



REMSense TECHNOLOGIES LIMITED

ABN 50 648 834 771

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2023

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CONTENTS

DIRECTORS' REPORT	1
AUDITOR'S INDEPENDENCE DECLARATION	23
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ...	24
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
CONSOLIDATED STATEMENT OF CASH FLOWS	27
NOTES TO THE CONSOLIDATED FINANCIAL REPORT	28
DIRECTORS' DECLARATION	69
INDEPENDENT AUDITOR'S REPORT	70
SECURITIES EXCHANGE INFORMATION	74
CORPORATE DIRECTORY	77

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DIRECTORS' REPORT

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

DIRECTORS

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

Steve Brown	Managing Director	Retired as Managing Director, effective 29 September 2023.
Chris Sutherland	Non-executive Chairman	
Ross Taylor	Non-executive Director	
Nicole O'Connor	Non-executive Director	Resigned 12 February 2023 due to her employer policy requirements.
Sue Murphy	Non-executive Director	Appointed 14 May 2023

PRINCIPAL ACTIVITIES

During the course of the financial year, the Company engaged in the following activities:

- Continued to develop and market virtualplant. Virtualplant is a productive and scalable photogrammic digital twin that enables visual information from remote or distributed assets to be securely available to all users on existing hardware.
- Provided data and analytics services to clients through both aerial and terrestrial scanning and imaging. RemSense provides a broad spectrum of services such as photogrammetry/surveying, inspection of assets and environmental and rehabilitation impact studies.

OPERATING HIGHLIGHTS

Operation highlights for the 2023 financial year include the following:

- Developed the virtualplant digital twin solution as a fully certified enterprise grade solution with analytics capabilities as identified by targeted partners and clients.
- Refreshed the marketing strategy to give greater focus on strategic partnerships with leading global asset management solution providers.
- Renewed Annual SaaS contracts with Woodside Energy Ltd in January 2023.
- Completed the purchase of Intellectual Property from Woodside Energy Technologies Pty Ltd (Woodside) for \$400,000 funded by founders and directors exercising 25c options to inject the additional cash required.

- Established a key partnership with leading global asset management system provider IBM.
- Worked with Global industrial technology company Oceaneering to provide data capture and asset visualisation through the virtualplant platform to support the plant life extension for the Triangle Energy Cliff Head platform.
- Following the successful virtualplant scanning of the Wheatstone platform, RemSense undertook virtualplant scanning of Gorgon LNG Train 2 for a contract value of approximately \$500,000.
- Secured a 2-year agreement for virtualplant scanning across a number of Chevron's key LNG assets (contract value \$2 million, refer to ASX release dated 7 March 2023) and successfully delivered virtualplant scanning data to Chevron for first facility.
- Completed a virtualplant photogrammic digital twin of the Pyrenees FPSO (Floating Production Storage and Offloading vessel), a former BHP asset, for a contract value of \$206,000 which included operational data capture and a SaaS agreement for an initial one (1) year contract. This project was completed ahead of schedule in early January 2023.
- Successfully completed third party cyber security penetration testing of the new v3 virtualplant release.
- Site trials were conducted with Newmont at their Boddington gold mine to enable Newmont to assess the use of virtualplant to manage their mine site infrastructure, with additional work completed to incorporate Newmont requested additional features and virtualplant integration.
- Remsense concluded a pilot program with Programmed virtualplant scanning of key water and power infrastructure on Rottnest Island WA, and integration into Programmed's existing IBM MAS asset management system. This is now being evaluated by Programmed for wider application across Programmed managed asset business.
- Delivered new work pack generation tool within virtualplant for Woodside corrosion maintenance repair planning. This feature allows the management of inspection and remediation work packages. This new feature adds more capability to virtualplant, creating new productivity improvements for clients and widening the products appeal.
- Continued working with Programmed to deliver integration into IBM Maximo following virtualplant scanning of key water and power infrastructure on Rottnest Island WA.
- Continued to work with Peak Asset Management to finalise placement to fund non-organic growth.

FINANCIAL RESULTS FOR THE YEAR:

- Revenue of \$2,084,835 (FY22: \$3,961,304), was lower as the Company determined not to pursue non virtualplant related engineering projects and focus its efforts on the further development and marketing of its virtualplant technology.
- Virtualplant revenue more than trebled from \$414,868 in FY22 to \$1,506,520 in FY23.
- A net loss of \$3,033,883 (FY22: \$2,451,102), largely as a result of lower revenue. As at 30 June 2023, the Company's cash position was \$789,652 (FY22: \$2,140,174). Cash expenditure invested/incurred during the period included:

- Investment in product development (\$828,698).
- Purchase of new scanning, drones and camera equipment (\$118,266).
- Repayment of borrowings on insurance premium funding and equipment loan (\$223,908).

DIVIDENDS

The Directors recommend that no dividend be provided for the year ended 30 June 2023 (2022: Nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as reported in the Financial Results for the year, there were no matters that significantly affected the affairs of the Group during the reporting period.

MATERIAL BUSINESS RISKS

Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's continuing ability to generate income from its operations, the Company may require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development programmes as the case may be. The Company has developed a sales strategy, which when fully implemented, will reduce reliance on future external funding.

Loss of key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment. The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

Loss of Customers

The Company has established important relationships through development of its business to date. The loss of one or more customers through termination or expiry of contracts may adversely affect the operating results of the Company. The Company is taking steps to increase its customer base to divest this risk.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than as disclosed in note 6.7 of the notes to the financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

The Group has a growth plan for the business as most recently described in the Entitlement Issue Prospectus (refer to ASX release dated 3 April 2023).

ENVIRONMENTAL REGULATIONS

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

CORPORATE GOVERNANCE DISCLOSURE

The Group's Corporate Governance Statement for the year ended 30 June 2023 can be found at <https://remsense.com.au/investors/corporate-governance/>. The statement also summarises the extent to which the Group has complied with the Corporate Governance Council's recommendations.

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INFORMATION ON DIRECTORS

'Other current directorships' are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships' are directorships held in the last three years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Experience, qualifications and other directorships

Name:	Chris Sutherland
Title:	Non-Executive Chairman
Qualifications:	BEng., AICD.
Experience and expertise:	<p>Mr Sutherland has significant executive leadership expertise spanning more than 20 years, encompassing a wide array of sectors in Australia; including oil and gas, resources, infrastructure, and manufacturing. Most notably he was Managing Director and Chief Executive Officer of Programmed Maintenance Services Limited (formerly Integrated Group), a leading staffing, maintenance, and facility management services provider, from January 2008 to September 2019. This included leading Programmed during its acquisition by Japanese-based group Persol in 2017.</p> <p>Chris was also APAC Region Managing Director of subsea contracting firm, Sonsub Services and has held various executive and management roles with major multidisciplinary engineering companies including Clough and WorleyParsons.</p> <p>Chris completed an Advanced Management Program at Harvard Business School, was a co-founder and Chair of a Perth-based group of CEOs for Gender Equality and was awarded the Australian Human Resources Institute CEO Diversity Champion Award (AHRI) in 2017.</p>
Other current directorships:	<p>Non-Executive Chairman of CopperSearch Ltd Appointed 21 June 2021 / ASX Listing 14 September 2021</p> <p>Non-Executive Director of Matrix Composites & Engineering Limited Appointed: 10 December 2020</p>
Former directorships (past 3 years):	<p>Non-Executive Director of MACA Limited From 26 February 2020 to 10 September 2020</p>
Special responsibilities:	<p>Member of the Audit and Risk Committee</p> <p>Member of the People and Nomination Committee</p>
Interests in shares:	1,126,929
Interests in options:	3,906,733

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INFORMATION ON DIRECTORS (continued)

Experience, qualifications and other directorships

Name:	Steve Brown
Title:	Managing Director
Experience and expertise:	Mr Brown is a commercially astute, results driven and focused strategic leader with a proven track record in orchestrating strong organisational and revenue growth. He has extensive expertise in establishing and articulating company direction, high level strategy, evaluating complex operating environments, emerging market trends, and aligning corporate culture. Steve has repeated success in building outstanding professional teams to support high growth organisations.
	Steve has over 20 years' experience as CEO with Covus Corporation (a subsidiary of Clough) and European company DOF Subsea from 2005 until 2013 where he was responsible for the global business based in Europe and Executive Vice President responsible for Australia and Asia, with directorships on all group companies in Australia, Singapore, Indonesia, Malaysia, and Brunei.
Other current directorships:	None
Former directorships (past 3 years):	None
Special responsibilities:	None
Interests in shares:	13,587,639
Interests in options:	1,100,000

Name:	Ross Taylor
Title:	Non-Executive Director
Qualifications:	BCom (UQ), SIA, ACA.
Experience and expertise:	Mr Taylor is a Chartered Accountant and an investment banking consultant with a thorough knowledge of international financial markets gained whilst working in Australia, London, New York, and Tokyo. Ross has extensive experience in the global investment banking sector and has held senior positions with Deutsche Bank, Bankers Trust and Barclays Capital.
Other current directorships:	Non-Executive Chairman of Lodestar Minerals Limited Appointed: 30 June 2014
Former directorships (past 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee Member of the People and Nomination Committee
Interests in shares:	222,394
Interests in options:	3,325,599

