the Unitaid tender for which Atomo is the sole manufacturer and supplier of the HIV self-tests;
- increase access to new markets globally for its devices, in particular in North America where investment is underway in business development and market entry opportunities, particularly in light of the rapid expansion in acceptance and uptake of at-home testing, telehealth and self-testing;
- ongoing investment and resourcing applied to research and development aimed at continuing to develop best-in-class user friendly diagnostic devices for a variety of sample types, expanding beyond blood into saliva and swab samples;
- continue to supply into demand created by COVID-19 internationally and domestically in light of ongoing global testing requirements driven by the increased prevalence of the Delta strain of the virus.

**Environmental Regulation**

The Group's operations are not subject to any significant environmental regulation under Australian Commonwealth or State law. The Board believes that the Group has adequate systems in place for the management of its environmental

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Information on Directors**

<b>Name:</b>	<b>John Keith</b>
Title:	Non-Executive Chair
Experience and expertise:	<p>John Keith has served as a Non-Executive Director of Atomo since December 2011 and became Chair in 2014.</p> <p>Mr Keith is a Managing Director of BNP Paribas, establishing and leading its financial institutions coverage team. Prior to joining BNP Paribas in 2011, Mr Keith held country management and senior business and coverage positions for Nomura Securities in Sydney and Hong Kong. His career comprises working with supranational, sovereign and institutional clients across all areas of investment and institutional banking. He has also served on the boards of ASIA Limited, Calliva Limited, Room to Read Australia Foundation and Ascham Foundation.</p> <p>Mr Keith holds a Bachelor of Arts (Hons) majoring in Economic History from the Victoria University of Wellington, a Master of Applied Finance from Macquarie University and a Global Executive MBA from the University of Sydney.</p>
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Audit and Risk Committee and Member of the People, Culture & Remuneration Committee.
Interests in shares:	3,261,056
Interests in options:	3,600,000
Contractual rights to shares:	Nil

<b>Name:</b>	<b>John Kelly</b>
Title:	Managing Director and CEO
Experience and expertise:	<p>John Kelly is the Managing Director and CEO of Atomo.</p> <p>For more than 20 years Mr Kelly has focused on developing and commercialising medical devices to enhance usability and performance, having started with CR Bard in Europe developing Class III implantable cardiology products.</p> <p>Prior to co-founding Atomo in 2010, Mr Kelly acted as the Chief Operating Officer (COO) of Unilife Corporation, which was previously an ASX-listed company (ASX:UNS) and subsequent to his departure, a Nasdaq listed company (NASDAQ:UNIS). At Unilife Corporation, he led the global operations team from 2005 to 2008, developing 'Unifill', the world's first glass prefilled drug delivery device with integrated auto retract safety feature, and this technology was successfully licensed to Sanofi Aventis for US\$47 million. Prior to joining Unilife in 2005, Mr Kelly spent five years at ResMed where he led the New Product Implementation Group and managed the development of the ground-breaking Mirage Swift and Activa mask systems.</p> <p>Mr Kelly holds an Honours degree in Mechanical Engineering from the University of Liverpool, a Master's degree in Manufacturing Systems Engineering from Queen's University Belfast, and an Executive MBA from the University of Sydney, where he was awarded the Business School's inaugural 'Excellence in Leadership' scholarship.</p>
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	73,530,248
Interests in options:	1,333,333
Contractual rights to shares:	Nil



**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Name:** **Curt LaBelle**

**Title:** Non-Executive Director

**Experience and expertise:** Curt LaBelle has served as a Non-Executive Director of Atomo since October 2016.

Dr LaBelle has been actively involved in the healthcare industry for over 20 years, both operationally and as an investor. Dr LaBelle is President at the Global Health Investment Fund (GHIF), a social impact investment fund, which manages approximately US\$108 million backed by the Gates Foundation, JP Morgan and others. He also serves as a director on the boards of Z Optics, Evenovia, Revelation Bio and Atticus Medical.

Prior to joining GHIF, Dr LaBelle was Managing Director at Tullis Health Investors and Vice President at Investor Growth Capital. He is a former chairman of Impulse Monitoring (acquired by Nuvasive), Exagen Inc. (NASDAQ:XGN) and a former director of Sirion Therapeutics (products acquired by Alcon and Bausch), SafeOp Surgical (acquired by AlphaTec) and KAI Pharmaceuticals (acquired by Amgen).

As Dr LaBelle is President at GHIF, a substantial shareholder of Atomo, Dr LaBelle is not considered to be an independent Director.

Dr LaBelle holds a Bachelor of Economics from Brigham Young University, and MD and MBA degrees from Columbia University.

**Other current directorships:** Director of Eyenovia Inc. (NASDAQ:EYEN)

**Former directorships (last 3 years):** Former chairman of Exagen Inc. (NASDAQ: XGN)

**Special responsibilities:** Member of the Audit and Risk Committee

**Interests in shares:** 65,051,280

**Interests in options:** 2,400,000

**Contractual rights to shares:** Nil

**Name:** **Paul Kasian**

**Title:** Non-Executive Director

**Experience and expertise:** Dr Kasian is an experienced executive director with demonstrated success in both domestic and international companies encompassing senior leadership, strategy, investment and risk roles.

His other roles have included Chief Investment Officer and Head of Global Financials at HSBC Asset Management, Founding Director of Accordius and Founding Director of Wallara Asset Management.

He holds a PhD in Microbiology and a Master of Business Administration, both from the University of Melbourne, and is a Graduate Member of the Australian Institute of Company Directors.

**Other current directorships:** Dr Kasian is currently Non-Executive Director (appointed 31 August 2016) and Chair (appointed 15 September 2018) of IODM Limited (ASX: IOD). He is also Non-Executive Director of Zucero Therapeutics Ltd (appointed 10 March 2021) and Eco Systems Ltd (appointed 16 October 2019).

**Former directorships (last 3 years):** Previously he served as a Non-Executive Director, then Chairman and CEO of Genetic Technologies Limited (appointed 12 December 2013 and resigned 23 September 2019).

**Special responsibilities:** Chair of the Audit and Risk Committee

**Interests in shares:** 100,000

**Interests in options:** Nil

**Contractual rights to shares:** Nil

**Atomo Diagnostics Limited**  
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<b>Name:</b>	<b>Connie Carnabuci</b>
<b>Title:</b>	Non-Executive Director
<b>Experience and expertise:</b>	<p>Connie Carnabuci has over 35 years' experience advising intellectual property and technology intensive businesses in Australia and across Asia on commercial, corporate and regulatory matters.</p> <p>She was recognised by the 2021 Australasian Law Awards as one of the most influential lawyers in Australia.</p> <p>She is a professional Non-Executive Director and currently serves on the Board and Remuneration Committee of OFX Group Limited (ASX: OFX). Ms Carnabuci is the former General Counsel of the Australian Broadcasting Corporation and a former partner of Mallesons Stephen Jacques and Freshfields Bruckhaus Deringer.</p> <p>She is a member of the Business Advisory Council of the UNSW Business School.</p> <p>She was a director and the Chair of the NFP, Kids Giving Back, from 2015 to 2018.</p> <p>Ms Carnabuci is a graduate of UNSW (B.Commerce (Marketing), with merit/LLB, 1986) and the Australian Institute of Company Directors.</p>
<b>Other current directorships:</b>	Connie Carnabuci currently serves as a Non-Executive Director on the Board, and the Remuneration Committee of OFX Group Limited (ASX: OFX).
<b>Former directorships (last 3 years):</b>	Nil
<b>Special responsibilities:</b>	Chair of the People, Culture & Remuneration Committee.
<b>Interests in shares:</b>	75,000
<b>Interests in options:</b>	Nil
<b>Contractual rights to shares:</b>	Nil

Other current and former (last 3 years) directorships' quoted above are directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company Secretary**

Gillian Nairn has over 20 years legal and governance experience in various listed and public companies, as well as in private practice.

Ms Nairn is a founder and director of Dolmatoff Nairn Corporate Governance, a company secretarial service provider. Prior to founding Dolmatoff Nairn Corporate Governance, Ms Nairn held various company secretarial roles, predominantly with listed entities, in a variety of sectors including healthcare, manufacturing, resources, professional services and education.

Ms Nairn holds a Bachelor of Laws and Bachelor of Arts from UNSW and a Graduate Diploma in Applied Corporate Governance. She is a Fellow of the Governance Institute of Australia and holds a current NSW legal practising certificate.

Ms Nairn was appointed as Company Secretary on 4 February 2020.

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Meetings of Directors**

The number of meetings of the Company's Board of Directors ('the Board') and of each Board Committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Board		Audit & Risk Committee		People, Culture & Remuneration Committee	
	Held <sup>^</sup>	Attended	Held <sup>^</sup>	Attended	Held <sup>^</sup>	Attended
John Keith	13	13	7	7	3	3
John Kelly	13	13	-	-	-	-
Curt LaBelle	13	13	7	7	-	-
Connie Carnabuci	13	13	-	-	3	3
Paul Kasian	13	13	7	7	3	3

<sup>^</sup> Represents the number of meetings when the director was eligible to attend as a member of the relevant committee.

**Remuneration Report (Audited)**

This Remuneration Report details the remuneration arrangements of the key management personnel of the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors of the Company.

The key management personnel of the Group during the financial year consisted of the following Directors of the Company:

- John Keith – Non-Executive Chair
- John Kelly – Founder and Managing Director
- Curt LaBelle – Non-Executive Director
- Paul Kasian – Independent Non-Executive Director
- Connie Carnabuci – Non-Executive Director

And the following executives:

- William Souter – Chief Financial Officer
- Mark Smith – Chief Operating Officer
- Fabio Baglioni – Chief Commercial Officer (Resigned on 30 July 2021)

The information in this Remuneration Report is set out under the following headings:

- Remuneration governance
- Non-Executive Directors' remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to KMP

**Remuneration Governance**

To assist the Board in fulfilling its responsibilities in respect of remuneration and nomination related matters, shortly prior to listing, the Board established a Nomination and Remuneration Committee. During the financial year, on the recommendation of the Nomination and Remuneration Committee, the Board extended the scope of the Nomination and Remuneration Committee's responsibilities to include monitoring and making recommendations to the Board in relation to:

- (i) recruitment, retention and termination policies and practices for Executive Directors and direct reports to the Managing Director and the alignment of the policies and practices with the promotion and sustainment of a culture aligned with Atomo's values, the promotion of long-term sustainable success and the achievement of the Company's business objectives;
- (ii) people strategies and practices which will instil and reinforce the Company's purpose and values, ensure health and wellbeing (physical and mental) and support the achievement of the Company's long-term business objectives; and
- (iii) the development of, and progress in meeting, the Company's diversity objectives.

