

**1414 Degrees Ltd**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity: 1414 Degrees Ltd  
ABN: 57 138 803 620  
Reporting period: For the year ended 30 June 2025  
Previous period: For the year ended 30 June 2024

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

			\$
Other income from ordinary activities	up	28.5% to	53,621
Loss from ordinary activities after tax	up	33.3% to	(3,340,190)
Loss for the year	up	33.3% to	(3,340,190)

*Dividends*

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

*Comments*

The loss for the Company after providing for income tax amounted to \$3,340,190 (30 June 2024: \$2,505,500).

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**3. Net tangible assets**

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.16</u>	<u>2.66</u>

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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. Dividends**

*Current period*

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

*Previous period*

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

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**7. Dividend reinvestment plans**

Not applicable.

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## 8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
SiliconAurora Pty Ltd	50.00%	50.00%	(830,428)	(342,571)
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			(830,428)	(342,571)

## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

## 10. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The audit of the financial statements has not yet been finalised. At this stage no audit opinion has been issued.

## 11. Attachments

*Details of attachments (if any):*

The unaudited preliminary financial report of 1414 Degrees Ltd for the year ended 30 June 2025 is attached.

## 12. Signed

Signed 

Dr Kevin Moriarty - Executive Chairman

Date: 29 August 2025

**1414 Degrees Ltd**

**ABN 57 138 803 620**

**Unaudited Preliminary Financial Report - 30 June 2025**

**1414 Degrees Ltd**  
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**30 June 2025**

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**General information**

The unaudited preliminary financial report covers 1414 Degrees Ltd as an individual entity. The unaudited preliminary financial report is presented in Australian dollars, which is 1414 Degrees Ltd's functional and presentation currency.

1414 Degrees Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Western Plant, Door 1  
1 Watts Road, Tonsley  
South Australia, 5042

The unaudited preliminary financial report was authorised for issue, in accordance with a resolution of Directors, on 29 August 2025.

**1414 Degrees Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2025**

	Note	2025 \$	2024 \$
<b>Revenue</b>			
Other income	3	53,621	41,713
Total income		<u>53,621</u>	<u>41,713</u>
<b>Expenses</b>			
Administration and professional expenses		(1,048,729)	(1,282,421)
Depreciation and amortisation		(312,371)	(35,242)
Employee benefits expense		(622,909)	(245,301)
Finance costs		(78,258)	(40,529)
Loss on disposal of assets		-	(74,694)
Relocation costs		(1,705)	(135,333)
Share based payments (equity settled)	32	(6,954)	165,081
Share of loss - SiliconAurora joint venture		(830,428)	(342,571)
Other expenses	4	(492,457)	(556,203)
Total expenses		<u>(3,393,811)</u>	<u>(2,547,213)</u>
<b>Loss before income tax expense</b>		(3,340,190)	(2,505,500)
Income tax expense	5	-	-
<b>Loss after income tax expense for the year</b>	20	(3,340,190)	(2,505,500)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<u>(3,340,190)</u>	<u>(2,505,500)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	31	(1.23)	(1.07)
Diluted earnings per share	31	(1.23)	(1.07)

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

**1414 Degrees Ltd**  
**Statement of financial position**  
**As at 30 June 2025**

	Note	2025 \$	2024 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	1,799,915	1,707,352
Trade and other receivables	7	3,986,471	3,409,024
Financial assets	8	174,437	164,377
Other assets	11	84,282	155,006
<b>Total current assets</b>		<u>6,045,105</u>	<u>5,435,759</u>
<b>Non-current assets</b>			
Joint venture investment	9	951,513	1,781,941
Property, plant and equipment	12	206,854	152,840
Right-of-use assets	10	743,584	910,697
Intangibles assets	13	449,562	1,110,783
<b>Total non-current assets</b>		<u>2,351,513</u>	<u>3,956,261</u>
<b>Total assets</b>		<u>8,396,618</u>	<u>9,392,020</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	675,761	760,767
Lease liabilities	15	170,962	150,039
Employee benefits	16	168,964	152,677
Provisions	17	34,000	34,000
<b>Total current liabilities</b>		<u>1,049,687</u>	<u>1,097,483</u>
<b>Non-current liabilities</b>			
Lease liabilities	15	556,247	704,747
Employee benefits	16	40,891	23,498
Provisions	17	70,000	70,000
<b>Total non-current liabilities</b>		<u>667,138</u>	<u>798,245</u>
<b>Total liabilities</b>		<u>1,716,825</u>	<u>1,895,728</u>
<b>Net assets</b>		<u>6,679,793</u>	<u>7,496,292</u>
<b>Equity</b>			
Contributed equity	18	36,851,677	34,334,940
Reserves	19	8,548	2,639
Accumulated losses	20	<u>(30,180,432)</u>	<u>(26,841,287)</u>
<b>Total equity</b>		<u>6,679,793</u>	<u>7,496,292</u>