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INFORMATION ON DIRECTORS (continued)

Experience, qualifications and other directorships

Name:	Nicole O'Connor
Title:	Non-Executive Director (resigned 13 February 2023)
Experience and expertise:	<p>Accomplished executive with proven strategic, digital and transformational capability, Nicole has broad experience across many industries including technology software services, utilities, tertiary education, and resources. Currently serving as the AWS Manager for Public Sector in Amazon Web Services (AWS), she is passionate about leveraging digital innovation to drive improved citizen outcomes, and sustainable professional and workplace practices.</p> <p>Prior roles include the Director of Research at Curtin University, WA General Manager for SAP in WA, and a range of roles at IBM, including leadership of the infrastructure business across WA, SA and NT.</p> <p>Nicole holds a B.A, a Higher Diploma in Education, a Master of Literature, and is a graduate of the AICD. She currently serves as a Non-Executive Director on the Telethon Kid's Institute Board, where she chairs the Risk and Compliance Committee.</p>
Other current directorships:	Non-Executive Director on the Telethon Kid's Institute Board
Former directorships (past 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee Chair of the People and Nomination Committee
Interests in shares:	Nil
Interests in options:	Nil

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INFORMATION ON DIRECTORS (continued)

Experience, qualifications and other directorships

Name:	Sue Murphy
Title:	Non-Executive Director
Experience and expertise:	<p>Sue has over 40 years of experience in the resources and infrastructure industries. Holding a Bachelor of Civil Engineering from the University of Western Australia, Sue commenced as a Graduate Engineer with Clough Engineering in 1980. She went on to enjoy a 25-year career with Clough, progressing through a wide range of operational and leadership roles before being appointed to the Board of Clough Engineering Ltd in 1998.</p> <p>After leaving Clough in 2004, Sue joined the Water Corporation of Western Australia as the General Manager of Planning and Infrastructure, before being appointed as Chief Executive Officer in 2008, a role she held for over a decade.</p> <p>Sue has received many accolades throughout her career including being awarded the prestigious Sir John Holland Civil Engineer of the Year Award by the Board of the College of Civil Engineers and is an Honorary Fellow of Engineers Australia. She was recognised for her work in water infrastructure with the International Water Association's 2014 Women in Water award and was the 2018/19 West Australian Business Leader of the Year at the AIM WA Pinnacle Awards. In 2019, Sue was made an Officer of the Order of Australia for distinguished service to the natural resources sector in Western Australia and to engineering.</p>
Other current directorships:	Sue is currently a Director of MMA Offshore Limited, Monadelphous Group Limited, the West Australian Treasury Corporation, and Pro Chancellor of the University of Western Australia.
Former directorships (past 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee Chair of the People and Nomination Committee
Interests in shares:	50,000
Interests in options:	3,000,000

COMPANY SECRETARY

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 19 March 2021. David has a Bachelor of Commerce Degree from the University of Western Australia. He is a Chartered Accountant, having spent four years with a major international accounting firm, and has over 30 years' experience in the accounting profession. David has been actively involved in the financial and corporate management of numerous public listed companies over the past 30 years.

David has substantial experience in capital raisings, company re-organisations and restructuring, mergers and takeovers, and asset acquisitions by public companies.

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 2023, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Committee		People & Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Chris Sutherland	9	9	2	2	4	4
Steve Brown	9	9	2	2	4	4
Ross Taylor	9	9	2	2	4	4
Nicole O'Connor	4	4	1	1	2	2
Sue Murphy	2	2	-	-	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

In addition to the meetings held above, a number of decisions of the Board were undertaken via five circular resolutions issued during the financial year.

INDEMNITY AND INSURANCE OF OFFICERS

The Group 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 lack of good faith.

During the financial year, the Group insured the directors and executives of the Group against any liability to the extent permitted by the *Corporations Act 2001*. The current premium is \$72,150 (2022: \$67,011).

INDEMNITY AND INSURANCE OF AUDITOR

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the 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.

SHARES UNDER OPTION

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

Grant date	Expiry date	Exercise price (cents)	Number under option
20-Apr-2021	30-Jun-2024	30	1,000,000
02-Aug-2021	30-Jun-2024	30	500,000
20-Jul-2022	30-Jun-2025	40	1,609,881
15-Dec-2022	30-Jun-2025	25	1,085,000
26-Apr-2023	15-Dec-2025	15	6,333,333
09-May-2023	15-Dec-2025	15	2,670,624
28-Jun-2023	10-Dec-2025	15	9,000,000
			22,198,838
02-Aug-2021	Cancelled 24-Oct-2022		250,000
20-Apr-2021	Cancelled 13-Feb-2023		250,000
17-Sep-2022	Cancelled 19-Apr-2023		250,000
16-Feb-2022	Cancelled 19-Apr-2023		250,000
15-Dec-2022	Cancelled 19-Apr-2023		2,500,000
15-Dec-2022	Cancelled 09-Jun-2023		250,000
19-Mar-2021	Expired 30-Jun-2023		7,108,741
29-Oct-2021	Expired 30-Jun-2023		4,800,000

Each exercised option entitles the holder to one share in the Company. The options do not confer voting rights to the holder unless converted to shares.

The Company raised funds through a placement in April 2023, with 6,333,333 listed free attaching 15c options provided for each share purchased. A rights issue followed in May which resulted in the issue of a further 2,670,624 free attaching listed options.

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.

During the financial year ended 30 June 2023, a number of options held by directors or employees were cancelled on termination of employment with the Company. Of those, the SBP expensed on 1,000,000 unvested C class options was reversed through the Profit & Loss. A further 2,750,000 fully vested options were cancelled and the SBP recorded at grant date was transferred to retained earnings.

Additionally, certain vested options expired on 30 June 2023, with the SBP also transferred to retained earnings.

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SHARES ISSUED ON THE EXERCISE OF OPTIONS

On 20 July 2022, the Company acquired the virtualplant background Intellectual Property (IP) previously owned by Woodside Energy Technologies Pty Ltd ("Woodside"). The acquisition was funded through the conversion of certain A options held by current and past directors of the Company. The conversion of the A option resulted in the issue of an additional 1,609,881 of shares in RemSense. The Company received a total of \$402,470 on the exercise of those options. Under the terms of the A options, on conversion, an equal number of B options were issued to the holders of those options.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 6.6 to the financial statements. The amount paid or payable to the auditor for non-audit services is \$27,500 (2022: \$57,619).

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor 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 6.6 to the financial statements do not compromise the external auditor's 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 auditor; 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 (including Independence Standards) 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.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 23.

AUDITOR

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

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AUDITED REMUNERATION REPORT

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the Directors of RemSense Technologies Limited for the year ended 30 June 2023.

The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001* and its Regulations.

The Remuneration Report details the remuneration arrangements for the Directors who are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the Group, directly or indirectly, whether executive or otherwise.

Remuneration philosophy

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results achieved. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The People and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its executive directors, non-executive directors, and other key executives. The performance of the Group depends on the quality of its key management personnel. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The reward framework is designed to align executive reward to shareholders' interest. The Board has considered that it should seek to enhance shareholders' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Remuneration structure

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

Non-Executive Directors' Remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payment are reviewed annually by the People and Remuneration Committee. The People and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

ASX Listing Rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination is in the Company's Constitution, where shareholders approved a maximum annual aggregate remuneration of \$500,000.

Remuneration structure

Non-Executive Directors' Remuneration

All fees are exclusive of superannuation and include membership of subcommittees:

- Chris Sutherland's remuneration as non-executive Chair was reduced from \$100,000 to \$45,000 from 1st July 2022.
- Ross Taylor's remuneration as non-executive director was reduced from \$75,000 to \$45,000 from 1st July 2022.
- Nicole O'Connor's remuneration as non-executive director was reduced from \$75,000 to \$45,000 from 1st July 2022 until her resignation on 13th February 2023.
- Sue Murphy's remuneration from appointment as non-executive director from 14th May 2023 is \$45,000.

Non-executive directors do not receive cash performance related compensation.

Executive Director & Senior 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.

There are three components to the executive remuneration and reward framework:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long-service leave

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

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation, and non-monetary benefits, are reviewed annually by the People 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 where it does not create any additional costs to the Group and provides additional value to the executive.

Short-term incentive scheme

The short-term incentives ("STI") program is designed to align the targets of the business units with the performance hurdles of key management. STI payments are granted to executives based on specific annual targets and key performance indicators ("KPIs") being achieved. At this stage, the Group has not awarded any STIs.