To reflect the extended scope of the Nomination and Remuneration Committee's responsibilities, the Board renamed the Committee the 'People, Culture & Remuneration Committee' and the Board resumed nomination responsibilities. The members of the People, Culture and Remuneration Committee at the date of this report are:

- Connie Carnabuci (Chair)
- John Keith
- Paul Kasian

## Atomo Diagnostics Limited Directors' Report 30 June 2021

The role and responsibilities, composition, structure and membership requirements of the People, Culture and Remuneration Committee are documented in the People, Culture and Remuneration Committee Charter available on Atomo's website at: <https://atomodiagnosics.com/governance/>.

The People, Culture and Remuneration Committee Charter provides that the Committee should comprise at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors and the Chair of the Committee should be an independent Director who is not Chair of the Board.

All of the current members of the PCRC have been assessed by the Board as being independent Non-Executive Directors and the Chair of the Committee is not Chair of the Board.

### **Principles used to Determine the Nature and Amounts of Remuneration**

#### *Non-Executive Directors Remuneration*

Each of the Non-Executive Directors has entered into appointment letters with Atomo confirming the terms of their appointment and their roles and responsibilities. The appointment letters are on standard commercial terms.

The Chair, John Keith, receives an annual fee of \$130,000 and each Non-Executive Director receives an annual fee of \$50,000.

Each Chair of a Board Committee receives an additional amount of \$20,000 per annum. The Chairs of the Board Committees are Paul Kasian (Audit and Risk Committee) and Connie Carnabuci (People, Culture and Remuneration Committee).

Directors may also be reimbursed for expenses properly incurred by them in dealing with the Company's business or in carrying out their duties as a Director.

Under the Constitution, the Board decides the amount paid to each Non-Executive Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company's shareholders in general meeting. This amount has been fixed initially in the Company's Constitution at \$500,000 per annum in aggregate and may be varied by ordinary resolution in a general meeting.

#### *Executive remuneration*

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term performance incentives; and
- other remuneration such as superannuation and long service leave.

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the People, Culture and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the Executive.

The Company's short-term incentives ('**STI**') plan is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to Executives based on specific targets and key performance indicators ('**KPI**'s) being achieved. Details of STIs paid to executives during the year can be found under the heading 'Amounts of remuneration' below.

The Company's long-term incentive ('**LTI**') plan includes share-based payments. Upon Atomo's admission to ASX, Atomo increased the fixed remuneration of its executives to align their remuneration with the market, and granted each of the executives an allocation of options under Atomo's Employee Share Option Plan ('**ESOP**'). Further details can be found under the heading "Share-based compensation" below.

**Atomo Diagnostics Limited**  
**Directors' Report**  
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**Details of Remuneration**

*Amounts of remuneration*

Details of the remuneration of the KMP of the Group are set out in the following tables. Where individuals were KMP for only part of the year, only remuneration relating to that period is included in the tables below.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2021	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive</b>								
John Keith	130,000	-	-	-	-	-	20,337	150,337
Curt LaBelle *	50,000	-	-	-	-	-	22,730	72,730
Paul Kasian	63,927	-	-	6,073	-	-	-	70,000
Connie Carnabuci	70,000	-	-	-	-	-	-	70,000
<b>Executive Directors:</b>								
John Kelly	372,262	84,000	-	36,438	7,023	-	(32,422)	467,301
<b>Other Key Management Personnel:</b>								
William Souter	280,902	45,000	-	26,027	601	-	(25,938)	326,592
Mark Smith	287,360	41,391	-	-	257	-	(25,938)	303,070
Fabio Baglioni	230,480	-	-	-	-	-	(25,938)	204,542
	<b>1,484,931</b>	<b>170,391</b>	<b>-</b>	<b>68,538</b>	<b>7,881</b>	<b>-</b>	<b>(67,169)</b>	<b>1,664,572</b>

\* Amounts included under "Equity-settled options" include amounts paid to GHIF, of which Curt LaBelle is President.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	
2020	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive</b>								
John Keith	32,500	-	-	-	-	-	21,772	54,272
Curt LaBelle *	12,500	-	-	-	-	-	19,450	31,950
Paul Kasian	15,982	-	-	1,518	-	-	-	17,500
Connie Carnabuci	17,500	-	-	-	-	-	-	17,500
George Sidis **	-	-	-	-	-	-	3,023	3,023
Doris-Ann Williams	-	-	-	-	-	-	9,821	9,821
<b>Executive Directors:</b>								
John Kelly	298,083	209,384	-	46,101	24,955	-	32,422	610,945
<b>Other Key Management Personnel:</b>								
William Souter	94,651	-	-	8,309	1,401	-	25,938	130,299
Mark Smith	208,924	-	-	-	-	-	25,938	234,862
Fabio Baglioni	91,565	-	-	-	-	-	25,938	117,503
	<b>771,705</b>	<b>209,384</b>	<b>-</b>	<b>55,928</b>	<b>26,356</b>	<b>-</b>	<b>164,302</b>	<b>1,227,675</b>

\* Amounts included under "Equity-settled options" include amounts paid to GHIF, of which Curt LaBelle is President.

\*\* Amounts included under "Equity-settled options" include amounts paid to ID&E Pty Ltd, which is controlled by George Sidis.

**Atomo Diagnostics Limited**  
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The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<b>Non-Executive Directors:</b>						
John Keith	100%	100%	-	-	-	-
Curt LaBelle	100%	100%	-	-	-	-
Paul Kasian	100%	100%	-	-	-	-
Connie Carnabuci	100%	100%	-	-	-	-
George Sidis	100%	100%	-	-	-	-
Doris-Ann Williams	n/a	100%	n/a	-	n/a	-
<b>Executive Directors:</b>						
John Kelly	89%	59%	18%	35%	-7%	6%
<b>Other Key Management Personnel:</b>						
William Souter	94%	79%	14%	-	-8%	21%
Mark Smith	95%	89%	14%	-	-9%	11%
Fabio Baglioni	100%	78%	-	-	-	22%

Cash bonuses are dependent on meeting defined performance measures. The maximum bonus values are established at the start of each financial year and amounts payable to KMPs are determined by the Board in consultation with the People, Culture and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2021	2020	2021	2020
<b>Non-Executive Directors:</b>				
John Keith	-	-	-	-
Curt LaBelle	-	-	-	-
Paul Kasian	-	-	-	-
Connie Carnabuci	-	-	-	-
George Sidis	-	-	-	-
Doris-Ann Williams	-	-	-	-
<b>Executive Directors:</b>				
John Kelly	100%	100%	-	-
<b>Other Key Management Personnel:</b>				
William Souter	75%	-	-	-
Mark Smith	75%	-	-	-
Fabio Baglioni	-	-	-	-

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Service Agreements**

Remuneration and other terms of employment for KMPs are formalised in service agreements. Details of these agreements are as

**Name:** **John Kelly**

**Title:** Managing Director.

**Employment commenced:** 1 October 2011

**Term of agreement:** Not specified.

**Details:** Annual salary of \$420,000 (including superannuation) plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria), to be reviewed annually by the People, Culture & Remuneration Committee.

John Kelly is entitled to participate in the Company's share and option plans. Please refer to the section titled "Share-based compensation" for further details.

Ten (10) week termination notice by either party however this notice period does not apply if the employment is terminated for serious and wilful misconduct or any conduct by John Kelly that amounts to fraud, theft, violence, harassment, gross negligence or any other action that may otherwise bring the Company into disrepute.

**Name:** **William Souter**

**Title:** Chief Financial Officer.

**Employment commenced:** 10 March 2020

**Term of agreement:** Not specified.

**Details:** Annual salary of \$300,000 (including superannuation) plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria), to be reviewed annually by the People, Culture & Remuneration Committee.

William Souter is entitled to participate in the Company's share and option plans. Please refer to the section titled "Share-based compensation" for further details.

Ten (10) week termination notice by either party however this notice period does not apply if the employment is terminated for serious and wilful misconduct or any conduct by William Souter that amounts to fraud, theft, violence, harassment, gross negligence or any other action that may otherwise bring the Company into disrepute.

**Name:** **Mark Smith**

**Title:** Chief Operating Officer.

**Employment commenced:** 1 October 2019

**Term of agreement:** Not specified.

**Details:** Annual salary of GBP 150,000 plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria), to be reviewed annually by the People, Culture & Remuneration Committee.

Mark Smith is entitled to participate in the Company's share and option plans. Please refer to the section titled "Share-based compensation" for further details.

The agreement will terminate automatically without further action if the parties mutually agree to terminate the agreement. Additionally, either party may terminate the agreement:

- a. by providing eight (8) weeks' notice; or
- b. by providing written notice, if the other party has breached the agreement and either the breach is not capable of rectification or the other party had not complied with a notice to perform or rectify the breach.

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Name:** Fabio Baglioni

**Title:** Chief Commercial Officer.

**Employment commenced:** 17 February 2020

**Agreement terminated:** 30 July 2021

**Term of agreement:** Not specified.

**Details:** Annual salary of kr 1,320,000 plus a cash bonus of up to 20% of base salary (subject to the satisfaction of performance criteria) to be reviewed annually by the Nomination and Remuneration Committee / Company. In addition, the Company will also pay the COO's occupational pension to Collectum under the terms of the benefit of ITP1.

Prior to his resignation, Fabio Baglioni was entitled to participate in the Company's share and option plans. Please refer to the section titled "Share-based compensation" for further details.

Eight (8) week termination notice by either party however this notice period does not apply if the employment is terminated for serious and wilful misconduct or any conduct by Fabio Baglioni that amounts to fraud, theft, violence, harassment, gross negligence or any other action that may otherwise bring the Company into disrepute.

**Share-Based Compensation**

*Share plan details*

Prior to being listed on the ASX, the Company established a tax exempt employee share plan (" **Tax Exempt Plan**"). Under the Tax Exempt Plan, the Company may offer an eligible person restricted shares in the Company which are subject to a three year holding lock while the person remains employed by the Company. Offers of restricted shares under the Tax Exempt Plan not exceeding a total value of A\$1,000 or such other amount as permitted under Subdivision 83A-B of the Tax Act may be reduced from the assessable income of that eligible person for the income year in which the eligible person acquires those restricted shares. The objective of the Tax Exempt Plan is to align the interests of eligible Atomo employees and contractors with shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

As at the date of this report, 320,000 share have been granted under the Tax Exempt Plan.