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

**1414 Degrees Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2025**

	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2023	33,002,185	167,720	(24,335,787)	8,834,118
Loss after income tax expense for the year	-	-	(2,505,500)	(2,505,500)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,505,500)	(2,505,500)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	1,332,755	-	-	1,332,755
Performance Rights Valuation	-	3,946	-	3,946
Performance Rights Lapsed	-	(1,435)	-	(1,435)
Options Lapsed	-	(167,592)	-	(167,592)
Balance at 30 June 2024	<u>34,334,940</u>	<u>2,639</u>	<u>(26,841,287)</u>	<u>7,496,292</u>
	<b>Contributed equity \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2024	34,334,940	2,639	(26,841,287)	7,496,292
Loss after income tax expense for the year	-	-	(3,340,190)	(3,340,190)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,340,190)	(3,340,190)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 18)	2,466,737	-	-	2,466,737
Contribution of unissued equity (note 18)	50,000	-	-	50,000
Performance Rights Valuation	-	6,954	-	6,954
Performance Rights Lapsed	-	(1,045)	1,045	-
Balance at 30 June 2025	<u>36,851,677</u>	<u>8,548</u>	<u>(30,180,432)</u>	<u>6,679,793</u>

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

**1414 Degrees Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2025**

	Note	2025 \$	2024 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	36,111
Payments to suppliers and employees		(2,437,114)	(2,120,252)
Interest received		40,677	29,826
Interest and other finance costs paid		(78,258)	(40,529)
Net cash used in operating activities	30	<u>(2,474,695)</u>	<u>(2,094,844)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	12	(98,789)	(142,439)
Payments for security deposits		-	(164,377)
Payments for product development activities		(720,342)	(1,749,626)
Partner project contributions		750,000	900,000
Research and development tax offset received and used for intangible asset	13	1,055,959	1,467,591
Government grant received and used for intangible asset	13	-	865,121
Loans to SiliconAurora joint venture		(800,000)	(401,069)
Proceeds from disposal of property, plant and equipment		-	6,982
Net cash from investing activities		<u>186,828</u>	<u>782,183</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	18	2,726,640	1,470,739
Proceeds from borrowings		264,327	-
Share issue transaction costs		(209,903)	(137,984)
Repayment of borrowings		(264,327)	-
Repayment of lease liabilities		(136,307)	(261,199)
Net cash from financing activities		<u>2,380,430</u>	<u>1,071,556</u>
Net increase/(decrease) in cash and cash equivalents		92,563	(241,105)
Cash and cash equivalents at the beginning of the financial year		<u>1,707,352</u>	<u>1,948,457</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>1,799,915</u></u>	<u><u>1,707,352</u></u>

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

**Note 1. Material accounting policy information**

**Going concern**

The unaudited preliminary financial report has been prepared on the basis of a going concern. The unaudited preliminary financial report shows the Company incurred a net loss of \$3,340,190 and a net cash inflow from activities of \$92,563 during the reporting period. The Company's ability to continue as a going concern is contingent upon generation of cash inflow from its business and/or successfully raising additional capital. The circumstances represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. No allowance for such circumstances has been made in the unaudited preliminary financial report.

**New or amended Accounting Standards and Interpretations adopted**

The Company 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.

**Basis of preparation**

The unaudited preliminary financial report has 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. This report also complies with International Financial Reporting Accounting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The unaudited preliminary financial report has 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.

*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.

*Critical accounting estimates*

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

**Other material accounting policies**

Other material accounting policies are separately disclosed in their corresponding note.

**Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the unaudited preliminary financial report 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. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

**Note 3. Other income**

	<b>2025</b>	<b>2024</b>
	\$	\$
Gain on sale of plant and equipment	-	6,982
Interest received	53,621	29,826
Other income	-	4,905
	<u>53,621</u>	<u>41,713</u>

**1414 Degrees Ltd**  
**Notes to the financial statements**  
**30 June 2025**

**Note 4. Other expenses**

	<b>2025</b>	<b>2024</b>
	\$	\$
Non-executive directors fees	116,711	100,000
Marketing	117,350	135,562
Other expenses	258,396	320,641
	<u>492,457</u>	<u>556,203</u>

**Note 5. Income tax expense**

	<b>2025</b>	<b>2024</b>
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(3,340,190)	(2,505,500)
Tax at the statutory tax rate of 25%	(835,048)	(626,375)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	1,477	(41,270)
Share of loss - SiliconAurora Joint Venture	207,607	85,643
Non-deductible expenses	254	196
	<u>(625,710)</u>	<u>(581,806)</u>
Current year tax losses not recognised	624,191	524,096
Current year temporary differences not recognised	1,519	57,710
	<u>-</u>	<u>-</u>
Income tax expense	-	-

	<b>2025</b>	<b>2024</b>
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	11,887,699	9,301,428
Potential tax benefit @ 25%	2,971,925	2,325,357

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	<b>2025</b>	<b>2024</b>
	\$	\$
<i>Deferred tax assets/(liabilities) not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Right of use assets	(185,896)	(227,674)
Lease liabilities	181,803	213,697
Employee benefits	52,463	51,680
Provision for lease make good	17,500	17,500
Provision for remediation	8,500	8,500
Accrued expenses	19,627	45,250
Trade and other payables	13,448	-
Plant and equipment	3,027	-
	<u>110,472</u>	<u>108,953</u>
Total deferred tax not recognised	110,472	108,953

**1414 Degrees Ltd**  
**Notes to the financial statements**  
**30 June 2025**

**Note 5. Income tax expense (continued)**

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

**Note 6. Cash and cash equivalents**

	<b>2025</b>	<b>2024</b>
	\$	\$
<i>Current assets</i>		
Cash at bank	1,799,915	1,707,352

*Accounting policy for 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.

**Note 7. Trade and other receivables**

	<b>2025</b>	<b>2024</b>
	\$	\$
<i>Current assets</i>		
R & D refundable tax offset	881,925	970,733
SiliconAurora sale proceeds receivable	1,500,000	1,500,000
SiliconAurora Pty Ltd loan	1,561,525	761,525
Other receivables	43,021	176,766
	<u>3,986,471</u>	<u>3,409,024</u>

*SiliconAurora sale proceeds receivable*

On 19 June 2022 the Company entered into an agreement for the sale of 50% of the shares in SiliconAurora Pty Ltd to a wholly owned subsidiary of Vast Solar Pty Ltd (Vast Solar). Part of the consideration for the sale is deferred until 30 days after SiliconAurora receives a written offer to connect to the transmission system from the relevant Network Service Provider under the rules of the National Electricity Market.

*SiliconAurora Pty Ltd loan*

The term of the loan as outlined in the shareholder agreement has expired. As a result, the company retains the right to recall the loaned funds at its discretion. The loan remains unsecured, with no interest charged on the loan balance.

*Accounting policy for research & development tax incentives*

To the extent that research and development costs are eligible activities under the "Research and development tax incentive" programme, a refundable tax offset is available for companies with annual turnover of less than \$20 million. The Company recognises a receivable offset in the financial year at its fair value only to the extent that where there is reasonable assurance that the incentive will be received.

*Accounting policy for trade and other receivables*

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

**Note 8. Financial assets**

	2025 \$	2024 \$
<i>Current assets</i>		
Term deposit - 12 month maturity	<u>174,437</u>	<u>164,377</u>

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening carrying amount at amortised cost	164,377	-
Additions	-	164,377
Interest	<u>10,060</u>	<u>-</u>
Closing carrying amount at amortised cost	<u>174,437</u>	<u>164,377</u>

**Note 9. Joint venture investment**

	2025 \$	2024 \$
<i>Non-current assets</i>		
SiliconAurora Pty Ltd	<u>951,513</u>	<u>1,781,941</u>

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	1,781,941	2,124,512
Share of loss	<u>(830,428)</u>	<u>(342,571)</u>
Closing fair value	<u>951,513</u>	<u>1,781,941</u>

**Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the joint venture.

On 19 June 2022 the Company entered into an agreement for the sale of 50% of the shares in SiliconAurora Pty Ltd to a wholly owned subsidiary of Vast Solar Pty Ltd (Vast).