Remuneration structure (continued)

Long-term incentive scheme

The long-term incentives ("LTIs") include long-service leave and share-based payments. Share options are awarded to executives over a period of three years based on long-term incentive measures. The People and Remuneration Committee reviewed the long-term equity-linked performance incentives for executives during the year ended 30 June 2023.

The Group has adopted an Employee Incentive Option Plan (Plan). Under the Plan, the Company may grant options to Group eligible employees to attract, motivate and retain key employees over a period of three years up to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. Director options are granted at the discretion of the Board and approved by shareholders. Performance hurdles are not attached to vesting periods however the Board determines appropriate vesting periods to provide rewards over time.

Options granted as compensation

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

	Number of options granted	Grant date	Value per option at grant date cents	Value of options at grant date \$	Vesting and first exercise date	Exercise Price Per option cents	Expiry date
Chris Sutherland	3,000,000	28-Jun-23	2.459	73,770	28-Jun-23	15.0	10-Dec-25
Ross Taylor	3,000,000	28-Jun-23	2.459	73,770	28-Jun-23	15.0	10-Dec-25
Sue Murphy	3,000,000	28-Jun-23	2.459	73,770	28-Jun-23	15.0	10-Dec-25
Jillian Rosich	250,000	15-Dec-22	5.404	13,510	15-Dec-22	25.0	30-Jun-25
Anthony Roe	2,500,000	15-Dec-22	5.404	135,100	15-Dec-22	25.0	30-Jun-25

All options were granted over unissued fully paid shares in the Company. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

2,500,000 options granted as compensation to Anthony Roe were cancelled on his resignation from the Company on 19 May 2023. (2022: 500,000).

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Remuneration structure (continued)

Group performance and link to remuneration (continued)

	2023	2022	2021	2020	2019
Revenue from ordinary activities (\$)	2,084,835	3,961,304	4,311,664	2,171,550	1,117,757
Other income (\$)	80,380	80,559	373,088	226,073	17,100
Loss before income tax (\$)	(3,033,883)	(2,451,102)	(728,623)	(247,975)	(71,036)
Net loss attributable to equity holders (\$)	(3,033,883)	(2,451,102)	(728,623)	(247,975)	(71,036)
Share price at year end (cents)	6.2	15.5	n/a	n/a	n/a
Number of listed ordinary shares	45,465,530	31,289,192	n/a	n/a	n/a
Number of unlisted ordinary shares	48,304,559	48,304,559	54,593,751	3,453,390	160
Weighted average number of shares	85,359,551	48,090,267	31,309,445	14,230,731	160
Basic loss per share EPS (cents)	(3.55)	(5.10)	(2.33)	(1.74)	n/a
Listed options	9,003,957	-	-	-	-
Unlisted options	13,194,881	16,018,622	9,968,622	-	-
Net tangible assets / (liabilities) (NTA) (\$)	396,845	2,076,590	191,946	(273,184)	(86,724)
NTA Backing (cents)	0.42	2.61	0.35	(7.91)	(54,202.50)

During the financial years noted above, there were no dividends paid or other returns of capital made by the Company to shareholders.

Use of remuneration consultants

No remuneration consultants provided services during the year.

Employment contracts

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

Name	Position	Terms of Agreement	Employee notice period	Employer notice period	Base salary *	Termination Benefit ***
Steve Brown	Managing Director	Ongoing from 15 October 2012	Twelve months	Twelve months	\$275,000	Twelve months' base salary
Jillian Rosich	Chief Financial Officer	Ongoing from 9 August 2021	Three months	Three months	\$164,000 (80% FTE) plus 250,000 options	Three months' base salary

* Base salary is exclusive of the superannuation guarantee charge rate applicable at the time, currently 10.5% (2022: 10%). Base salary is fixed and not at risk/subject to performance.

*** Termination benefits are payable upon early termination by the Group, other than for gross misconduct. They are equal to base salary for the notice period.

In addition to base salary, the Company issued 250,000 options to Jillian Rosich, vesting on 15 December 2022, exercisable at 25 cents on or before 30 June 2025 as part of her remuneration package. The terms of the issue of the options, require the holder to remain an employee at the date the options are exercised. Any options not exercised at the time employment ceases will be cancelled by the Company.

Details of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	Short-term benefits		Post employment benefits	Long-term Benefits	Share-based payments	Total
	Cash salary and fees	D&O insurance premiums	Super-annuation	Long service leave	Equity-settled options (A)	
2023	\$	\$	\$	\$	\$	\$
Non-executive Directors						
Chris Sutherland	45,000	12,949	4,725	-	82,447	145,121
Ross Taylor	45,000	12,949	4,725	-	82,447	145,121
Nicole O'Connor ^(B)	27,857	8,053	2,925	-	(10,364)	28,471
Sue Murphy ^(C)	5,927	1,667	622	-	73,770	81,986
Executive Director						
Steve Brown ^(D)	278,491	12,949	27,632	12,924	17,355	349,351
Senior Executives						
Jillian Rosich	150,279	12,949	15,797	(1,167)	22,903	200,761
Anthony Roe ^(E)	277,081	11,459	27,039	(2,788)	108,157	420,948
	829,635	72,975	83,465	8,969	376,715	1,371,759
2022						
Non-executive Directors						
Chris Sutherland	83,017	8,339	8,303	-	8,678	108,337
Ross Taylor	62,342	8,339	6,235	-	8,677	85,593
Nicole O'Connor	62,500	8,339	6,250	-	8,677	85,766
Executive Director						
Steve Brown	268,118	8,339	26,785	8,212	17,355	328,809
Senior Executives						
Jillian Rosich	131,297	7,425	12,487	2,706	8,544	162,459
Darren Shanahan	117,825	3,336	11,783	-	-	132,944
Anthony Roe	184,793	4,707	17,192	2,788	26,943	236,423
	909,892	48,824	89,035	13,706	78,874	1,140,331

(A) The fair value of options granted was determined using the Black-Scholes option pricing model

(B) Represents remuneration from 1 July 2022 to 13 February 2023. The share-based payment represents the reversal of the expensed unvested options cancelled at termination date.

(C) Represents remuneration from 14 May 2023 to 30 June 2023.

(D) Amount above \$275,000 represents additional superannuation entitlement over the superannuation contribution cap paid as salary as per employment contract.

(E) Represents remuneration from 1 July 2022 to 19 May 2023. Includes termination payment. A share-based payment has been included for the vested options received during the year net of the expensed portion of the unvested options cancelled at termination.

No part of Directors' remuneration was linked to performance for the year ended 30 June 2023 (2022: Nil).

No cash bonuses were granted during the year (2022: Nil).

Additional disclosures relating to key management personnel

Shareholdings

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

	Balance at the start of the year	Purchases *	Option conversion	Balance at the end of the year
Chris Sutherland	146,795	580,134	400,000	1,126,929
Steve Brown	12,597,363	390,276	600,000	13,587,639
Ross Taylor	146,795	55,599	20,000	222,394
Sue Murphy	-	50,000		50,000
Jillian Rosich	50,000	187,500	-	237,500
	12,940,953	1,263,509	1,020,000	15,224,462

* All purchases were on market and not received as remuneration. No KMP remuneration, either shares, options or base salary, is linked to performance.

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Additional disclosures relating to key management personnel (continued)

Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director, including their personally related parties, is set out below. No options issued are dependent on KMP performance.

	Balance at the start of the year	Expired	Acquired	Granted during the year	Held on resignation	Exercised	Balance 30 June 2023	Vested and exercisable at the end of the year
Chris Sutherland	1,747,861	(1,097,861)	256,733	3,400,000	-	(400,000)	3,906,733	3,906,733
Steve Brown	2,074,499	(974,499)	-	600,000	-	(600,000)	1,100,000	1,100,000
Ross Taylor	1,747,861	(1,477,861)	55,599	3,020,000	-	(20,000)	3,325,599	3,325,599
Nicole O'Connor	250,000	-	-	-	(250,000)	-	-	-
Sue Murphy	-	-	-	3,000,000	-	-	3,000,000	3,000,000
Jillian Rosich	250,000	-	-	250,000	-	-	500,000	500,000
Anthony Roe	500,000	-	-	2,500,000	(3,000,000)	-	-	-
	6,570,221	(3,550,221)	312,332	12,770,000	(3,250,000)	(1,020,000)	11,832,332	11,832,332

Share-based remuneration granted as compensation

The Company has adopted an Employee Share Option Scheme ("ESOS"). Under the ESOS, once issued, the Company may grant options and rights to Group eligible employees and consultants to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is measured using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is five years from grant date and the exercise price is settled in cash. Options will not be transferable and will not be listed on the ASX unless the offer provides otherwise or the Board in its absolute discretion approves.