*Option plan details*

1. Pre-IPO option plan details

In prior financial years, the Company issued options to employees, directors and key stakeholders to align the interests of those parties through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

As at the date of this report, the Company had the following options outstanding under the pre-IPO option plans:

<b>Expiry Date</b>	<b>Exercise price</b>	<b>Number of options</b>
14 April 2022	\$0.03	2,293,184
6 April 2022	\$0.16	6,800,000
11 April 2023	\$0.16	4,800,000
<b>Total</b>		<b><u>13,893,184</u></b>

All options were granted over unissued fully paid ordinary shares in the Company. Options granted carry no dividend or voting rights.



**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

2. Post-IPO Option plan details

Shortly prior to being listed on the ASX, the Company established a new employee option plan to align the interests of eligible employees and Directors with shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

Upon Atomo's admission to the official list of ASX, Atomo granted a total of 6,800,000 options under the post-IPO option plan to the four (4) executive KMPs exercisable at \$0.25 within thirty six (36) months from the date of vesting. The options vest in three equal tranches in 12 months, 24 months and 36 months respectively, subject to the satisfaction of vesting conditions relating to KPIs determined by the Managing Director or in the case of the Managing Director, determined by the Board in consultation with the People, Culture and Remuneration Committee, as follows:

*KPI 1: ROI Hurdle:*

15% per annum calculated using the following formula:

Change in EBITDA year on year / amount invested in operating assets during the year.

*KPI 2: Revenue Hurdle:*

Tranche 1 / FY21 - Revenue growth of 60%  
 Tranche 2 / FY22 - Revenue growth of 40%  
 Tranche 3 / FY23 - Revenue growth of 25%

As at the date of this report, the Company had on issue 3,466,667 options to KMPs under the post-IPO option plan.

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
John Kelly	666,667	14-Apr-20	14-Apr-22	14-Apr-25	\$0.25	\$0.131
John Kelly	666,666	14-Apr-20	14-Apr-23	14-Apr-26	\$0.25	\$0.141
William Souter	533,333	14-Apr-20	14-Apr-22	14-Apr-25	\$0.25	\$0.131
William Souter	533,334	14-Apr-20	14-Apr-23	14-Apr-26	\$0.25	\$0.141
Mark Smith	533,333	14-Apr-20	14-Apr-22	14-Apr-25	\$0.25	\$0.131
Mark Smith	533,334	14-Apr-20	14-Apr-23	14-Apr-26	\$0.25	\$0.141
<b>Total</b>	<b>3,466,667</b>					

In addition to the above, subsequent to 30 June 2021, the Board has exercised its discretion to allocate the following options to management as part of the Company's remuneration scheme to reward the diligent execution of the corporate strategy and to ensure retention of the key talent needed to deliver strategic outcome in the interest of shareholders:

John Kelly	333,333 options
William Souter	213,333 options
Mark Smith	213,333 options
<b>Total</b>	<b>759,999 options</b>

These options are exercisable at \$0.25 per option and expire on 14 April 2024. In addition, these options are conditional upon the executive remaining employed by the Company and in the case of John Kelly, on Shareholder approval of the allocation.

All options were granted over unissued fully paid ordinary shares in the Company. Options granted carry no dividend or voting rights.

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Additional Disclosures Relating to Key Management Personnel**

*Shareholding:*

The number of shares in the Company held during the financial year by each Director and other members of the KMP of the Group, including their personally related parties, is set out below:

	<b>Balance at the start of the year</b>	<b>Exercise of options</b>	<b>Balance at the end of the year</b>
<i>Ordinary shares*</i>			
John Keith	3,261,056	-	3,261,056
John Kelly	73,530,248	-	73,530,248
Curt LaBelle**	63,851,280	1,200,000	65,051,280
Paul Kasian	100,000	-	100,000
Connie Carnabuci	75,000	-	75,000
William Souter	250,000	-	250,000
Mark Smith	7,790,224	-	7,790,224
Fabio Baglioni <sup>^</sup>	-	-	-
<b>Totals</b>	<b><u>148,857,808</u></b>	<b><u>1,200,000</u></b>	<b><u>150,057,808</u></b>

\* All share numbers are presented on a post share split basis.

\*\* Includes shares held by Global Health Investment Fund LLC. Curt LaBelle is President at GHIF.

<sup>^</sup> Resigned on 30 July 2021.

*Option holding:*

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

	<b>Balance at the start of the year</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ forfeited/ other</b>	<b>Balance at the end of the year</b>
<i>Options over ordinary shares *</i>					
John Keith	3,600,000	-	-	-	3,600,000
John Kelly	2,000,000	-	-	( 666,667)	1,333,333
Curt LaBelle <sup>^</sup>	3,600,000	-	( 1,200,000)	-	2,400,000
Paul Kasian	-	-	-	-	-
Connie Carnabuci	-	-	-	-	-
William Souter	1,600,000	-	-	( 533,333)	1,066,667
Mark Smith	1,600,000	-	-	( 533,333)	1,066,667
Fabio Baglioni	1,600,000	-	-	( 1,600,000)	-
<b>Totals</b>	<b><u>14,000,000</u></b>	<b><u>-</u></b>	<b><u>( 1,200,000)</u></b>	<b><u>( 3,333,333)</u></b>	<b><u>9,466,667</u></b>

\* All option numbers are presented on a post share split basis.

<sup>^</sup> Includes options held by Global Health Investment Fund LLC. Curt LaBelle is President at GHIF.

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

*Other transactions with key management personnel and their related parties:*

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties, unless stated otherwise. The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
ID&E Pty Ltd, a company controlled by Mr George Sidis, previously a Non-Executive Director of the Company, provided the following services during the year whilst Mr George Sidis was a Non-Executive Director:		
Purchase of inventory	n/a - see note	1,383,733
Research and development	n/a - see note	1,524,861
Plant and equipment	n/a - see note	670,401
Other services	n/a - see note	560,306
<b>Total</b>	<b><u>n/a - see note</u></b>	<b><u>4,139,301</u></b>

At the end of the financial year, the following amounts were shown owing to related parties in trade and other payables:

n/a - see note	<u>640,615</u>
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Note: As Mr George Sidis resigned as a Non-Executive Director of Atomo on 3 February 2020, no transactions between ID&E Pty Ltd and the Company are included in the table above with respect to the financial year to 30 June 2021 as he is no longer considered a related party.

Curt LaBelle is a Non-Executive Director of the Company and is also President of GHIF. GHIF is a substantial shareholder of the Company holding 11.4% of the issued capital of the Company as at 30 June 2021 (2020: 11.4%).

*Statutory performance indicators*

The Company aims to align its executive remuneration to its strategic and business objective and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last three years (being the extent of available historic audited performance information) as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

<b>Measure</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Loss for the year attributable to the Company (\$)	( 6,021,215)	( 9,218,105)	( 5,055,112)	( 4,900,173)
Basic earnings per share (cents)	( 1.07)	( 2.59)	( 1.81)	( 1.86)
Dividend payments	-	-	-	-
Dividend payout ratio <sup>^</sup>	-	-	-	-
Increase / (decrease) in share price <sup>^^</sup>	(46%)	70%	-	-
Total KMP incentives as a percentage of profit / (loss) for the year	(27.6%)	(13.3%)	(9.3%)	(6.1%)

<sup>^</sup> The dividend payout ratio is calculated on dividends paid and profit for the year.

<sup>^^</sup> Atomo's shares first traded on the ASX on 16 April 2020 after successful completion of its IPO. Accordingly, no share price information has been provided prior to FY20. For FY20, the movement in shares price has been calculated as the difference between the IPO price (i.e. \$0.20) and the closing price as at 30 June 2020 (i.e. \$0.34).

***This concludes the Remuneration Report, which has been audited.***

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Shares Under Option**

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

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Options</b>
14 April 2022	\$0.03	2,293,184
6 April 2022	\$0.16	6,800,000
11 April 2023	\$0.16	4,800,000
14 April 2024	\$0.25	533,333
14 April 2025	\$0.25	2,266,666
14 April 2026	\$0.25	2,266,668
30 April 2024	\$0.40	2,000,000
30 April 2024	\$0.60	2,000,000
<b>Total</b>		<b><u>22,959,851</u></b>

In addition to the above, the Board has exercised its discretion to allocate the following new options to management as part of the Company's remuneration scheme to reward the diligent execution of the corporate strategy and to ensure retention of the key talent needed to deliver strategic outcome in the interest of shareholders:

John Kelly	333,333 options
William Souter	213,333 options
Mark Smith	213,333 options
<b>Total</b>	<b>759,999 options</b>

These options are exercisable at \$0.25 per option and expire on 14 April 2024. In addition, these options are conditional upon the executive remaining employed by the Company and in the case of John Kelly, on Shareholder approval of the allocation.

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**

The following ordinary shares of Atomo Diagnostics Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

<b>Date options granted</b>	<b>Exercise Price</b>	<b>Number of Options</b>
24 November 2016	\$0.16	4,000,000
6 April 2017	\$0.16	2,400,000
15 September 2018	\$0.16	800,000
<b>Total</b>		<b><u>7,200,000</u></b>

**Indemnity and Insurance of Officers**

The Company has indemnified the Directors and Executives of the Group for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

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

**Indemnity and Insurance of the Auditor**

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

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

**Atomo Diagnostics Limited**  
**Directors' Report**  
**30 June 2021**

**Proceedings on behalf of the Group**

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

**Non-audit services**

Details of the amounts paid or payable to the Company's auditors for non-audit services provided during the financial year by the auditors are outlined in Note 19 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditors (or by another person or firm on the auditors' behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 19 to the financial statements do not compromise the external auditors' independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditors; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of the Company's Auditors**

There are no officers of the company who are former partners of BDO Australia.

**Rounding of Amounts**

The Group is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

**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**

BDO Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the Directors:



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John Keith  
Chair

27 August 2021  
Sydney

## DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF ATOMO DIAGNOSTICS LIMITED

As lead auditor of Atomo Diagnostics Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Atomo Diagnostics Limited and the entities it controlled during the period.



Gareth Few  
Director

BDO Audit Pty Ltd

Sydney

27 August 2021

**Atomo Diagnostics Limited**  
**Contents**  
**30 June 2021**

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**General Information**

The financial statements cover Atomo Diagnostics Limited as a consolidated entity consisting of Atomo Diagnostics Limited and the entities it controlled at the end of, or during, the year.

The financial statements are presented in Australian Dollars, which is Atomo Diagnostics Limited's functional and presentation currency.