Under the terms of the sale agreement the purchase price of \$2,500,000 was payable in two instalments. An initial \$1,000,000 was received upon completion and a further \$1,500,000 will be paid when SiliconAurora receives a written offer to connect to the transmission system from the relevant Network Service Provider under the rules of the National Electricity Market. The \$1,500,000 was still outstanding as at 30 June 2025 (note 7).

In addition to the sale agreement Vast and the Company have executed a Shareholders Agreement that will govern the ongoing operation of SiliconAurora and the development of the Aurora Energy Project.

**1414 Degrees Ltd**  
**Notes to the financial statements**  
**30 June 2025**

**Note 10. Right-of-use assets**

	2025 \$	2024 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	984,882	958,629
Less: Accumulated depreciation	<u>(241,298)</u>	<u>(47,932)</u>
	<u>743,584</u>	<u>910,697</u>

*Reconciliations*

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

	Daws Road \$	Watts Road \$	Total \$
Balance at 1 July 2023	226,192	-	226,192
Additions	-	958,629	958,629
Amortisation expense	<u>(226,192)</u>	<u>(47,932)</u>	<u>(274,124)</u>
Balance at 30 June 2024	-	910,697	910,697
Modification	-	26,254	26,254
Amortisation expense	<u>-</u>	<u>(193,367)</u>	<u>(193,367)</u>
Balance at 30 June 2025	<u>-</u>	<u>743,584</u>	<u>743,584</u>

*Accounting policy for right-of-use assets*

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

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

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

**Note 11. Other**

	2025 \$	2024 \$
<i>Current assets</i>		
Prepayments	83,110	153,834
Other current assets	<u>1,172</u>	<u>1,172</u>
	<u>84,282</u>	<u>155,006</u>

**Note 12. Property, plant and equipment**

	2025 \$	2024 \$
<i>Non-current assets</i>		
Plant and equipment - at cost	156,055	80,780
Less: Accumulated depreciation	<u>(27,678)</u>	<u>(5,231)</u>
	128,377	75,549
Fixtures and fittings - at cost	118,746	118,073
Less: Accumulated depreciation	<u>(61,745)</u>	<u>(45,903)</u>
	57,001	72,170
Office equipment - at cost	74,973	52,133
Less: Accumulated depreciation	<u>(53,497)</u>	<u>(47,012)</u>
	21,476	5,121
	<u>206,854</u>	<u>152,840</u>

*Reconciliations*

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

	Plant and equipment \$	Fixtures and fittings \$	Office equipment \$	Total \$
Balance at 1 July 2024	75,549	72,170	5,121	152,840
Additions	75,274	674	22,841	98,789
Depreciation expense	<u>(22,446)</u>	<u>(15,843)</u>	<u>(6,486)</u>	<u>(44,775)</u>
Balance at 30 June 2025	<u>128,377</u>	<u>57,001</u>	<u>21,476</u>	<u>206,854</u>

*Accounting policy for property, plant and equipment*

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years
Fixtures and fittings	3-10 years
Office equipment	3-7 years

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Note 13. Intangibles**

	2025 \$	2024 \$
<i>Non-current assets</i>		
SiBox demonstration model	14,868,132	14,868,132
Government grants, tax offsets and Woodside funding applied	(14,325,833)	(14,125,833)
Less: Accumulated amortisation	<u>(92,737)</u>	<u>(18,507)</u>
	449,562	723,792
Product development - intellectual property	1,257,333	536,991
Government grants and R & D refundable tax offsets applied	(967,151)	-
Woodside funding applied	<u>(290,182)</u>	<u>(150,000)</u>
	-	386,991
	<u>449,562</u>	<u>1,110,783</u>

*Reconciliations*

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

	Product Development \$	SiBox demonstration model \$	Total \$
Balance at 1 July 2024	386,991	723,792	1,110,783
Additions	720,342	-	720,342
R & D tax offset applied	(967,151)	-	(967,151)
Woodside funding applied	(140,182)	(200,000)	(340,182)
Amortisation expense	<u>-</u>	<u>(74,230)</u>	<u>(74,230)</u>
Balance at 30 June 2025	<u>-</u>	<u>449,562</u>	<u>449,562</u>

Intellectual property consists of TESS (thermal energy storage system) development of bulk energy storage solutions and SiPHyR (SiBrick integrated Pyrolytic Hydrogen Reactor) development. The government grants relate to accelerating the commercialisation of the Company's intellectual property.