Additional disclosures relating to key management personnel (continued)

Options

On 30 June 2023, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
19-Mar-21	19-Mar-21	30-Jun-23	25	4,450,000	-	(1,080,000)	(3,370,000)	-	-
20-Apr--21	30-Jun-23	30-Jun-24	30	1,250,000	-	-	(250,000)	1,000,000	1,000,000
02-Aug-21	30-Jun-23	30-Jun-24	30	750,000	-	-	(250,000)	500,000	500,000
10-Sep-21	29-Oct-21	30-Jun-23	25	4,800,000	-	-	(4,800,000)	-	-
17-Sep-21	30-Jun-23	30-Jun-24	30	250,000	-	-	(250,000)	-	-
16-Feb-22	30-Jun-23	30-Jun-24	30	250,000	-	-	(250,000)	-	-
20-Jul-22	20-Jul-22	30-Jun-25	40	-	1,020,000	-	-	1,020,000	1,020,000
15-Dec-22	15-Dec-22	30-Jun-25	25	-	3,835,000	-	(2,750,000)	1,085,000	1,085,000
28-Jun-23	28-Jun-23	10-Dec-25	15	-	9,000,000	-	-	9,000,000	9,000,000
Total				11,750,000	13,855,000	(1,080,000)	(11,920,000)	12,605,000	12,605,000
Weighted average exercise price (cents)				26.06	19.61	25.00	25.42	19.67	19.67

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 2.2 years.

Additional disclosures relating to key management personnel (continued)

Key valuation assumptions made at valuation date under the Black & Scholes option pricing model are summarised below:

	Number of Options	Exercise Price (cents)	Grant date	Expiry Date	Life of the Options (years)	Volatility	Risk free Rate	Fair value at grant date (cents)	Share price at grant date (cents)
Tranche 1	1,000,000	30	20-Apr-21	30-Jun-24	3.28	95%	0.10%	7.617	16
Tranche 2	500,000	30	02-Aug-21	30-Jun-24	2.91	95%	0.16%	7.175	16
Tranche 3	1,020,000	40	18-Jul-22	30-Jun-25	2.95	95%	0.09%	4.431	16
Tranche 4	1,085,000	25	15-Dec-22	30-Jun-25	2.54	90%	3.31%	5.404	13.5
Tranche 5	9,000,000	15	28-June-23	10-Dec-25	2.45	90%	3.99%	2.459	6.9

On 20 July 2022, the acquisition of the virtualplant IP was funded through the conversion of certain A options held by current and past directors of the Company. The conversion of A options triggers the issue of an equivalent number of B options. Overall, 1,609,881 A options were converted, of which 1,080,000 were owned by KMPs. Only 1,020,000 of the B option holders are still KMPs of the Company.

On 15 December 2022, 3,835,000 25c options were issued to REM staff. Of these, 2,750,000 were subsequently cancelled on termination of two employees.

During the period, a further 1,000,000 options issued in prior periods were cancelled on termination of three additional employees.

On 28 June 2023, 9,000,000 15c options were issued to the Company's three Non-Executive Directors to replace the expired options and as part of their remuneration.

On 30 June 2023, 11,908,741 options expired. These options included 3,370,000 of Director options and 4,800,000 broker options issued as part of the IPO fees in 2021.

At the reporting date, there are a total of 22,198,838 options on issue in RemSense Technologies Limited (11,520,000 options relating to KMP), exercisable between 15 and 40 cents per share, and expiring between 30 June 2024 and 15 December 2025.

Additional disclosures relating to key management personnel (continued)

Loans to Directors and other key management personnel

No loans have been issued to Directors or KMPs during the period. (2022: nil).

Other transactions with key management personnel

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

No KMPs had any transactions with the Company during this financial year.

END OF AUDITED REMUNERATION REPORT

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

On behalf of the Directors.



STEVE BROWN
Managing Director

30 August 2023
Perth, WA

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF REMSENSE TECHNOLOGIES LIMITED

As lead auditor of RemSense Technologies Limited for the year ended 30 June 2023, 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 RemSense Technologies Limited and the entity it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth

30 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue	2.2	2,084,835	3,961,304
Government grants	2.3	80,380	80,559
Cost of sales		(950,290)	(2,914,581)
Marketing and business development		(256,658)	(139,851)
Personnel expenses	2.5	(2,960,038)	(2,413,636)
General and administration		(461,210)	(454,011)
Professional fees		(183,620)	(369,330)
Depreciation	3.1	(89,687)	(77,351)
Amortisation	3.3	(186,780)	(8,056)
Amortisation – right of use assets	3.2	(110,730)	(91,663)
Research and development costs		(3,814)	(21,737)
Other gains		12,843	2,194
Results from operating activities		(3,024,769)	(2,446,159)
Finance income		4,242	1,849
Finance costs	2.4	(13,356)	(6,792)
Net finance costs		(9,114)	(4,943)
Loss before income tax		(3,033,883)	(2,451,102)
Income tax expense	2.6	-	-
Loss for the year		(3,033,883)	(2,451,102)
Other comprehensive income		-	-
Total comprehensive loss for the year		(3,033,883)	(2,451,102)
Total comprehensive loss attributable to owners of the Company		(3,033,883)	(2,451,102)
Loss per share (cents per share)			
Basic and diluted	2.7	(3.55)	(5.10)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Cash and cash equivalents	4.1	789,652	2,140,174
Trade and other receivables	4.2	163,698	568,367
Contract assets	2.2	33,909	6,058
Prepayments	4.3	179,034	97,179
Other financial assets	4.4	60,000	131,624
Total current assets		1,226,293	2,943,402
Property, plant, and equipment	3.1	357,268	300,889
Right of use assets	3.2	182,225	106,244
Intangible assets	3.3	1,032,044	398,616
Other financial assets	4.4	47,236	-
Total non-current assets		1,618,773	805,749
Total assets		2,845,066	3,749,151
Liabilities			
Trade and other payables	4.5	359,034	646,869
Borrowings	5.2	18,371	-
Lease liabilities	5.3	90,930	102,835
Employee benefits	2.5	246,218	275,547
Contract liabilities	2.2	349,844	146,138
Total current liabilities		1,064,397	1,171,389
Borrowings	5.2	31,384	-
Lease liabilities	5.3	92,086	-
Employee benefits	2.5	78,675	90,556
Provisions		12,000	12,000
Contract liabilities	2.3	137,635	-
Total non-current liabilities		351,780	102,556
Total liabilities		1,416,177	1,273,945
Net assets		1,428,889	2,475,206
Equity			
Issued capital	5.1	7,204,024	5,652,655
Reserves	5.1	50,632	497,055
Accumulated losses		(5,825,767)	(3,674,504)
Total equity		1,428,889	2,475,206

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

	Issued capital \$	Predecessor accounting reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance on 1 July 2021	1,421,784	(8,674)	8,439	(1,223,402)	198,147
Loss after income tax expense for the year	-	-	-	(2,451,102)	(2,451,102)
Total comprehensive loss for the year	-	-	-	(2,451,102)	(2,451,102)
<i>Transactions with owners in their capacity as owners</i>					
Contributions of equity (note 5.1)	4,230,871	-	-	-	4,230,871
Share-based payment transactions (note 6.1)	-	-	497,290	-	497,290
Balance on 30 June 2022	5,652,655	(8,674)	505,729	(3,674,504)	2,475,206
Balance on 1 July 2022	5,652,655	(8,674)	505,729	(3,674,504)	2,475,206
Loss after income tax expense for the year	-	-	-	(3,033,883)	(3,033,883)
Total comprehensive loss for the year	-	-	-	(3,033,883)	(3,033,883)
<i>Transactions with owners in their capacity as owners</i>					
Contributions of equity (note 5.1)	1,551,369	-	-	-	1,551,369
Transfer to accumulated losses on expiry and exercise of options	-	-	(882,620)	882,620	-
Share-based payment transactions (note 6.1)	-	-	436,197	-	436,197
Balance on 30 June 2023	7,204,024	(8,674)	59,306	(5,825,767)	1,428,889

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		2,899,787	4,458,660
Government grants		183,591	80,559
Payments to suppliers and employees		(4,722,963)	(6,480,564)
Interest received		4,242	1,849
Interest paid		(13,356)	(6,792)
Payments for research and development		(3,814)	(21,737)
Net cash used in operating activities	4.1(b)	(1,652,513)	(1,968,025)
Cash flows from investing activities			
Proceeds from sale of property, plant, and equipment		28,026	2,334
Payments for property, plant, and equipment		(118,266)	(270,145)
Payments for intangible assets		(828,698)	(375,831)
Net cash used in investing activities		(918,938)	(643,642)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,245,296	5,000,000
Proceeds from exercise of options		402,470	-
Proceeds from loans		-	100,000
Repayment of loans		-	(350,000)
Repayment of premium funding facilities		(215,352)	-
Repayment of chattels and mortgages		(8,556)	(70,297)
Payment of lease liabilities		(106,531)	(93,364)
Payment of capital raising costs		(96,398)	(367,801)
Net cash from financing activities		1,220,929	4,218,538
Net (decrease)/ increase in cash and cash equivalents		(1,350,522)	1,606,870
Cash and cash equivalents at the beginning of the financial year		2,140,174	533,304
Cash and cash equivalents at the end of the financial year	4.1(a)	789,652	2,140,174

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

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

For the year ended 30 June 2023

SECTION 1 ABOUT THE FINANCIAL STATEMENTS

The financial statements of RemSense Technologies Limited (“the Company”) and its controlled entity (collectively known as “the Group”) for the year ended 30 June 2023 were authorised for issue on 30 August 2023 in accordance with a resolution of the Directors.