Atomo Diagnostics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

**Registered office**

Level 2  
701 - 703 Parramatta Road  
Leichhardt NSW 2040

**Principal place of business**

Level 2  
701 - 703 Parramatta Road  
Leichhardt NSW 2040

A description of the nature of the Group'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 27 August 2021. The Directors have the power to amend and reissue the financial statements.

**Atomo Diagnostics Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 30 June 2021**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
Revenue	3	6,715,659	5,368,698
Cost of sales		<u>(3,296,835)</u>	<u>(2,173,731)</u>
<b>Gross profit</b>		<b><u>3,418,824</u></b>	<b><u>3,194,967</u></b>
Other income	3	814,226	844,518
Employee benefits expenses	4(a)	(3,813,094)	(2,972,709)
Foreign exchange gains / (losses)		(408,689)	(556,249)
Depreciation and amortisation	4(b)	(1,318,327)	(687,087)
Research and development expenses		(820,640)	(695,009)
Insurance		(349,621)	(86,981)
Inventory obsolescence expense		(332,332)	223,752
IPO expenses not taken up in equity		-	(883,866)
IT expenses		(214,862)	(146,958)
Occupancy expenses		(6,417)	(32,724)
Professional and consulting fees expense		(1,786,510)	(929,695)
Regulatory expenses		(397,854)	(293,594)
Travel expenses		12,573	(131,294)
Other expenses		(901,403)	(801,856)
<b>Results from operating activities</b>		<b><u>(6,104,126)</u></b>	<b><u>(3,954,785)</u></b>
Finance income	4(c)	90,696	21,858
Finance costs	4(c)	(7,785)	(5,285,178)
<b>Net finance income / (cost)</b>	<b>4(c)</b>	<b><u>82,911</u></b>	<b><u>(5,263,320)</u></b>
<b>Loss before income tax</b>		<b><u>(6,021,215)</u></b>	<b><u>(9,218,105)</u></b>
Income tax (expense) / benefit	5(a)	-	-
<b>Loss for the year</b>		<b><u>(6,021,215)</u></b>	<b><u>(9,218,105)</u></b>
<b>Other comprehensive income and expenses</b>			
Foreign currency translation reserve		223,652	(395,849)
<b>Total comprehensive income for the period</b>		<b><u>(5,797,563)</u></b>	<b><u>(9,613,954)</u></b>
<b>Loss per share for profit attributable to owners of Atomo Diagnostics Limited</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	27	(1.07)	(2.59)
Diluted earnings per share	27	(1.07)	(2.59)

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



**Atomo Diagnostics Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2021**

	Note	Consolidated 2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6(a)	17,946,517	27,103,838
Trade and other receivables	7	4,494,368	4,760,722
Inventories	8	3,042,245	1,209,676
<b>Total current assets</b>		<b><u>25,483,130</u></b>	<b><u>33,074,236</u></b>
<b>Non-current assets</b>			
Property, plant and equipment	9	3,687,705	1,452,598
Right-of-use assets	10	66,865	55,710
Intangible assets	11	3,001,106	1,518,334
<b>Total non-current assets</b>		<b><u>6,755,676</u></b>	<b><u>3,026,642</u></b>
<b>Total assets</b>		<b><u>32,238,806</u></b>	<b><u>36,100,878</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,783,958	1,296,904
Lease liabilities	13	67,589	47,866
Employee benefits	14	276,804	162,570
<b>Total current liabilities</b>		<b><u>2,128,351</u></b>	<b><u>1,507,340</u></b>
<b>Non-current liabilities</b>			
Lease liabilities	13	-	7,675
Employee benefits	14	23,074	105,023
<b>Total non-current liabilities</b>		<b><u>23,074</u></b>	<b><u>112,698</u></b>
<b>Total Liabilities</b>		<b><u>2,151,425</u></b>	<b><u>1,620,038</u></b>
<b>Net assets</b>		<b><u>30,087,381</u></b>	<b><u>34,480,840</u></b>
<b>Equity</b>			
Issued capital	15	67,921,661	66,514,571
Foreign currency translation reserve	16	(227,690)	(451,342)
Share based payment reserve	16	713,027	746,970
Accumulated losses		(38,319,617)	(32,329,359)
<b>Total equity</b>		<b><u>30,087,381</u></b>	<b><u>34,480,840</u></b>

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

**Atomo Diagnostics Limited**  
**Consolidated Statement of Changes in Equity**  
**For the Year Ended 30 June 2021**

	Issued Capital	Foreign Currency Translation Reserve	Share Based Payment Reserve	Accumulated Losses	Total Equity
<b>Balance as at 1 July 2019</b>	<b>17,110,055</b>	<b>(55,493)</b>	<b>585,105</b>	<b>(23,111,254)</b>	<b>(5,471,587)</b>
Loss for the year	-	-	-	(9,218,105)	(9,218,105)
Other comprehensive income	-	(395,849)	-	-	(395,849)
Total other comprehensive income for the year	-	(395,849)	-	(9,218,105)	(9,613,954)
<i>Transactions with owners, recorded directly in equity</i>					
Ordinary shares issued during the year	51,143,218	-	-	-	51,143,218
Capital raising costs	(2,245,060)	-	-	-	(2,245,060)
Equity-settled share-based payments	-	-	490,542	-	490,542
Exercise of options	506,358	-	(328,677)	-	177,681
Total transactions with owners	49,404,516	-	161,865	-	49,566,381
<b>Balance as at 30 June 2020</b>	<b>66,514,571</b>	<b>(451,342)</b>	<b>746,970</b>	<b>(32,329,359)</b>	<b>34,480,840</b>
<b>Balance as at 1 July 2020</b>	<b>66,514,571</b>	<b>(451,342)</b>	<b>746,970</b>	<b>(32,329,359)</b>	<b>34,480,840</b>
Loss for the year	-	-	-	(6,021,215)	(6,021,215)
Other comprehensive income	-	223,652	-	-	223,652
Total other comprehensive income for the year	-	223,652	-	(6,021,215)	(5,797,563)
<i>Transactions with owners, recorded directly in equity</i>					
Equity-settled share based payments	108,000	-	320,951	-	428,951
Exercise of options	1,311,482	-	(188,373)	-	1,123,109
Issue costs	(12,392)	-	-	-	(12,392)
Lapsed and Cancelled Options	-	-	(166,521)	30,957	(135,564)
Total transactions with owners	1,407,090	-	(33,943)	30,957	1,404,104
<b>Balance as at 30 June 2021</b>	<b>67,921,661</b>	<b>(227,690)</b>	<b>713,027</b>	<b>(38,319,617)</b>	<b>30,087,381</b>

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

**Atomo Diagnostics Limited**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended 30 June 2021**

	Note	Consolidated	
		2021	2020
<b>Cash flows from operating activities</b>			
Receipts from customers (inc. GST)		8,012,295	2,463,182
Payments to suppliers and employees (inc. GST)		<u>(13,480,610)</u>	<u>(7,135,970)</u>
Cash used in operations		(5,468,315)	(4,672,788)
Interest received		90,696	21,858
Interest paid		(5,430)	(1,498,548)
IPO costs not taken up in financing activities		-	(883,866)
R&D and other government incentives received		1,157,798	771,416
<b>Net cash from / (used in) operating activities</b>	<b>6(b)</b>	<u><b>(4,225,251)</b></u>	<u><b>(6,261,928)</b></u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,119,797)	(818,690)
Payments for intangible assets		<u>(2,777,775)</u>	<u>(1,174,451)</u>
<b>Net cash from / (used in) investing activities</b>		<u><b>(5,897,572)</b></u>	<u><b>(1,993,141)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(9,342,512)
Repayment of leases		(113,347)	(79,169)
Net proceeds from issue of share capital		1,110,718	27,806,235
Net proceeds from issue of convertible notes		<u>-</u>	<u>15,221,874</u>
<b>Net cash from / (used in) financing activities</b>		<u><b>997,371</b></u>	<u><b>33,606,428</b></u>
Net increase / (decrease) in cash and cash equivalents		(9,125,452)	25,351,360
Cash and cash equivalents at the beginning of the financial year		27,103,838	1,855,706
Effect of exchange rate fluctuations on cash held		<u>(31,869)</u>	<u>(103,228)</u>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6(a)</b>	<u><b>17,946,517</b></u>	<u><b>27,103,838</b></u>

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

**Atomo Diagnostics Limited**  
**Notes to the Financial Statements**  
**30 June 2021**

**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.

**(a) 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.

The Directors have reviewed all of the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board for annual reporting periods beginning or after 1 July 2020. It has been determined that there is no impact, material or otherwise, of any other new or revised accounting standards and interpretations.

**(b) 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').

**Historical cost**

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

**Reclassification of prior year amounts and balances:**

In certain circumstances, prior year amounts and balances have been reclassified for comparability.

**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.

**(c) Parent entity**

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 24.

**(d) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Atomo Diagnostics Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Atomo Diagnostics 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.

**Atomo Diagnostics Limited**  
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Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated except where such amounts arise on monetary items that form part of the net investments in a foreign operation, in which case they are recognised in reserves. 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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

**(e) Operating segments**

The Group manages its operations as a single business operation and there are no parts of the Group that qualify as operating segments under AASB 8 Operating Segments. The CEO (Chief Operating Decision Maker or "CODM") assesses the financial performance of the Group in an integrated basis only and accordingly, the Group is managed on the basis of a single segment, being medical device research and development. Information presented to the CODM on a monthly basis is categorised by type of expenditure.

**(f) Foreign currency translation**

The financial statements are presented in Australian dollars, which is Atomo Diagnostics Limited's functional and presentation currency.

***Foreign currency transactions:***

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

***Foreign operations:***

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**(g) Revenue recognition**

The consolidated entity recognises revenue as follows:

***Revenue from contracts with customers and sale of goods***

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Customers obtain control of the HIV self-testing kits when the goods are ready and released by Quality Assurance

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(QA). It is then the responsibility of the customer to make the necessary arrangements for freight and the collection of goods from the Group's warehouse. Invoices are generated once the goods are released by QA and ready for collection by the customer. Invoices are usually payable within 30 to 75 days, dependent on the contracted agreement. The contracts do not allow the customers to return the goods as the testing kits have a set shelf-life and have gone through vigorous testing prior to delivery.

Where sales are made to customers on an OEM basis for use in their own test, including for COVID-19, revenue is recognised at the point transfer of control over those products at the warehouse delivery point.