The intangible assets are tested for impairment when an impairment indicator is detected.

*Research and development tax offset*

Research and development tax incentives are assistance by government in the form of refund research and development expenses to an entity in return for past and future compliance with certain conditions related to the operating activities of the entity. The tax offset received are presented in the statement of financial position by deducting the grant from the carrying amount of the intangible asset.

*Woodside funding*

1414 Degrees Limited have entered into an agreement with Woodside Energy Technologies to further develop and commercialise SiBox and SiPHyR technologies. Funding receipts from Woodside Energy Group Ltd are accounted for as a deduction against the cost of the intangible asset to extent that it has been expended. Funding received in excess of the amount expended while developing the intangible asset is recognised as a trade and other payables in the statement of financial position (note 14).

*Intellectual property*

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

**Note 13. Intangibles (continued)**

*SiBox demonstration model*

On 28 March 2024 the company successfully completed a 12 month testing phase of the SiBox Demonstration Module. The project is now ready for commercialisation and the demonstration model has been recognised as a separate class of intangible asset on the statement of financial position.

**Note 14. Trade and other payables**

	2025 \$	2024 \$
<i>Current liabilities</i>		
Trade payables	208,425	491,505
Woodside funding received in advance	259,818	-
BAS payable	-	24,938
Other payables and accruals	207,518	244,324
	<u>675,761</u>	<u>760,767</u>

Refer to (note 22) for further information on financial instruments.

*Accounting policy for trade and other payables*

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

**Note 15. Lease liabilities**

	2025 \$	2024 \$
<i>Current liabilities</i>		
Lease liability	170,962	150,039
<i>Non-current liabilities</i>		
Lease liability	556,247	704,747
	<u>727,209</u>	<u>854,786</u>

Refer to note 22 for further information on financial instruments.

Total interest incurred on the lease liability for the year was \$69,423 (2024: \$40,529).

*Accounting policy for lease liabilities*

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

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

**Note 16. Employee benefits**

	2025 \$	2024 \$
<i>Current liabilities</i>		
Annual leave	118,314	101,765
Long service leave	50,650	50,912
	<u>168,964</u>	<u>152,677</u>
<i>Non-current liabilities</i>		
Long service leave	40,891	23,498
	<u>209,855</u>	<u>176,175</u>

*Accounting policy for 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Note 17. Provisions**

	2025 \$	2024 \$
<i>Current liabilities</i>		
Provision for Gas-TESS decommissioning	34,000	34,000
<i>Non-current liabilities</i>		
Lease make good	70,000	70,000
	<u>104,000</u>	<u>104,000</u>

*Gas-TESS Decommissioning Provision*

The provision for decommissioning the GAS-TESS (Glenelg Project) site is an estimate of the costs to demolish and reinstate the site.

*Accounting policy for provisions*

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company 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.

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**Note 18. Contributed equity**

	2025 Shares	2024 Shares	2025 \$	2024 \$
Ordinary shares - fully paid	287,779,018	238,168,521	36,801,677	34,334,940
Unissued ordinary shares	3,846,154	-	50,000	-
	<u>291,625,172</u>	<u>238,168,521</u>	<u>36,851,677</u>	<u>34,334,940</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	205,485,458		33,002,185
Issue of shares	21 August 2023	32,683,063	\$0.0450	1,470,739
Transaction costs		-	\$0.0000	(137,984)
Balance	30 June 2024	238,168,521		34,334,940
Issue of shares - share purchase plan	25/09/2024	17,944,075	\$0.0600	1,076,640
Issue of shares - placement	27/09/2024	20,000,000	\$0.0780	1,300,000
Issue of shares - placement	22/10/2024	2,040,817	\$0.0490	100,000
Issue of shares - placement	30/12/2024	4,347,827	\$0.0230	100,000
Issue of shares - placement	29/01/2025	2,500,000	\$0.0200	50,000
Issue of shares - placement	04/03/2025	2,777,778	\$0.0180	50,000
Transaction costs		-	\$0.0000	(209,903)
Balance	30 June 2025	<u>287,779,018</u>		<u>36,801,677</u>

*Movements in unissued share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2024	-		-
Unissued shares	5/06/2025	3,846,154	\$0.0130	50,000
Balance	30 June 2025	<u>3,846,154</u>		<u>50,000</u>

*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.