The Company is:

- a company limited by shares.
- incorporated and domiciled in Australia.
- a listed public company (ASX code: REM).
- a for-profit entity for the purpose of preparing the financial statements.

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.

Its registered office and principal place of business is located at Suite 173, 580 Hay Street, Perth, WA, 6000.

The financial report is a general-purpose financial report, which:

- has been prepared in accordance, and complies, with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- has been prepared on a historical cost basis, except for, where applicable, certain classes of property, plant and equipment.
- is presented in Australian dollars (\$), which is the functional and presentation currency.

Accounting policies

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its operations and effective for an accounting period on or after 1 July 2022.

All new and revised Standards have been assessed and the Group has determined that there is no material impact on the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

At the date of authorisation of these consolidated financial statements, the Group has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Group’s accounting policies, however, further analysis will be performed when the relevant standards are effective.

1.1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

1.2 PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 6.5.

1.3 GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2023, the Group had net assets of \$1,428,889 (30 June 2022: \$2,475,206), a working capital surplus of \$161,896 (30 June 2022: \$1,772,013) and cash at bank of \$789,652 (30 June 2022: \$2,140,174). For the year ended 30 June 2023, the Group recorded a loss of \$3,033,883 (2022: \$2,451,102) and cash outflows from operating and investing activities of \$2,571,451 (2022: \$2,611,667).

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. Given the significance of the Company's existing customers and the number of opportunities currently under negotiation, the directors are satisfied the Group is a going concern as they expect virtualplant to derive significant future revenues and positive cash flows for the Company. The directors are also confident that they can raise funds as and when required.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

1.4 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, 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. 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.

Determination of variable consideration

Judgement is exercised in estimating variable consideration where services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Impairment

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with the attached conditions. In respect of COVID related government grants, the Group was deemed to be eligible to receive the grants under the conditions attached to the grants and have complied with the relevant conditions in order to recognise them as income during the prior year.

Share-based payment transactions

Estimating fair value of share-based payment transactions requires determination of the most appropriate valuation mode, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the volatility and risk-free rate and making assumptions about them.

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 is determined using a Black-Scholes model, using the assumptions detailed in note 6.1.

Employee benefits provision

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

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1.5 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 Group'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 date, 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 date. All other assets are classified as non-current.

A liability is classified as current when it is either expected to be settled in the Group'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 date, or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date. All other liabilities are classified as non-current.

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SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segment information, components of the operating loss, income tax, and loss per share.

2.1 OPERATING SEGMENTS

Accounting Policy

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of RemSense Technologies Limited.

For management purposes, the Company is organised into one operating segment, being technology development, digital engineering solutions and its virtualplant photogrammic Digital Twin software product, and services a range of markets and applications in Western Australia. All the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from the segment are equivalent to the financial statements of the Group as a whole. The accounting policies used by the Group in reporting segments internally are the same as those adopted in the financial statements.

For the period ended 30 June 2023, revenues of approximately \$1,109,920 and \$641,491 were derived from two external customers (period to 30 June 2022: \$3,306,323 was derived from one external customer). These revenues are attributed to the provision of scanning services, software sales and engineering services.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2022.

2.2 REVENUE

Accounting Policy

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on an hourly rate. For fixed priced jobs revenue is recognised at a point in time when the service is transferred to the customer. In the case of scanning work, this is the point at which the images are made available to the customer.

2.2 REVENUE (continued)

Methods for measuring progress towards satisfaction of a performance obligation

Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date, appraisals of results achieved, milestones reached and time elapsed. When an entity evaluates whether to apply an output method to measure its progress, the entity shall consider whether the output selected would faithfully depict the entity's performance towards complete satisfaction of the performance obligation.

Input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

The input method is most appropriate for recognising revenue on the Group's Engineering projects where invoices are issued at month-end based on hours worked and costs incurred until the job is complete.

The output method is most appropriate for recognising revenue on the Group's remotely piloted aircraft system contracts. Revenue is booked when the asset, in this case the scanned images, are delivered to the customer.

During the year, RemSense secured two additional 12-month SaaS contracts with Woodside and Oceaneering as well as successfully renewing all existing contracts. The group has recognised revenue on these contracts over the period as earned.

Contract assets

Contract assets are recognised when the Group has transferred goods and services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract liabilities

Contract liabilities are recognised when there is an obligation for the Group to transfer goods and services to the customer but where the Group has already received consideration from the customer. Revenue is recognised over the period it is earned. Contract liabilities are treated as financial liabilities for impairment purposes.

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2.2 REVENUE (continued)

(i) The Group's disaggregation of revenue from contracts with customers is as follows:

	2023 \$	2022 \$
Timing of revenue recognition		
Rendering of services transferred over time *	572,797	3,243,174
Rendering of services transferred at a point in time **	1,512,038	718,130
	2,084,835	3,961,304

* Revenue from engineering services and Software as a Service (SaaS) contracts are recognised over time.

** Revenue from scanning jobs is recognised at a point in time.

(ii) The Group's assets and liabilities related to contracts with customers is as follows:

	2023 \$	2022 \$
Contract assets		
Accrued income	33,909	6,058
	33,909	6,058
Contract liabilities		
Unearned revenue *	349,844	146,138
	349,844	146,138

* \$84,800 (30 June 2022: \$83,370) relates to unearned revenue on three SaaS contracts (30 June 2022: three SaaS contracts) and \$69,328 relates to unearned revenue on an annual retainer contract (30 June 2022: \$62,768). The balance of \$195,716 relates to a progress payment for mobilisation on a job that was invoiced on receipt of the PO in March 2023. The work commenced on site in July 2023.

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2.3 GOVERNMENT GRANTS

Accounting Policy

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with the terms and conditions.

All other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

Note	2023 \$	2022 \$
R&D tax incentive	80,380	80,559
	80,380	80,559

An R&D refund of \$218,014 (30 June 2022: \$80,559) was received during the year. As per IAS 21, para 12, income is recognisable immediately for the portion of the claim relating to cost already expensed in the Profit and Loss, as well as amortisation of capitalised expenditure over the life of the asset. A deferred income amount is recognised in the balance sheet for the portion of the R&D tax incentive relating to capitalised cost, and is unwound in line with the amortisation of the intangible asset as at 30 June 2023 as shown below:

Contract liabilities	2023 \$	2022 \$
R&D tax incentive (government grant) – deferred income	137,635	-
	137,635	-

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2.4 FINANCE COSTS

Accounting Policy

Interest income

Interest income 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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs, including interest expense, are expensed in the period in which they are incurred.

	Note	2023 \$	2022 \$
Interest expense on financial liabilities measured at amortised cost			
Interest expense on bank loans	5.2	-	4,617
Interest expense on chattels and mortgages	5.2	2,342	1,795
Interest expense on premium funding	5.2	7,503	-
Interest expense on lease liabilities	5.3	3,511	380
Total finance costs		13,356	6,792

2.5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

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 liabilities for annual leave and long service leave not expected to settle within 12 months of the reporting date is 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.

2.5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS (continued)

The table below sets out personnel costs expensed during the year.

	Note	2023 \$	2022 \$
Directors' and key management personnel remuneration	6.3	1,371,759	1,140,331
Staff salaries		1,977,461	2,335,684
Staff termination payments		88,371	-
Superannuation expense		197,309	226,247
Employee benefits		(32,941)	77,865
Payroll and fringe benefits tax		148,527	191,689
Share-based payment options issued to employees	6.1	59,482	17,088
Recruitment expenses		62,335	46,185
Other associated personnel expenses		39,539	65,631
		3,911,842	4,100,720
Expensed in cost of sales		(651,641)	(1,388,853)
Capitalised in intangible assets		(300,163)	(298,231)
Personnel expenses		(2,960,038)	2,413,636

The table below sets out employee benefits at the reporting date.

	2023 \$	2022 \$
Current		
Statutory superannuation contributions	4,667	5,060
Salary accrual	44,810	50,595
Liability for annual leave	132,756	161,819
Liability for time off in lieu leave	6,567	13,580
Liability for long service leave	57,418	44,493
	246,218	275,547
Non-current		
Liability for long service leave	78,675	90,556

2.6 INCOME TAX EXPENSE

Accounting Policy

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

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

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

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

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

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

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2.6 INCOME TAX EXPENSE (continued)

Accounting Policy (continued)

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

Revenues, expenses, and assets are recognised net of the amount of, 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 exclusive 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 taxation authority.