Since none of the contracts permit the customer to return an item, revenue is recognised for all the goods once the goods have been released by QA and are available for collection at the Group's warehouse.

*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.

**(h) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

**Current tax:**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

**Deferred tax:**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, or on taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that could follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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***R&D tax incentives:***

R&D tax incentives received by the Group are recognised as other income over the periods necessary to match the benefit of the incentive with the costs for which it is intended to compensate ("**associated costs**"). Such periods will depend on whether the associated costs are capitalised or expensed as incurred.

Under this policy, for that portion of associated costs which are expensed during the period, the proportional incentive is recognised in other income in full during the same period. For that portion of associated costs which are capitalised during the period, the proportional incentive is initially offset against the capitalised associated costs and recognised against amortisation expense on a systematic basis matching the useful life of the capitalised asset.

**(i) 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.

**(j) 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.

**(k) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days but certain customers have longer payment terms.

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

**(l) Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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**(m) Property, plant and equipment**

***Recognition and measurement:***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

***Subsequent expenditure:***

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

***Depreciation:***

Depreciation is calculated based on the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

Plant and equipment	2 - 5 years
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Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(n) Leases**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



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**(o) Intangible assets**

**Recognition and measurement:**

*Computer software:*

Computer software comprises computer application system software and licenses. Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs.

*Patents, trademarks and licences:*

Other intangible assets, including patents, trademarks and licences that are acquired by the Group and have finite useful lives are measured at cost less any accumulated amortisation and impairment losses.

*Capitalised development costs:*

Capitalised development costs relate to the Company's rapid test platforms and associated manufacturing assets and are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on research activities is recognised in profit or loss as incurred.

**Subsequent expenditure:**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**Amortisation:**

Amortisation is calculated based on the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of intangible assets are as follows:

Patents and trademarks	10 - 20 years
Other intangibles	10 years
Capitalised development costs	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(p) Impairment**

**Non-financial assets:**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ('CGUs'). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group 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.

**(r) Financial instruments**

***Classification and measurement – non-derivative financial assets and financial liabilities:***

The Group's management assessed which business models applied to the financial assets held by the Group and classified its financial instruments into the appropriate AASB 9 categories.

Financial assets classified as held-to-maturity and loans and receivables under AASB 139 that were measured at amortised cost continued to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Consequently, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has one type of financial assets (trade and other receivables) that are subject to AASB 9's new expected credit loss model.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Apart from the above, the application of AASB 9 had no impact on the classification and measurement of the Group's financial assets and liabilities.

**(s) Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**(t) Employee benefits**

***Short-term employee benefits:***

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

***Other long-term employee benefits:***

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

***Defined contribution superannuation expense:***

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

***Share-based payments:***

Equity-settled 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. Where early exercise has occurred, this cost is accelerated. 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.

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.

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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.

**(u) 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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**(v) Issued capital**

Ordinary shares, Class B shares and Ord+ 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.

**(w) Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

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**(x) Earnings per share**

***Basic earnings per share:***

Basic earnings per share is calculated by dividing the profit attributable to the owners of Atomo Diagnostics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

***Diluted earnings per share:***

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(y) 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.

**(z) Rounding of amounts**

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

**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.

***Revenue recognition:***

When recognising revenue in relation to the sale of goods to customers, the key performance obligation is considered to be the point the customer obtains control of the goods as outlined in the arrangement.

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***Share-based payment transactions:***

The Group 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 of options is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted and includes assumptions which require judgement.

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.

***Allowance for expected credit losses:***

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

***Write-down of inventories:***

Any write-down of inventories requires a degree of estimation and judgement. The level of the write-down is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

***Fair value measurement hierarchy:***

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

***Estimation of useful lives of assets:***

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

***Impairment of intangible assets:***

The Group tests intangible assets for impairment for each reporting period or more frequently if events or changes in circumstances indicate it has suffered any impairment, in accordance with the accounting policy stated in Note 3(o). The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations whereby cash flows are projected and extrapolated over a five year period with growth rates that do not exceed the long-term average growth rate for the market in which the Group operates. The discount rate used reflects the Group's pre-tax weighted average cost of capital.

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**Note 3: Revenue and other income**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<i>Revenue:</i>		
Revenue from sale of goods		
Covid-19	3,664,613	3,397,307
HIV	1,082,528	1,184,743
Other OEM	1,942,878	522,626
Other	<u>25,640</u>	<u>264,022</u>
	6,715,659	5,368,698
<i>Other income:</i>		
R&D tax rebate	754,676	807,018
R&D tax rebate overprovisioned in prior year	(161,808)	-
Covid-19 Government grants	108,588	-
Other income	<u>112,770</u>	<u>37,500</u>
	814,226	844,518
<b>Total revenue and other income</b>	<b><u>7,529,885</u></b>	<b><u>6,213,216</u></b>

**Note 4: Expenses**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Profit / (loss) before income tax from continuing operations includes the following specific expenses:		
<b>(a) Employee benefits expense</b>		
Salaries, wages and directors' fees	3,141,315	2,118,598
Contributions to superannuation	267,779	161,061
Equity-settled share-based payments	293,386	616,930
Other employment related expenses	<u>110,614</u>	<u>76,120</u>
	3,813,094	2,972,709
<b>(b) Depreciation and amortisation expense</b>		
Depreciation expense (Note 9)	884,690	519,388
Amortisation expense (Note 11)	319,396	90,090
Right-of-use assets (Note 10)	<u>114,241</u>	<u>77,609</u>
	1,318,327	687,087
<b>(c) Net finance income / (cost)</b>		
Interest income	90,697	21,858
Cash interest expense	(2,880)	(1,207,464)
Effective Interest Expense	(4,906)	(7,055,755)
Borrowing Costs	-	(826,397)
Fair value gain / (loss) on financial liabilities	<u>-</u>	<u>3,804,438</u>
	82,911	(5,263,320)

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**Note 5: Income tax**

**(a) Income tax benefit**

Income tax benefit comprises current and deferred tax expense and is recognised in profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. The components of income tax benefit comprise:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Current tax	-	-
Deferred tax	-	-
<b>Total income tax benefit</b>	<u>-</u>	<u>-</u>

The prima facie tax on profit before income tax is reconciled to the income tax benefit as follows:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Loss before income tax	(6,021,215)	(9,218,105)
Tax using the Company's domestic Australian tax rate of 26.0% (2020: 27.5%)	1,444,097	2,534,979
Permanent and temporary differences	(1,093,633)	(1,783,117)
Other	-	50,813
Tax losses not brought to account	(350,464)	(802,675)
<b>Total income tax benefit</b>	<u>-</u>	<u>-</u>

**(b) Deferred tax assets and liabilities**

Due to the uncertainty of the Group generating sufficient taxable income to offset tax losses carried forward, the future tax benefits of these losses, to the extent that they do not set off temporary differences that have resulted in deferred tax liabilities, has not been brought to account in these financial statements.

Net tax effect of carried forward losses not brought to account	<u>2,804,480</u>	<u>2,547,090</u>
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**Note 6: Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<b>(a) Cash and cash equivalents in statement of cash flows</b>		
Cash at bank	<u>17,946,517</u>	<u>27,103,838</u>
	17,946,517	27,103,838
<b>(b) Reconciliation of cash flows from operating activities</b>		
Loss for the year	(6,021,215)	(9,218,105)
<i>Adjustments for:</i>		
Depreciation and amortisation	1,318,327	687,087
Unrealised currency translation movements	255,522	556,249
Equity-settled share-based payment transactions	293,386	616,930
Fair value (gain) / loss on financial liabilities	-	(3,804,438)
Finance costs	-	7,882,152
	<u>1,867,235</u>	<u>5,937,980</u>
Operating profit before changes in working capital and provisions	<u>(4,153,980)</u>	<u>(3,280,125)</u>



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**Note 6: Current assets - cash and cash equivalents (continued)**

<i>Changes in working capital and provisions:</i>		
Change in trade and other receivables	1,369,989	(2,941,119)
Change in trade and other payables	359,024	247,027
Change in inventories	(1,832,569)	(421,958)
Change in employee benefits	32,285	134,246
	<u>(71,271)</u>	<u>(2,981,804)</u>
<b>Net cash from operating activities</b>	<b><u>(4,225,251)</u></b>	<b><u>(6,261,928)</u></b>

**Note 7: Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Receivables from trade customers	1,934,717	3,003,406
Expected credit loss / bad debt provision	(70,433)	-
R&D Tax Rebate Receivable	1,823,828	1,273,201
Other receivables	<u>806,256</u>	<u>484,115</u>
	<u>4,494,368</u>	<u>4,760,722</u>

*Allowance for expected credit losses:*

The Group monitors its level of debt recovery at each reporting date (including interim reporting dates) in order to assess for any changes in the probability of customers' ability to pay, including due to external factors such as the Covid-19 pandemic.

The ageing of receivables from trade customers and allowance for expected credit losses provide for above are as follows:

<b>Consolidated - 2021</b>	<b>0 to 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 + Days</b>	<b>Total</b>
Trade receivables	678,108	346,824	168,189	684,297	57,299	1,934,717
Allowance for expected credit losses	-	(3,468)	-	(41,058)	(25,907)	(70,433)
Carrying value of trade receivables before additional bad debt provisions	678,108	343,356	168,189	643,239	31,392	1,864,284

**Note 8: Current assets - inventories**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	1,809,489	876,105
Raw materials provision	(8,247)	(24,764)
Work in progress	130,498	22,498
Finished goods	1,309,497	335,837
Finished goods provision	<u>(198,992)</u>	<u>-</u>
	<u>3,042,245</u>	<u>1,209,676</u>

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**Note 9: Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Plant and equipment - at cost	6,170,381	3,050,584
Less: Accumulated depreciation	<u>(2,482,676)</u>	<u>(1,597,986)</u>
Total plant and equipment	3,687,705	1,452,598
<b>Total property, plant and equipment</b>	<b><u>3,687,705</u></b>	<b><u>1,452,598</u></b>

*Reconciliations:*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Plant and equipment</b>	<b>Total</b>
Balance at 1 July 2019	1,153,296	1,153,296
Additions	818,690	818,690
Depreciation expense	<u>(519,388)</u>	<u>(519,388)</u>
<b>Balance at 30 June 2020</b>	<b><u>1,452,598</u></b>	<b><u>1,452,598</u></b>
Balance at 1 July 2020	1,452,598	1,452,598
Additions	3,119,797	3,119,797
Depreciation expense	<u>(884,690)</u>	<u>(884,690)</u>
<b>Balance at 31 June 2021</b>	<b><u>3,687,705</u></b>	<b><u>3,687,705</u></b>

**Note 10: Non-current assets - right-of-use-assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Land and buildings - right-of-use (Note 13)	68,136	118,727
Less: Accumulated depreciation (Note 13)	<u>(8,517)</u>	<u>(73,887)</u>
	59,619	44,840
Plant and equipment - right-of-use (Note 13)	14,493	14,493
Less: Accumulated depreciation (Note 13)	<u>(7,247)</u>	<u>(3,623)</u>
	7,246	10,870
<b>Total right-of-use assets</b>	<b><u>66,865</u></b>	<b><u>55,710</u></b>

Additions to the right-of-use assets during the year were \$Nil.