*Unissued shares*

On 5 June 2025 the Company received \$50,000 from Lind Global Fund pursuant to the Share Purchase Agreement dated 19 August 2024. 3,846,154 shares were subsequently issued on 3 July 2025.

*Share buy-back*

There is no current on-market share buy-back.

*Capital risk management*

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

**Note 18. Contributed equity (continued)**

The Company would 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 Company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

The capital risk management policy remains unchanged from the 30 June 2024 Annual Report.

*Accounting policy for issued capital*

Ordinary shares are classified as equity.

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

**Note 19. Reserves**

	2025 \$	2024 \$
Share-based payments reserve	8,548	2,639

*Movements in reserves*

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

	Share based payments reserve - ESS \$	Share based payments reserve - Call Option \$	Total \$
Balance at 1 July 2023	128	167,592	167,720
Employee Share Scheme - Performance Rights Valuation	3,946	-	3,946
Employee Share Scheme - Performance Rights Lapsed	(1,435)	-	(1,435)
Options lapsed	-	(167,592)	(167,592)
Balance at 30 June 2024	2,639	-	2,639
Employee Share Scheme - Performance Rights Valuation	6,954	-	6,954
Employee Share Scheme - Performance Rights Lapsed	(1,045)	-	(1,045)
Balance at 30 June 2025	8,548	-	8,548

*Share-based payments reserve - ESS*

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration.

*Share-based payments reserve - Call Option*

As part of the sale agreement of SiliconAurora Pty Ltd entities associated with the owners of Vast Solar were granted Call Options with a strike price of \$0.16 per share. The call options were valued at \$167,592 and a share based payment was recognised in the year ended 30 June 2021, reducing the profit on the sale of the shares in SiliconAurora Pty Ltd. The options lapsed during the year ended 30 June 2024.

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**Note 20. Accumulated losses**

	2025 \$	2024 \$
Accumulated losses at the beginning of the financial year	(26,841,287)	(24,335,787)
Loss after income tax expense for the year	(3,340,190)	(2,505,500)
Transfer from options reserve	1,045	-
Accumulated losses at the end of the financial year	<u>(30,180,432)</u>	<u>(26,841,287)</u>

**Note 21. Dividends**

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

**Note 22. Financial instruments**

***Financial risk management objectives***

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

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

	2025 \$	2024 \$
<b>Financial assets</b>		
Financial assets at amortised cost:		
Cash and cash equivalents	1,799,915	1,707,352
Trade and other receivables - SiliconAurora sales proceeds	1,500,000	1,500,000
Trade and other receivables - SiliconAurora loan	1,561,525	761,525
Trade and other receivables - R&D tax refund	881,925	970,733
Trade and other receivables - other	43,021	177,938
Total financial assets	<u>5,786,386</u>	<u>5,117,548</u>
<b>Financial liabilities</b>		
Trade and other payables	675,761	760,763
Lease liabilities	727,209	921,873
Total financial liabilities	<u>1,402,970</u>	<u>1,682,636</u>

***General objectives, policies and processes***

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

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

***Market risk***

The Company's activities have no material exposure to financial risks of changes in interest rates. The Company analyses its risk by considering sensitivity on its interest rate exposures and determining the potential impact on its effected expenses and revenue of movements in these rates. If the potential variance is material then management may seek to minimise this exposure but it does not consider this to be the case at this time.

***Foreign currency risk***

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

**Note 22. Financial instruments (continued)**

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 Company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2025 \$	2024 \$	2025 \$	2024 \$
US dollars	133	131	-	-
Euros	279	249	-	-
	<u>412</u>	<u>380</u>	<u>-</u>	<u>-</u>

The Company had net assets denominated in foreign currencies of \$412 as at 30 June 2025 (2024: \$380).

The actual foreign exchange loss for the year ended 30 June 2025 was \$1,950 (2024: loss of \$1,610).

**Interest rate risk**

At 30 June 2025 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$1,799,915. A +/-1% change in interest rates during the year ended 30 June 2025 will result in a +/- change in net interest income of \$17,999.

At 30 June 2024 investment in Cash, Fixed Interest and Floating Interest rate deposits amounted to \$1,707,351. A +/-1% change in interest rates during the year ended 30 June 2024 will result in a +/- change in net interest income of \$17,074.