(a) Amounts recognised directly in equity

	2023 \$	2022 \$
Net deferred tax	24,099	192,282
Net deferred tax	24,099	192,282

(b) Reconciliation of income tax expense to prima facie tax payable:

Loss from continuing operations before income tax	(3,033,883)	(2,451,102)
Tax at the Australian tax rate of 25% (2022: 25%)	(758,471)	(612,775)
Non-deductible expenses	111,349	28,767
Non-assessable income	(20,095)	(20,140)
Timing differences	-	(1,216)
Permanent differences	1,700	-
Change in corporate tax rate for small business enterprise	-	27,240
Tax losses not brought to account	665,517	578,124
Income tax expense	-	-

2.6 INCOME TAX EXPENSE (continued)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to \$1,390,689 (2022: \$830,623) attributed to revenue tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

- i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised,
- ii) the conditions for deductibility imposed by tax legalisation continue to be complied with,
- iii) no changes in tax legislation adversely affect the Group in realising the benefit, and
- iv) satisfaction of either the continuity of ownership or the same business test.

(c) Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2023 \$	2022 \$
Deferred tax liabilities		
Property, plant and equipment	-	(596)
Right of use assets	(45,556)	(26,561)
	(45,556)	(27,157)
Deferred tax assets		
Capital raising costs – S40-880	78,860	160,441
Intangible assets	49,311	-
Right of use assets	45,754	25,709
Trade and other payables	2,341	17,276
Employee benefits	70,021	75,482
Property, plant and equipment	2,052	-
Temporary differences	14,107	-
Carry forward tax losses – revenue	1,390,689	830,623
Carry forward tax losses - capital	53,706	53,706
	1,706,841	1,163,237
Net unrecognised deferred tax assets	1,661,285	1,136,080

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2.7 LOSS PER SHARE

Accounting Policy

Basic earnings/(loss) per share

Basic earnings per share is calculated by dividing the profit / (loss) attributable to the owners of RemSense Technologies 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 year.

Diluted earnings/(loss) 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.

Potential ordinary shares are not considered dilutive, thus diluted gain/(loss) per share is the same as basic gain/(loss) per share.

	2023 \$	2022 \$
<i>Basic and diluted loss per share from continuing operations</i>		
Loss after income tax attributable to owners of the Company	(3,033,883)	(2,451,102)
	Cents	Cents
Basic loss and diluted loss per share	(3.55)	(5.10)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares on 1 July	79,593,751	31,309,445
Effect of shares issued	5,765,800	16,780,822
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	85,359,551	48,090,267

- (i) The weighted average number of ordinary shares outstanding (the denominator of the EPS calculation) for the years ended 30 June 2023 and 30 June 2022 have been adjusted to reflect the capital reorganisation.

SECTION 3 ASSETS AND LIABILITIES SUPPORTING OPERATIONS

This section focuses on the assets and liabilities which form the core of the ongoing business as well as capital and other commitments existing at the year end.

3.1 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Plant and equipment are 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 diminishing balance 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	2 – 5 years
Furniture and office equipment	5 – 10 years
Mobile equipment and motor vehicles	8 years
Communication and computer equipment	2 – 6 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained earnings / accumulated losses.

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3.1 PROPERTY, PLANT AND EQUIPMENT (continued)

	2023	2022
	\$	\$
Plant and equipment – at cost	657,885	538,929
Less: accumulated depreciation	(364,834)	(309,465)
	293,051	229,464
Furniture and office equipment – at cost	40,897	39,185
Less: accumulated depreciation	(6,612)	(2,631)
	34,285	36,554
Communication and computer equipment – at cost	58,029	49,183
Less: accumulated depreciation	(37,953)	(27,766)
	20,076	21,417
Mobile equipment and motor vehicles – at costs	58,409	58,409
Less: accumulated depreciation	(48,553)	(45,227)
	9,856	13,182
Leasehold improvements – at costs	6,426	6,426
Less: accumulated depreciation	(6,426)	(6,154)
	-	272
	357,268	300,889

Reconciliation

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

	Plant & equipment	Furniture & office Equipment	Computer & comms Equipment	Mobile Equipment & motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Balance on 1 July 2021	61,613	1,017	9,320	17,617	4,266	93,833
Additions	206,788	37,123	31,244	-	2,159	277,314
Disposals	2,334	-	-	-	-	2,334
Depreciation on disposals	4,759	-	-	-	-	4,759
Depreciation expense	(46,030)	(1,586)	(19,147)	(4,435)	(6,153)	(77,351)
Balance on 30 June 2022	229,464	36,554	21,417	13,182	272	300,889
Additions	134,446	1,713	10,482	-	-	146,641
Disposals	(15,490)	-	(1,636)	-	-	(17,126)
Depreciation on disposals	14,915	-	1,636	-	-	16,551
Depreciation expense	(70,284)	(3,982)	(11,823)	(3,326)	(272)	(89,687)
Balance on 30 June 2023	293,051	34,285	20,076	9,856	-	357,268

3.2 RIGHT-OF-USE ASSETS

Accounting Policy

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 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 Group 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 Group 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.

	2023 \$	2022 \$
Land and buildings – right of use	187,939	236,975
Less: accumulated amortisation	(5,714)	(130,731)
	182,225	106,244

Reconciliation

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

	Buildings – Office Leases \$
Balance on 1 July 2021	201,726
Additions	65,161
Abatement adjustment	(40,807)
Disposals	(115,253)
Amortisation on disposals	87,080
Amortisation expense	(91,663)
Balance on 30 June 2022	106,244
Additions	187,939
Adjustments	(1,228)
Disposals	-
Amortisation on disposals	-
Amortisation expense	(110,730)
Balance on 30 June 2023	182,225

The Group leases buildings for its offices and aerial imaging operations, under agreements of two years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

3.3 INTANGIBLE ASSETS

Accounting Policy

Internally generated intangible assets are measured at cost. Cost includes expenditure that is directly attributable to the development of the asset. For the year ended 30 June 2023, the Company capitalised \$408,714 (FY22: \$400,471) of product development cost as an intangible asset.

Software development

Costs that are directly associated with the development of software are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available and
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditure that does not meet the above criteria is recognised as an expense when incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Research costs, and costs associated with maintenance, are recognised as an expense when incurred.

The useful life of intangible assets are assessed when capitalised. Intangible assets are amortised over their estimated useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of amortisation for intangible assets with finite lives:

Software – 5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

At each reporting date, Management will review the carrying amount of the development expenditure and consider whether there is any indication that those assets have suffered an impairment loss in line with the requirements of AASB 136.

At reporting date of 30 June 2023, impairment indicators specified under AASB136 para 12, were considered in relation to the value of virtualplant versions 1.5, 2.0, 2.1 and 3.0. With those indicators in mind, we do not consider there to be any indication that the asset may be impaired.

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3.3 INTANGIBLE ASSETS (continued)

	2023	2022
	\$	\$
Patents and Trademarks – at cost	17,425	5,930
Less: accumulated depreciation	-	-
	17,425	5,930
virtualplant: Software – at cost	734,962	400,471
Less: accumulated depreciation	(118,291)	(7,785)
	616,671	392,686
virtualplant: IP * – at cost	400,000	-
Less: accumulated depreciation	(76,274)	-
	323,726	-
virtualplant: other software development cost – at cost	74,222	-
Less: accumulated depreciation	-	-
	74,222	-
	1,032,044	398,616

* On 20 July 2022, the Company acquired the virtualplant background Intellectual Property (IP) previously owned by Woodside for a total sum of \$400,000. As a consequence, RemSense is no longer required to pay Woodside a 5% license fee for use of their IP.

Reconciliation

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

	Patents & Trademarks	Software	Construction in progress	virtualplant Software	virtualplant IP	virtualplant other software development cost	Total
	\$	\$	\$	\$	\$	\$	\$
Balance on 1 July 2021	5,400	271	530	-	-	-	6,201
Additions	530	-	-	400,471	-	-	401,001
Disposals	-	-	(530)	-	-	-	(530)
Depreciation expense	-	(271)	-	(7,785)	-	-	(8,056)
Balance on 30 June 2022	5,930	-	-	392,686	-	-	398,616
Additions	11,495	-	-	334,491	400,000	74,222	820,208
Disposals	-	-	-	-	-	-	-
Depreciation expense	-	-	-	(110,506)	(76,274)	-	(186,780)
Balance on 30 June 2023	17,425	-	-	616,671	323,726	74,222	1,032,044

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions. For the statement of cash flows presentation purposes, cash and cash equivalent also includes, bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(a) Reconciliation of cash recorded in Statement of Financial Position to Statement of Cash Flows

	2023 \$	2022 \$
Cash at bank	789,502	637,061
Cash on deposit	-	1,500,000
Other	150	3,113
Cash and cash equivalents in the statement of cash flows	789,652	2,140,174