The Group leases land and buildings for its offices in Sydney Australia and warehouse in South Africa under agreements of between one (1) to two (2) years with, in some cases, options to extend. The Group also leases a single piece of office equipment under a five (5) year agreement.

The Company entered into a new lease prior to 30 June 2021 but which does not commence until September 2021. Upon commencement, a lease liability in the amount of \$320,711 will be recognised along with a corresponding right-of-use asset. Refer to Note 22 for further details.

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**Note 11: Non-current assets - intangible assets**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Patents and trademarks - at cost	1,555,258	1,449,224
Less: accumulated amortisation	<u>(598,715)</u>	<u>(536,164)</u>
Total patents and trademarks	956,543	913,060
Product development assets - at cost	2,317,974	621,840
Less: accumulated amortisation	<u>(291,428)</u>	<u>(36,845)</u>
Total product development assets	2,026,546	584,995
Other intangibles - at cost	91,429	91,429
Less: accumulated amortisation	<u>(73,412)</u>	<u>(71,150)</u>
Total other intangibles	18,017	20,279
<b>Total intangible assets</b>	<b><u>3,001,106</u></b>	<b><u>1,518,334</u></b>

*Reconciliations:*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Patents and trademarks</b>	<b>Product development costs</b>	<b>Other intangibles</b>	<b>Total</b>
Balance at 1 July 2019	868,208	-	32,188	900,396
Additions	102,215	1,072,234	-	1,174,449
Amortisation expense	(57,363)	(36,846)	(11,909)	(106,118)
Capitalisation of R&D rebate	-	(466,421)	-	(466,421)
Capitalised R&D rebate recognised in profit and loss	-	16,028	-	16,028
<b>Balance at 30 June 2020</b>	<b><u>913,060</u></b>	<b><u>584,995</u></b>	<b><u>20,279</u></b>	<b><u>1,518,334</u></b>
Balance at 1 July 2020	913,060	584,995	20,279	1,518,334
Additions	106,034	2,671,740	-	2,777,774
Amortisation expense	(62,551)	(254,583)	(2,262)	(319,396)
Capitalisation of R&D rebate	-	(1,162,207)	-	(1,162,207)
Reversal of over-accrued capitalised R&D rebate from prior year	-	93,546	-	93,546
Capitalised R&D rebate recognised as income	-	93,055	-	93,055
<b>Balance at 30 June 2021</b>	<b><u>956,543</u></b>	<b><u>2,026,546</u></b>	<b><u>18,017</u></b>	<b><u>3,001,106</u></b>

**Note 12: Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Trade payables	654,502	930,035
Accrued expenses	825,188	302,350
Other payables	<u>304,268</u>	<u>64,519</u>
	<b><u>1,783,958</u></b>	<b><u>1,296,904</u></b>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

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**Note 13: Lease liabilities**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<b>Current:</b>		
Lease liabilities (Note 10)	67,589	47,866
	<u>67,589</u>	<u>47,866</u>
<b>Non-current:</b>		
Lease liabilities (Note 10)	-	7,675
	<u>-</u>	<u>7,675</u>
<b>Total lease liabilities</b>	<u><b>67,589</b></u>	<u><b>55,541</b></u>

**Note 14: Employee benefits**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<b>Current:</b>		
Liability for annual leave	204,561	162,570
Liability for long service leave	72,243	-
	<u>276,804</u>	<u>162,570</u>
<b>Non-current:</b>		
Liability for long service leave	23,074	105,023
	<u>23,074</u>	<u>105,023</u>
<b>Total employee benefits</b>	<u><b>299,878</b></u>	<u><b>267,593</b></u>

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement.

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**Note 15: Equity - issued capital**

**Movements in ordinary share capital:**

	Ordinary Shares		Class B Shares		Ord+ Shares		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Number of shares:</b>								
On issue as at 1 July	561,077,807	28,458,647	-	5,979,846	-	1,953,852	561,077,807	36,392,345
Issue of Shares Under Employee Share Plan	320,000	-	-	-	-	-	320,000	-
Impact of 1:8 share split	-	199,210,529	-	41,858,922	-	13,676,964	-	254,746,415
Conversion of Ord+ shares	-	15,630,816	-	-	-	(15,630,816)	-	-
Conversion of Class B shares	-	47,838,768	-	(47,838,768)	-	-	-	-
Exercise of Options	7,200,000	8,768,491	-	-	-	-	7,200,000	8,768,491
Exercise of GHIF Warrants	-	10,868,183	-	-	-	-	-	10,868,183
Conversion of Converting Notes	-	100,302,363	-	-	-	-	-	100,302,363
Shares issued at IPO	-	150,000,010	-	-	-	-	-	150,000,010
<b>On issue as at 30 June</b>	<b>568,597,807</b>	<b>561,077,807</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>568,597,807</b>	<b>561,077,807</b>
<b>Value (\$):</b>								
On issue as at 1 July	66,514,571	8,630,940	-	6,036,800	-	2,442,315	66,514,571	17,110,055
Issue of Shares Under Employee Share Plan	108,000	-	-	-	-	-	108,000	-
Impact of 1:8 share split	-	-	-	-	-	-	-	-
Conversion of Ord+ shares	-	2,442,315	-	-	-	(2,442,315)	-	-
Conversion of Class B shares	-	6,036,800	-	(6,036,800)	-	-	-	-
Exercise of Options	1,311,482	506,358	-	-	-	-	1,311,482	506,358
Exercise of GHIF Warrants	-	1,082,743	-	-	-	-	-	1,082,743
Conversion of Converting Notes	-	20,060,473	-	-	-	-	-	20,060,473
Shares issued at IPO	-	30,000,002	-	-	-	-	-	30,000,002
Costs Associated with the Issues of Shares	(12,392)	(2,245,060)	-	-	-	-	(12,392)	(2,245,060)
<b>On issue as at 30 June</b>	<b>67,921,661</b>	<b>66,514,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,921,661</b>	<b>66,514,571</b>

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**Note 15: Equity - issued capital (continued)**

**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.

**Class B shares:**

During the year ended 30 June 2020 and concurrently with the IPO, 47,838,768 B Class shares (post share split) were converted into ordinary shares on a 1:1 basis pursuant to approval by shareholders on 19 December 2019. As at 30 June 2020, no B Class shares remained on issue.

B Class shares had the same rights as ordinary voting shares and were subject to the terms of the Investors Agreements and the Company's Constitution, save for the special terms that attached to B Class shares which were as follows:

- i. upon winding-up of the Company, each B Class share would convert into 1.2 ordinary shares;
- ii. in the event of sale of all the shares in the Company for a total consideration of not more than US\$20,000,000, each B Class share would convert into 1.2 ordinary shares with effect immediately prior to the sale. If the sale price was more than US\$20,000,000 then the B Class shares would convert into ordinary shares on a 1 for 1 basis;
- iii. in the event of listing of the Company's shares on a securities exchange at an initial price implying a total company market capitalisation of not more than US\$20,000,000, each B Class share would convert into 1.2 ordinary shares with effect immediately prior to the sale. If the initial price implies a total company market capitalisation of more than US\$20,000,000 then the B class shares would convert into ordinary shares 1 for 1; and
- iv. for any period when a B Class shareholder holds a minimum of 2 million shares in the Company (whether B class or ordinary shares), the shareholder would have the right to appoint a Director to the board.

**Ord+ shares:**

During the year ended 30 June 2020, 15,630,816 Ord+ shares (post share split) were converted into ordinary shares on a 1:1 basis pursuant to approval by shareholders on 19 December 2019. As at 30 June 2020, no Ord+ shares remained on issue.

Ord+ shares had the same rights as ordinary voting shares and were subject to the terms of the Investors Agreements and the Company's Constitution, save for the special terms that attached to Ord+ shares which were as follows:

- i. the shares were issued with an accompanying entitlement to bonus shares which were to be issued in the event that a subsequent capital activity occurred at a price less than \$1.50 per ordinary share; and
- ii. the bonus shares entitlement applied in respect of the next capital activity that had one of the following characteristics:
  - a. if the company issued further ordinary shares for a price less than \$1.50 (\$0.1875 on a post share split basis) per share (other than in response to the exercise of existing share options or warrants), with an aggregate issue offer value in excess of \$3,000,000; or
  - b. if an agreement was made by which all of the ordinary shares in the Company were to be sold at an average price of less than \$1.50 (\$0.1875 on a post share split basis) per share.

**Capital risk management:**

The Group'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, maintain sufficient financial flexibility to pursue its growth objectives 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.

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**Note 15: Equity - issued capital (continued)**

In order to maintain or adjust the capital structure, the Group may take one of several actions which may include the issue of new shares, the payment of dividends, a return capital to shareholders, or sell assets to reduce debt. The Group is not actively pursuing or considering any of these options at the time of this report.

The Company may look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to grow its existing businesses.

The Group currently has no debt and is not subject to any finance arrangement covenants.

**Note 16: Equity - reserves**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Foreign currency translation reserve	(227,690)	(451,342)
Share based payment reserve	713,027	746,970
	<u>485,337</u>	<u>295,628</u>

**Foreign currency translation reserve:**

This reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars and the effect of permanent loans with foreign operations within the Group.

**Share based payment reserve:**

This reserve is used to recognise the fair value of equity-settled share-based payments where they related to yet-to-be exercised options.

**Movements in reserves:**

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

<b>Consolidated</b>	<b>Foreign currency</b>	<b>Share based payment</b>	<b>Total</b>
Balance at 1 July 2019	(55,493)	585,105	529,612
Equity-settled share-based payments	-	490,542	490,542
Exercise of options	-	(328,677)	(328,677)
Foreign currency translation	(395,849)	-	(395,849)
<b>Balance at 30 June 2020</b>	<u><b>(451,342)</b></u>	<u><b>746,970</b></u>	<u><b>295,628</b></u>
Balance at 1 July 2020	(451,342)	746,970	295,628
Equity-settled share-based payments	-	320,951	320,951
Exercise of options	-	(188,373)	(188,373)
Lapsed and Cancelled Options	-	(166,521)	(166,521)
Foreign currency translation	223,652	-	223,652
<b>Balance at 30 June 2021</b>	<u><b>(227,690)</b></u>	<u><b>713,027</b></u>	<u><b>485,337</b></u>

**Note 17: Equity - dividends**

No dividends were paid or declared during the financial year (2020: Nil).