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

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company, except for the Australian Taxation Office which is the counter party to the R & D Offset shown in note 7 and Vast Solar Pty Ltd which is our Joint Venture partner following their purchase of 50% of the shares in SiliconAurora Pty Ltd. Trade receivables represent the maximum exposure to credit risk, credit quality is considered good.

**Liquidity risk**

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

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**Note 22. Financial instruments (continued)**

**Financial liability and financial asset maturity analysis**

<b>2025</b>	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<i>Financial liabilities due for settlement</i>					
Trade and other payables	(415,943)	-	-	-	(415,943)
Lease liabilities	(170,963)	(392,906)	(163,341)	-	(727,210)
<i>Financial assets - cash flows realisable</i>					
Cast at bank	1,799,915	-	-	-	1,799,915
Term deposits	-	174,437	-	-	174,437
Trade and other receivables	2,424,946	-	-	-	2,424,946
Other loans	1,561,525	-	-	-	1,561,525
Total non-derivatives	<u>5,199,480</u>	<u>(218,469)</u>	<u>(163,341)</u>	<u>-</u>	<u>4,817,670</u>

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

**Note 23. Key management personnel disclosures**

*Compensation*

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

	<b>2025</b> \$	<b>2024</b> \$
Short-term employee benefits	316,711	307,437
Post-employment benefits	23,000	21,267
Long-term benefits	12,885	-
Share-based payments	3,585	-
	<u>356,181</u>	<u>328,704</u>

**Note 24. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company:

	<b>2025</b> \$	<b>2024</b> \$
<i>Audit services - BDO Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>61,740</u>	<u>53,000</u>

**Note 25. Contingent liabilities**

As at 30 June 2025 those charged with governance of the Company note that there are no known contingent liabilities (2024: nil).

**Note 26. Commitments**

*Aurora Energy Project*

On 15 June 2022 the Company and a wholly owned subsidiary of Vast Solar Pty Ltd (Vast) entered into a Shareholder Agreement (SA) with for the 50/50 incorporated Joint Venture of SiliconAurora Pty Ltd (SiliconAurora). The SA governs the ongoing operation of SiliconAurora and the development of the Aurora Energy Project (Aurora).

**Note 26. Commitments (continued)**

The SA includes an agreement to complete all development activities required to get to Stage 1 of Aurora (a 140 MW 1-2 hour Battery Energy Storage System or BESS) to a position of readiness for a Final Investment Decision (FID). Under the terms of the agreement, Vast and the Company will each contribute 50% of the development costs associated with the Stage 1 Development. At 30 June 2025 the Joint Venture partners had contributed \$3,123,051 in total (2024: \$1,521,999).

**Note 27. Related party transactions**

*Transactions with related parties*

The following transactions occurred with related parties:

	2025 \$	2024 \$
Payment for other expenses:		
Other expenses paid on behalf of joint venture	-	62,394

A related party of the Executive Chairman is an employee and shareholder of the Company. Their employment arrangements are set by an employment contract as agreed by the board.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2025 \$	2024 \$
Current receivables:		
Trade receivables from joint venture	11,799	11,326

*Loans to/from related parties*

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2025 \$	2024 \$
Current receivables:		
Loan to joint venture	1,561,525	761,526

The loan to the joint venture is interest-free and unsecured.

**Note 28. Interests in joint ventures**

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Company are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2025 %	2024 %
SiliconAurora Pty Ltd	Australia	50.00%	50.00%

**Note 29. Events after the reporting period**

On 5 June 2025 the Company received \$50,000 from Lind Global Fund pursuant to the Share Purchase Agreement dated 19 August 2024. 3,846,154 shares were subsequently issued on 3 July 2025.

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**Note 29. Events after the reporting period (continued)**

On 8 July 2025 the company announced that SiPHyR technology has been awarded an Australia's Economic Accelerator (AEA) Ignite grant of \$492,526 for catalyst development by universities of Adelaide and Queensland. SiPHyR development is further supported by \$2.5 million contribution from the Cooperative Research Centres Projects (CRC-P) program as part of a \$5.2 million collaborative project with the University of Adelaide, Woodside Energy, RMIT and Vulcan Steel.

250,000 performance rights were cancelled on 21 August 2025 in accordance with the terms and conditions they were issued under as they will not meet their vesting criteria.