(b) Reconciliation of cash flows from operating activities

Cash flows from operating activities		
Loss for the period	(3,033,883)	(2,451,102)
Adjustments for:		
Finance expense	-	-
Depreciation and amortisation	387,197	177,070
Equity-settled share-based payments	436,197	95,962
Annual and long service leave expense	(102,286)	111,296
Gain on sale of property, plant, and equipment	(10,900)	(2,334)
Change in trade and other receivables	410,601	(35,176)
Change in prepayments	133,497	(55,458)
Change in inventories	-	5,000
Change in contract assets	(27,851)	(6,058)
Change in other operating assets	24,388	(113,043)
Change in trade and other payables	(271,890)	138,196
Change in contract liabilities	341,341	146,138
Change in employee benefits provision	61,076	21,484
Net cash used in operating activities	(1,652,513)	(1,968,025)

(c) Non-cash investing and financing activities

Additions to the right-of-use assets	186,712	(15,819)
Addition of premium funding facility	215,352	-
Additions to property, plant, and equipment by chattels & mortgages	58,311	-

4.1 CASH AND CASH EQUIVALENTS (continued)

(d) Changes in liabilities arising from financing activities

	Bank loans \$	Chattels & mortgages \$	Premium funding \$	Right of use assets \$	Total \$
Balance on 1 July 2021	250,000	70,297	-	212,018	532,315
Net cash from / (used in) financing activities	(250,000)	(70,297)	-	(93,364)	(413,661)
Right of use lease liabilities	-	-	-	(15,819)	(15,819)
Balance on 30 June 2022	-	-	-	102,835	102,835
Net cash from / (used in) financing activities	-	(8,556)	(215,352)	(106,531)	(330,439)
Acquisition of property, plant, and equipment	-	58,311	-	-	58,311
Premium funding facility	-	-	215,352	-	215,352
Right of use lease liabilities	-	-	-	186,712	186,712
Balance on 30 June 2023	-	49,755	-	183,016	232,771

4.2 TRADE AND OTHER RECEIVABLES

Accounting Policy

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.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

	2023 \$	2022 \$
Current		
Trade receivables	156,376	559,138
Other receivables	7,322	9,229
	163,698	568,367

Provision for expected credit losses

The Group has not recognised a provision for expected credit losses for the year ended 30 June 2023 as credit risk has not increased significantly since initial recognition. Payment of invoices takes on average 38 days (2022: 33 days).

There were no trade receivable impairment losses for the year ending 30 June 2023 (2022: Nil).

The ageing of trade receivables is as follows:

	2023 \$	2022 \$
Not overdue	152,625	468,766
0 to 3 months overdue	3,751	90,372
	156,376	559,138

Note 6.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

4.3 PREPAYMENTS

	2023	2022
	\$	\$
Current		
Prepaid insurance	48,960	47,693
Prepaid rent and outgoings	14,239	4,915
Other prepayments	115,835	44,571
	179,034	97,179

4.4 OTHER FINANCIAL ASSETS

	2023	2022
	\$	\$
Current		
Bank Guarantee Term Deposits	-	71,624
Term Deposits	60,000	60,000
	60,000	131,624
Non-current		
Bank Guarantee Term Deposits	47,236	-
	47,236	-

Other financial assets include \$47,236 (2022: \$71,624) of bank guarantees held over the Company's leased premises. The \$60,000 term deposit is held against a corporate credit card facility.

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4.5 TRADE AND OTHER PAYABLES

Accounting Policy

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.

	2023 \$	2022 \$
Current		
Trade payables	206,821	426,708
Other payables	74,576	94,599
Authorised government agencies	77,637	125,562
	359,034	646,869

Refer to note 6.2 for further information on financial instruments.

SECTION 5 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

5.1 CAPITAL AND RESERVES

Accounting Policy

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.

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Share capital

	Ordinary shares	
	Number of shares	Amount in \$
Balance on 1 July 2021	54,593,751	1,421,784
Issue of fully paid shares for cash	25,000,000	5,000,000
Capital raising costs	-	(769,129)
Balance on 30 June 2022	79,593,751	5,652,655
Balance on 1 July 2022	79,593,751	5,652,655
Issue of fully paid shares on conversion of options ⁽¹⁾	1,609,881	402,470
Issue of fully paid shares under SPP ⁽²⁾	3,562,500	570,000
Issue of fully paid shares - Peak placement ⁽³⁾	6,333,333	475,000
Issue of fully paid shares – Rights issue ⁽⁴⁾	2,670,624	200,297
Capital raising costs	-	(96,398)
Balance on 30 June 2023	93,770,089	7,204,024

(1) Certain current and past directors of the Company converted 1.6m A class options to raise \$402,470 of funds used to acquire the virtualplant IP from Woodside.

(2) The Company issued 3,562,500 fully paid ordinary shares under a Share Placement Plan in November 2022.

(3) the Company raised funds through a placement in April 2023, with 6,333,333 listed free attaching 15c options provided for each share purchased.

(4) A rights issue followed in May 2023 which resulted in the issue of a further 2,670,624 free attaching listed options.

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Reserves

The following table shows the movement in reserves during the year.

	2023	2022
	\$	\$
(a) Predecessor accounting reserve	(8,674)	(8,674)
(b) Options reserve	59,306	505,729
	50,632	497,055

(a) The predecessor accounting reserve arises from the capital reorganisation and records the net liabilities of RemSense Technologies Limited as at the acquisition date of 14 April 2021.

(b) Options reserve

	Options	
	Number of options	Amount in \$
Balance on 1 July 2021	9,968,622	8,439
Issue of options (exercisable at 25 cents), expiring on 30-Jun-23 as part of broker consideration	4,800,000	401,329
Issue of series-C options (exercisable at 30 cents), expiring on 30-Jun-24 to Directors & KMPs	750,000	78,873
Issue of series-C options (exercisable at 30 cents), expiring on 30-Jun-24 to employees	500,000	17,088
Balance on 30 June 2022	16,018,622	505,729
Balance on 1 July 2022	16,018,622	505,729
Issue of options (exercisable at 25 cents), expiring on 30-Jun-25 to KMPs of the Company	2,750,000	148,610
Issue of options (exercisable at 25 cents), expiring on 30-Jun-25 to employees of the Company	1,085,000	58,633
Expensing of options issued in prior periods over vesting period	-	87,098
Issue of free attaching listed options (exercisable at 15 cents), expiring on 15-Dec-25	9,003,957	-
Issue of new Director options (exercisable at 15 cents), expiring on 10-Dec-25.	9,000,000	221,310
Cancellation of options on employee terminations	(3,750,000)	(228,064)
Expired and exercised 7m A Director & founder options issued 19-Mar-21	(7,108,741)	(332,682)
Expiry of 4.8m A Broker options issued 29-Oct-21	(4,800,000)	(401,328)
Balance on 30 June 2023	22,198,838	59,306

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5.2 LOANS AND BORROWINGS

Accounting Policy

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

	Book value 2023 \$	Fair value 2023 \$	Book value 2022 \$	Fair value 2022 \$
Current				
Chattel mortgage	18,371	18,371	-	-
Balance	18,371	18,371	-	-
Non-current				
Chattel mortgage	31,384	31,384	-	-
Balance	49,755	49,755	-	-

During the previous period, all outstanding loans were repaid in full by the Company.

Financing arrangements

There were no lines of credit at the reporting date.

	Bank loans \$	Chattel mortgage \$	Premium funding \$	Total \$
Balance on 1 July 2021	250,000	70,297	-	320,297
Interest charged	4,617	1,795	-	6,412
Less: repaid ⁽¹⁾	(254,617)	(72,092)	-	(326,709)
Balance on 30 June 2022	-	-	-	-
Financing of premium funding facility	-	-	215,352	215,352
Financing of chattel mortgage	-	58,311	-	58,311
Interest charged	-	2,342	7,503	9,845
Less repaid ⁽¹⁾	-	(10,898)	(222,855)	(233,753)
Balance on 30 June 2023	-	49,755	-	49,755

⁽¹⁾ amounts repaid include interest and loan establishment costs

5.3 LEASE LIABILITIES

Accounting Policy

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 Group'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, or
- 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.

Incremental borrowing rate (IBR)

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment. As at 30 June 2023, the Group uses a IBR of 7.35% (2022: 4.0% to 7.0%).

	2023	2022
	\$	\$
Opening balance	102,835	212,018
Additions	187,939	53,161
Abatement adjustment	(1,227)	(21,907)
Disposals	-	(28,173)
Interest charged	3,511	380
Less principal and interest repayments	(110,042)	(112,644)
Lease liabilities included in the statement of financial position	183,016	102,835
Current	90,930	102,835
Non-current	92,086	-
	183,016	102,835

Refer to note 6.2 for further information on financial instruments.

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

6.1 SHARE-BASED PAYMENTS

Accounting Policy

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 is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that considers 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 Group 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 is 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.