**Franking credits:**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Franking credits available for subsequent financial years.	<u>-</u>	<u>-</u>

**Atomo Diagnostics Limited**  
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**Note 18: Financial risk management**

**Financial risk management objectives:**

The Group's activities expose it to a variety of financial risks including market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management objectives seek to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the Group. Finance reports to the Board on a monthly basis.

**Market risk:**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Foreign currency risk:**

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

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

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
US Dollars	2,693,426	3,564,797	240,296	144,256
British Pounds	4,455	15,990	11,163	5,212
South African Rand	491,346	203,623	33,990	25,719
Japanese Yen	-	-	-	3,308
EURO	-	-	-	3,215
Swedish Krona Sek	-	-	-	3,618
Swiss Franc	-	-	14,420	-
	<b>3,189,227</b>	<b>3,784,410</b>	<b>299,869</b>	<b>185,328</b>

Reasonably possible movements in the Australian dollar against all other currencies as at 30 June 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases:

<b>Consolidated</b>	<b>Profit Before Tax</b>		<b>Equity</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
AUD Strengthening by 10%	(262,669)	(327,189)	(262,669)	(327,189)
AUD Weakening by 10%	321,040	399,898	321,040	399,898

**Price risk:**

The Group is not exposed to any significant price risk.

**Interest rate risk:**

As at 30 June 2021, the Group was not exposed to any significant interest rate risk. There is minimal exposure to the impact of adverse changes in benchmark interest rates.

The Group was exposed to variable interest rate risks on cash and short-term deposits. A reasonably possible change of 100 basis points in interest rates during the year would have increased or decreased profit before tax by \$198,794 (2020: \$100,041). This analysis assumes that all other variables remain constant.



**Atomo Diagnostics Limited**  
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**Note 18: Financial risk management (continued)**

**Credit risk:**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a code of credit, including undertaking customer due diligence, confirming references and setting appropriate credit limits as appropriate. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**Liquidity risk:**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group 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.

**Financing arrangements:**

The Group has no used or unused financing facilities in place as at 30 June 2021 (2020: Nil).

**Remaining contractual maturities:**

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2021</b>	<b>Weighted average interest rate</b>	<b>1 year or less</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Remaining contractual maturities</b>
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	654,502	-	-	-	-
Other payables	-	1,129,456	-	-	-	-
<i>Interest-bearing</i>						
Lease liabilities	7.00%	67,589	-	-	-	-
<b>Total non-derivatives</b>		<b>1,851,547</b>				
<b>Consolidated - 2020</b>						
<b>Consolidated - 2020</b>	<b>Weighted average interest rate</b>	<b>1 year or less</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Remaining contractual maturities</b>
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	930,035	-	-	-	-
Other payables	-	366,869	-	-	-	-
<i>Interest-bearing</i>						
Lease liabilities	7.00%	47,866	7,675	-	-	-
<b>Total non-derivatives</b>		<b>1,344,770</b>	<b>7,675</b>			

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Atomo Diagnostics Limited**  
**Notes to the Financial Statements**  
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**Note 19: Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by the Company's auditors, their network firms and unrelated firms:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<i>Audit and assurance services:</i>		
KMPG Australia:		
Audit of financial statements	-	108,790
BDO Australia:		
Audit of financial statements	81,000	46,000
Total audit and assurance services	<u>81,000</u>	<u>154,790</u>
<i>Other services:</i>		
KMPG Australia:		
Tax advisory services	-	23,140
BDO Australia:		
Independent limited assurance services in relation to the prospectus	-	164,897
Tax advisory services	30,000	-
Other services	11,442	-
Total other services	<u>41,442</u>	<u>188,037</u>
<b>Total auditors' remuneration</b>	<b><u>122,442</u></b>	<b><u>342,827</u></b>

**Note 20: Contingent assets**

There were no contingent assets as at 30 June 2021.

**Note 21: Contingent liabilities**

There were no contingent liabilities as at 30 June 2021.

**Note 22: Commitments**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities payable:		
Plant and equipment and intangibles	2,189,174	2,668,969
<i>Other commitments</i>		
Inventory	1,037,221	2,463,221
Lease liabilities	320,711	-
<b>Total commitments</b>	<b><u>3,547,106</u></b>	<b><u>5,132,190</u></b>

Capital commitments relate to the expansion of manufacturing capacity to support growth. Plant and equipment to be purchased includes additional tooling, assembly lines and associated machinery to support increased production of Atomo's suite of devices.

Inventory commitments relate to volumes of devices committed to be purchased throughout the year for sale to customers.

Lease liabilities relate to a new lease which the Company entered into prior to 30 June 2021 but which does not commence until September 2021. Upon commencement, a lease liability in the amount of \$320,711 will be recognised along with a corresponding right-of-use asset.

**Atomo Diagnostics Limited**  
**Notes to the Financial Statements**  
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**Note 23: Related party transactions**

**Parent entity:**

Atomo Diagnostics Limited is the parent entity.

**Subsidiaries:**

Interests in subsidiaries are set out in Note 25.

**Key management personnel compensation:**

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

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	1,655,322	981,089
Post-employment benefits	68,538	55,928
Long-term benefits	7,881	26,356
Share-based payments	(67,169)	164,302
<b>Total key management personnel compensation</b>	<b><u>1,664,572</u></b>	<b><u>1,227,675</u></b>

Further details relating to key management personnel compensation are set out in the remuneration report included in the directors' report.

**Transactions with other related parties:**

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties, unless stated otherwise. The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
ID&E Pty Ltd, a company controlled by Mr George Sidis, previously a Non-Executive Director of the Company, provided the following services during the year whilst Mr George Sidis was a Non-Executive Director:		
Purchase of inventory	n/a - see note	1,383,733
Research and development	n/a - see note	1,524,861
Plant and equipment	n/a - see note	670,401
Other services	n/a - see note	560,306
<b>Total</b>	<b><u>n/a - see note</u></b>	<b><u>4,139,301</u></b>

At the end of the financial year, the following amounts were shown owing to related parties in trade and other payables

<u>n/a - see note</u>	<u>640,615</u>
-----------------------	----------------

Note: As Mr George Sidis resigned as a Non-Executive Director of Atomo on 3 February 2020, no transactions between ID&E Pty Ltd and the Company are included in the table above with respect to the financial year to 30 June 2021 as he is no longer considered a related party.

**Key management personnel transactions:**

Directors and other key management personnel hold 26.4% of the issued capital of the company as at 30 June 2021 (30 June 2020: 28.2%).

**Atomo Diagnostics Limited**  
**Notes to the Financial Statements**  
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**Note 24: Parent entity information**

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

<i>Statement of profit or loss and other comprehensive income</i>	Parent	
	2021	2020
Loss for the year	(11,982,954)	(9,392,919)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b><u>(11,982,954)</u></b>	<b><u>(9,392,919)</u></b>

<i>Statement of financial position</i>	Parent	
	2021	2020
<i>Assets</i>		
Total current assets	24,096,206	38,388,486
Total non-current assets	7,031,323	2,787,862
<b>Total assets</b>	<b><u>31,127,529</u></b>	<b><u>41,176,348</u></b>
<i>Liabilities</i>		
Total current liabilities	2,059,279	1,447,299
Total non-current liabilities	23,074	105,023
<b>Total liabilities</b>	<b><u>2,082,353</u></b>	<b><u>1,552,322</u></b>
<b>Total net assets</b>	<b><u>29,045,176</u></b>	<b><u>39,624,026</u></b>
<i>Equity</i>		
Share capital	67,921,661	66,514,571
Share based payment reserve	713,027	746,970
Retained earnings	(39,589,512)	(27,637,515)
<b>Total equity</b>	<b><u>29,045,176</u></b>	<b><u>39,624,026</u></b>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*  
None.

*Contingent liabilities*  
There were no contingent liabilities attributed to the parent entity as at 30 June 2021 (2020: Nil).

*Commitments*

	Consolidated	
	2021	2020
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities payable:		
Plant and equipment and intangibles	2,106,035	2,668,969
<i>Other commitments</i>		
Inventory	1,037,221	2,463,221
Lease liabilities	320,711	-
<b>Total commitments</b>	<b><u>3,463,967</u></b>	<b><u>5,132,190</u></b>

Capital commitments relate to the expansion of manufacturing capacity to support growth. Plant and equipment to be purchased includes additional tooling, assembly lines and associated machinery to support increased production of Atomo's suite of devices.

Inventory commitments relate to volumes of devices committed to be purchased throughout the year for sale to customers.

Lease liabilities relate to a new lease which the Company entered into prior to 30 June 2021 but which does not commence until September 2021. Upon commencement, a lease liability in the amount of \$320,711 will be recognised along with a corresponding right-of-use asset.

*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.
- 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.

**Atomo Diagnostics Limited**  
**Notes to the Financial Statements**  
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**Note 25: Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries and branch operations in accordance with the accounting policy described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
<b>Parent entity:</b>			
Atomo Diagnostics Limited	Australia		
<b>Subsidiaries:</b>			
Atomo Australia Pty Limited	Australia	100%	100%
Atomo Limited	United Kingdom	100%	100%
<b>Branch operations:</b>			
Atomo South Africa (operating branch of Atomo Australia Pty Limited)	South Africa	100%	100%

**Note 26: Events after the reporting period**

- Mr Fabio Baglioni, a former executive of the Group, resigned on 30 July 2021. Consequently, 1,600,000 options issued to Mr Baglioni under the Company's Post-IPO option plan, lapsed.
- 1,733,333 options issued to executives under the Company's Post-IPO options plan lapsed as the KPIs applicable to the options were not satisfied with respect to the year ended 30 June 2021.
- The Board has exercised its discretion to allocate 759,999 new options to executives under the Company's post-IPO option plan to reward the diligent execution of the corporate strategy and to ensure retention of the key talent needed to deliver strategic outcomes in the interest of shareholders.