On 21 August 2025, 35,650,988 options with an exercise price of \$0.10 expired, unexercised.

On 22 August 2025 32,075 ordinary fully paid shares were issued pursuant to the exercise of options with the exercise price of \$0.10.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Note 30. Reconciliation of loss after income tax to net cash used in operating activities**

	2025 \$	2024 \$
Loss after income tax expense for the year	(3,340,190)	(2,505,500)
Adjustments for:		
Depreciation and amortisation	312,371	35,242
Write off of property, plant and equipment	-	17,137
Share of loss - joint ventures	830,428	342,571
Share-based payments	6,954	(165,081)
Other	33,609	20,700
Change in operating assets and liabilities:		
Increase in trade and other receivables	(77,447)	(162,503)
Decrease in other operating assets	70,724	17,480
Decrease/(increase) trade and other payables	(344,824)	275,221
Increase in employee benefits	33,680	29,889
Net cash used in operating activities	<u>(2,474,695)</u>	<u>(2,094,844)</u>

**Note 31. Earnings per share**

	2025 \$	2024 \$
Loss after income tax	<u>(3,340,190)</u>	<u>(2,505,500)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>272,605,209</u>	<u>233,614,324</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>272,605,209</u>	<u>233,614,324</u>
	Cents	Cents
Basic earnings per share	(1.23)	(1.07)
Diluted earnings per share	(1.23)	(1.07)

**Note 31. Earnings per share (continued)**

*Accounting policy for earnings per share*

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of 1414 Degrees Ltd, 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. The potential ordinary shares are considered to be anti-dilutive as it is unlikely that they will be issued.

**Note 32. Share-based payments**

No shares were issued to employees of the Company in this financial year as part of the Company's Performance Right's plan (2024: Nil).

During the year no shares were issued to key management personnel as part of the Company's Performance Rights Plan (2024: Nil), During the year no shares were issued to key management personnel as part of compensation (2024: Nil).

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

Set out below are summaries of performance rights outstanding at the end of the financial year:

**2025**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
25/05/2023	25/05/2025	\$0.0000	1,110,000	-	-	(1,110,000)	-
25/05/2023	25/05/2026	\$0.0000	2,200,000	-	-	-	2,200,000
10/11/2023	31/12/2024	\$0.0000	3,200,000	-	-	(3,200,000)	-
10/11/2023	31/12/2025	\$0.0000	3,200,000	-	-	-	3,200,000
19/11/2024	31/12/2025	\$0.0000	-	4,000,000	-	-	4,000,000
			<u>9,710,000</u>	<u>4,000,000</u>	<u>-</u>	<u>(4,310,000)</u>	<u>9,400,000</u>

- The fair value of the 1,110,000 performance rights that expired on 25 May 2025 was \$128 (\$0.00018 per performance right).
- The fair value of the 2,000,000 performance rights expiring on 25 May 2026 is \$24 (\$0.00003 per performance right).
- The fair value of the 3,200,000 performance rights that expired on 31 December 2024 was \$2,025 (\$0.00079 per performance right).
- The fair value of the 3,200,000 performance rights expiring on 31 December 2025 is \$4,780 (\$0.00213 per performance right).
- The fair value of the 4,000,000 performance rights expiring on 31 December 2025 is \$6,295 (\$0.00225 per performance right).

**Note 32. Share-based payments (continued)**

**2024**

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
25/05/2023	25/05/2024	\$0.0000	855,000	-	-	(855,000)	-
25/05/2023	25/05/2025	\$0.0000	1,210,000	-	-	(100,000)	1,110,000
25/05/2023	25/05/2026	\$0.0000	2,400,000	-	-	(200,000)	2,200,000
10/11/2023	30/06/2024	\$0.0000	-	3,200,000	-	(3,200,000)	-
10/11/2023	31/12/2024	\$0.0000	-	3,200,000	-	-	3,200,000
10/11/2023	31/12/2025	\$0.0000	-	3,200,000	-	-	3,200,000
			<u>4,465,000</u>	<u>9,600,000</u>	<u>-</u>	<u>(4,355,000)</u>	<u>9,710,000</u>

There are no performance rights exercisable at the end of the financial year.

The weighted average exercise price during the financial year was \$0 (2024: \$0).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.59 years (2024: 1.2 years).

*Accounting policy for share-based payments*

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the 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 Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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

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

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company 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.