No other matter or circumstance has arisen since 30 June 2021 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 27: Earnings per share**

	Consolidated	
	2021	2020
Loss after income tax attributable to the owners of Atomo Diagnostics Limited	(6,021,215)	(9,218,105)
Loss after income tax attributable to the owners of Atomo Diagnostics Limited used in calculating diluted earnings per share	<u>(6,021,215)</u>	<u>(9,218,105)</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.07)	(2.59)
Diluted earnings per share	(1.07)	(2.59)
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares:</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	564,334,355	355,359,884
Adjustments for calculation of diluted earnings per share:		
No adjustments given that in a loss situation, this would be anti-dilutive	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>564,334,355</u>	<u>355,359,884</u>

The weighted average number of ordinary shares used in the calculation for earnings per share for 2020 has been amended to reflect the 1:8 share split which took place on 21 February 2020.

**Atomo Diagnostics Limited**  
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**Note 28: Share-based payments**

Set out below are summaries of options granted:

**2021**

Grant date	Note	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
20/04/2012	28(a)	14/04/2022	\$0.03	-	-	-	-	-
21/11/2012	28(a)	14/04/2022	\$0.03	2,293,184	-	-	-	2,293,184
27/06/2014	28(a)	14/04/2022	\$0.08	-	-	-	-	-
24/11/2016	28(a)	24/11/2020	\$0.16	5,000,000	-	(4,000,000)	(1,000,000)	-
6/04/2017	28(a)	6/04/2021	\$0.16	3,600,000	-	(2,400,000)	(1,200,000)	-
6/04/2018	28(a)	6/04/2022	\$0.16	6,800,000	-	-	-	6,800,000
15/09/2018	28(a)	15/09/2022	\$0.16	800,000	-	(800,000)	-	-
11/04/2019	28(a)	11/04/2023	\$0.16	4,800,000	-	-	-	4,800,000
14/04/2020	28(b)	14/04/2024	\$0.25	2,799,999	-	-	(2,266,666)	533,333
14/04/2020	28(b)	14/04/2025	\$0.25	2,799,999	-	-	(533,333)	2,266,666
14/04/2020	28(b)	14/04/2026	\$0.25	2,800,002	-	-	(533,334)	2,266,668
31/05/2021	28(c)	30/04/2024	\$0.40	-	2,000,000	-	-	2,000,000
31/05/2021	28(c)	30/04/2024	\$0.60	-	2,000,000	-	-	2,000,000
				<b>31,693,184</b>	<b>4,000,000</b>	<b>(7,200,000)</b>	<b>(5,533,333)</b>	<b>22,959,851</b>

Weighted average exercise price \$0.17 \$0.50 \$0.16 \$0.21 \$0.23  
Weighted average remaining contractual life (years) 2.1

**2020**

Grant date	Note	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
20/04/2012	28(a)	14/04/2022	\$0.03	480,000	-	(480,000)	-	-
21/11/2012	28(a)	14/04/2022	\$0.03	8,862,624	-	(6,569,440)	-	2,293,184
27/06/2014	28(a)	14/04/2022	\$0.08	800,000	-	(800,000)	-	-
24/11/2016	28(a)	24/11/2020	\$0.16	10,400,000	-	(5,400,000)	-	5,000,000
6/04/2017	28(a)	6/04/2021	\$0.16	4,800,000	-	(1,200,000)	-	3,600,000
6/04/2018	28(a)	6/04/2022	\$0.16	9,200,000	-	(2,400,000)	-	6,800,000
15/09/2018	28(a)	15/09/2022	\$0.16	2,000,000	-	(1,200,000)	-	800,000
11/04/2019	28(a)	11/04/2023	\$0.16	4,800,000	-	-	-	4,800,000
14/04/2020	28(b)	14/04/2024	\$0.25	-	2,799,999	-	-	2,799,999
14/04/2020	28(b)	14/04/2025	\$0.25	-	2,799,999	-	-	2,799,999
14/04/2020	28(b)	14/04/2026	\$0.25	-	2,800,002	-	-	2,800,002
				<b>41,342,624</b>	<b>8,400,000</b>	<b>(18,049,440)</b>	<b>-</b>	<b>31,693,184</b>

Weighted average exercise price \$0.13 \$0.25 \$0.11 n/a \$0.17  
Weighted average remaining contractual life (years) 2.4

**(a) Pre-IPO Options**

In prior financial years, the Company issued options to employees, directors and key stakeholders to align the interests of those parties through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

All options were granted over unissued fully paid ordinary shares in the Company. Options granted carry no dividend or voting rights.

**Atomo Diagnostics Limited**  
**Notes to the Financial Statements**  
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**(b) Post-IPO Options**

Shortly prior to being listed on the ASX, the Company established a new employee option plan to align the interests of eligible employees and Directors with shareholders through the sharing of a personal interest in the future growth and development of the Company and to provide a means of attracting and retaining skilled and experienced eligible persons.

Upon Atomo's admission to the official list of ASX, Atomo granted a total of 8,400,000 options under the post-IPO option plan to the four (4) executive KMPs exercisable at \$0.25 within thirty six (36) months from the date of vesting. The options vest in three equal tranches in 12 months, 24 months and 36 months respectively, subject to the satisfaction of vesting conditions relating to KPIs determined by the Managing Director or in the case of the Managing Director, determined by the Board in consultation with the People, Culture and Remuneration Committee as follows:

*KPI 1: ROI Hurdle:*

15% per annum calculated using the following formula:

Change in EBITDA year on year / amount invested in operating assets during the year.

*KPI 2: Revenue Hurdle:*

Tranche 1 / FY21 - Revenue growth of 60%  
 Tranche 2 / FY22 - Revenue growth of 40%  
 Tranche 3 / FY23 - Revenue growth of 25%

Subsequent to 30 June 2021, 1,600,000 of these options lapsed as a result of the resignation of Mr Fabio Baglioni on 30 July 2021. In addition, KPIs with respect to an additional 1,733,333 options with an expiry date of 14 April 2024 were not satisfied and have subsequently lapsed. Accordingly, as at the date of this report, the Company had on issue 3,466,667 options to KMPs under the post-IPO option plan.

In addition, subsequent to 30 June 2021, the Board has exercised its discretion to allocate the following new options to management as part of the Company's remuneration scheme to reward the diligent execution of the corporate strategy and to ensure retention of the key talent needed to deliver strategic outcome in the interest of shareholders:

John Kelly	333,333 options
William Souter	213,333 options
Mark Smith	213,333 options
<b>Total</b>	<b>759,999 options</b>

These options are exercisable at \$0.25 per option and expire on 14 April 2024. In addition, these options are conditional upon the executive remaining employed by the Company and in the case of John Kelly, on Shareholder approval of the allocation.

**(c) Other Options**

During the current financial year, the Company issued 4,000,000 new options to Bondi Partners as part of Bondi Partners' appointment to assist with the development and execution of its US go-to-market strategy and commercial engagements across both private and public sectors as announced to the ASX on 30 April 2021.

Tranche 1 (2,000,000 options) will vest on 31 October 2022 subject to Atomo extending Bondi Partners' consultancy engagement for a further period of at least six (6) months (in Atomo's sole discretion). These options are exercisable at an exercise price of \$0.40 per option and expire on 30 April 2024.

Tranche 2 (2,000,000 options) are exercisable at \$0.60, vest on 30 April 2022 and expire on 30 April 2024.

The Company has adopted the 'Black-Scholes' option model to determine the fair value of these options. The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
31/05/2021	30/04/2024	\$0.22	\$0.40	60.00%	0.00%	0.25%	\$0.051
31/05/2021	30/04/2024	\$0.22	\$0.60	60.00%	0.00%	0.25%	\$0.031

In estimating the expected volatility, management relied on historical volatility trends applicable to the Company's shares. Accordingly, the expected volatility used to assess the fair value of options may not necessarily be indicative of the actual volatility of Atomo's shares over the exercise period(s).

**Atomo Diagnostics Limited**  
**Directors' Declaration**  
**30 June 2021**

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 2021 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.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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:

A handwritten signature in black ink that reads "JOHN KEITH". The signature is written in a cursive, slightly stylized font.

John Keith  
Chair

27 August 2021  
Sydney



## INDEPENDENT AUDITOR'S REPORT

To the members of Atomo Diagnostics Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Atomo Diagnostics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

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

## Revenue recognition

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 3, the Group recognised revenue from the sale of goods and revenue from freight of \$6,715,659 for the year ended 30 June 2021. Revenue was identified as a key audit matter as it is a key performance indicator to the users of the financial report.</p>	<p>Our procedures, amongst others, include:</p> <ul style="list-style-type: none"> <li>- Reviewed whether the revenue recognition policies are in accordance with Australian Accounting Standards and the Group's accounting policies described in Note 1;</li> <li>- Substantive testing around year end to ensure revenue is correctly recorded in the period to which it relates;</li> <li>- Selected a sample of revenue transactions during the year and substantively test to ensure revenue has been appropriately reflected in the financial statements for the year ended 30 June 2021; and</li> <li>- Reviewed material revenue contracts and assessed if the Group's accounting treatment is in accordance with the Australian Accounting Standards.</li> </ul>

## Share based payments

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in the remuneration report and note 28 of the financial statements, in prior periods, the company issued incentive options to key management personnel, which the company has accounted for as share-based payments. During the period the company also issued share options to other stakeholders.</p> <p>Share-based payments and the subsequent measurement is a complex accounting area including assumptions utilised in the fair value calculations and judgements regarding the incentive options issued during the year and the subsequent measurement of those issued in prior periods. There is a risk in the financial statements that amounts are incorrectly recognised and/or inappropriately disclosed.</p> <p>Refer to note 1 and 2 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions.</p>	<p>Our procedures, amongst others, include:</p> <ul style="list-style-type: none"> <li>- Ensured that any share based payments issued during the financial period have been valued appropriately as at grant date;</li> <li>- Performed a review of the key estimates and assumptions applied in the accounting for share based payments, making an assessment as to whether they remain appropriate for the current period;</li> <li>- Performed a review of the share based payments to ensure these are being accounted for appropriately across the vesting period;</li> <li>- Ensured that options have been accounted for appropriately in accordance with AASB 2 Share Based Payments; and</li> <li>- Ensured disclosure in the financial statements and remuneration report are adequate to meet the requirements of the applicable accounting standards and the Corporations Act 2001.</li> </ul>



## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

## Responsibilities of the directors for the Financial Report

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

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

## Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Atomo Diagnostics Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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

BDO Audit Pty Ltd

A stylized, handwritten signature of the BDO firm, appearing as 'BDO' in a cursive script.

A handwritten signature in cursive script that reads 'Gareth Few'.

Gareth Few

Director

Sydney, 27 August 2021