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

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6.1 SHARE-BASED PAYMENTS (continued)

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	2023 \$	2022 \$
Expensed in personnel expenses		
Options issued to directors and key management personnel	376,715	78,873
Options issued to employees	59,482	17,088
	436,197	95,961
Capital raising costs within equity		
Options issued to broker	-	401,329

Share-based payment programme

The Company has adopted an Employee Share Option Scheme ("ESOS"). Under the ESOS, once issued, the Company may grant options and rights to Group eligible employees and consultants to acquire securities to a maximum of 10% of the Company's total issued ordinary shares at the date of the grant. The fair value of share options granted is measured using the Black Scholes option pricing model.

The options and rights vest on a time scale as specified in the ESOS and are granted for no consideration. Options and rights granted under the plan carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share. The maximum term of an option is five years from grant date and the exercise price is settled in cash.

Options will not be transferable and will not be listed on the ASX unless the offer provides otherwise or the Board in its absolute discretion approves.

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6.1 SHARE-BASED PAYMENT PLANS (continued)

Options

On 30 June 2023, a summary of the Group options issued and not exercised under the share-based payment programme are as follows. Options are settled by the physical delivery of shares:

Grant date	Vesting date	Expiry date	Exercise Price (cents)	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
19-Mar-21	19-Mar-21	30-Jun-23	25	4,450,000	-	(1,080,000)	(3,370,000)	-	-
20-Apr-21	30-Jun-23	30-Jun-24	30	1,250,000	-	-	(250,000)	1,000,000	1,000,000
2-Aug-21	30-Jun-23	30-Jun-24	30	750,000	-	-	(250,000)	500,000	500,000
10-Sep-21	29-Oct-21	30-Jun-23	25	4,800,000	-	-	(4,800,000)	-	-
17-Sep-21	30-Jun-23	30-Jun-24	30	250,000	-	-	(250,000)	-	-
16-Feb-22	30-Jun-23	30-Jun-24	30	250,000	-	-	(250,000)	-	-
20-Jul-22	20-Jul-22	30-Jun-25	40	-	1,020,000	-	-	1,020,000	1,020,000
15-Dec-22	15-Dec-22	30-Jun-25	25	-	3,835,000	-	(2,750,000)	1,085,000	1,085,000
28-Jun-23	28-Jun-23	10-Dec-25	15	-	9,000,000	-	-	9,000,000	9,000,000
Total				11,750,000	13,855,000	(1,080,000)	(11,920,000)	12,605,000	12,605,000
Weighted average exercise price (cents)				26.06	19.61	25.00	25.42	19.67	19.67

At the exercise date, the weighted average remaining contractual life of options outstanding at year end was 2.2 years.

6.1 SHARE-BASED PAYMENT PLANS (continued)

Key valuation assumptions made at valuation date under the Black & Scholes option pricing model are summarised below:

	Number of Options	Exercise Price (cents)	Grant date	Expiry Date	Life of the Options (years)	Volatility	Risk free Rate	Fair value at grant date (cents)	Share price at grant date (cents)
Tranche 1	1,000,000	30	20-Apr-21	30-Jun-24	3.20	95%	0.10%	7.617	16
Tranche 2	500,000	30	02-Aug-21	30-Jun-24	2.91	95%	0.16%	7.175	16
Tranche 3	1,020,000	40	18-Jul-22	30-Jun-25	2.95	95%	0.09%	4.431	16
Tranche 4	1,085,000	25	15-Dec-22	30-Jun-25	2.54	90%	3.31%	5.404	13.5
Tranche 5	9,000,000	15	28-June-23	10-Dec-25	2.45	90%	3.99%	2.459	6.9

On 20 July 2022, the acquisition of the virtualplant IP was funded through the conversion of certain A options held by current and past directors of the Company. The conversion of A options triggers the issue of an equivalent number of B options. Overall, 1,609,881 A options were converted, of which 1,080,000 were owned by KMPs. Only 1,020,000 of the B option holders are still KMPs of the Company.

On 15 December 2022, 3,835,000 25c options were issued to REM staff. Of these, 2,750,000 were subsequently cancelled on termination of two employees.

During the period, a further 1,000,000 options issued in prior periods were cancelled on termination of three additional employees.

On 28 June 2023, 9,000,000 15c options were issued to the Company's three Non-Executive Directors to replace the expired options and as part of their remuneration.

On 30 June 2023, 11,908,741 options expired. These options included 3,370,000 of Director options and 4,800,000 broker options issued as part of the IPO fees in 2021.

At the reporting date, there are a total of 22,198,838 options on issue in RemSense Technologies Limited (11,520,000 options relating to KMP), exercisable between 15 and 40 cents per share, and expiring between 30 June 2024 and 15 December 2025.

6.2 FINANCIAL INSTRUMENTS

Accounting Policy

Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For subsequent measurement, financial assets, other than those designated are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent remeasurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows,
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

6.2 FINANCIAL INSTRUMENTS (continued)

Accounting Policy (continued)

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Since the last financial year end, RemSense has become a listed company, which has significantly expanded its ability to raise capital through equity markets.

The capital structure of the Group consists of cash and cash equivalents, borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Financial risk management objectives

The Group is exposed to market risk (interest rate risk), credit risk and liquidity risk.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates.

There has been no change to the Group's exposure to market risks or the manner it manages and measures the risk from the previous period.

6.2 FINANCIAL INSTRUMENTS (continued)

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

At balance date, if interest rates had been 100 points higher or lower and all other variables were held constant, the Group's profit or loss would increase / (decrease) by \$2,328 as shown below.

	2023 \$	2022 \$
Weighted average interest rate	7.87%	5.05%
Financial liabilities (right of use lease liabilities)	232,771	102,835
Increase in interest rates by 100 basis points (decrease in profit)	(2,328)	(1,028)
Decrease in Interest rates by 100 basis points (increase in profit)	2,328	1,028

Credit risk management

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 adopted a policy of only dealing with creditworthy counterparties, confirming references, and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognise 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 the financial statements. The Group does not hold any collateral.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2023 and the corresponding historical credit losses experienced within this period.

The loss allowance on all financial assets is measured by considering the probability of default. Receivables are considered to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

6.2 FINANCIAL INSTRUMENTS (continued)

Credit risk management (continued)

The historical loss rates are adjusted to reflect current and forward-looking information has adopted a lifetime expected credit loss allowance in estimating expected credit losses to trade receivables through a matrix using overdue days. This provision is considered representative across all customers based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 4.2, no provision for expected credit loss has been made.

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 one year.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Non-derivative financial liabilities

The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate %	Less than 6 months \$	6 months to 1 year \$	1 – 5 years \$
30 June 2023				
Trade and other payables (including salary and superannuation liabilities)	n/a	895,991	-	-
Fixed interest rate instruments (including right of use lease liabilities)	7.87	-	-	232,771
Variable interest rate instruments (based on scheduled repayments)	-	-	-	-
		895,991	-	232,771
30 June 2022				
Trade and other payables (including salary and superannuation liabilities)	n/a	848,662	-	-
Fixed interest rate instruments (including right of use lease liabilities)	5.05	-	102,835	-
Variable interest rate instruments (based on scheduled repayments)	-	-	-	-
		848,662	102,835	-

6.2 FINANCIAL INSTRUMENTS (continued)

Not measured at fair value

The Group has various financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables and current borrowings are a reasonable approximation to their fair values.

The methods and valuation techniques used for the purposes of measuring fair values are unchanged compared to the previous reporting period.

6.3 RELATED PARTIES

Accounting Policy

Key management personnel compensation

Directors' remuneration is expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(a) Key management personnel compensation

During the previous period two new KMPs were employed, Darren Shanahan as Chief Operating Officer and Anthony Roe as Chief Digital Officer. Darren Shanahan resigned on 11 March 2022. Jillian Rosich, originally employed by RemSense Pty Ltd, was also appointed as key management personnel in August 2021. The terms of their appointment and the share-based payments they received are disclosed under Director's Remuneration on page 14 of this report. None of these KMP had any related party transactions with the Group over this reporting period.

Additional disclosures relating to Key Management personnel are set out in the Directors' Report and includes Directors.

Key management personnel compensation comprises the following:

	2023	2022
	\$	\$
Short-term employee benefits	902,610	958,716
Long-term employee benefits	8,969	13,706
Post-employment benefits	83,465	89,035
Share-based payments – options	376,715	78,874
	1,371,759	1,140,331

6.3 RELATED PARTIES (continued)

(b) Other key management personnel transactions

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

Only one KMP had any transaction with the Company during last financial year as detailed below. The terms and conditions of this transaction were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

Steve Brown

Imaging Properties Pty Ltd, a company for which Steve Brown is a director, received Nil (2022: \$33,267) in payment for lease and variable outgoing of the Gibberd Road, Balcatta, premises. This was obtained at arm's length and under normal commercial terms. RemSense terminated their lease on the property at the end of March 2022.

Fiona Brown (relation to Steve) received Nil (2022: \$10,651) in salary and on-costs for her role as Administration and Finance Officer.

During this financial year, no KMPs had any transactions with the Company.

6.4 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiary in accordance with the accounting policy described in note 1.1:

Name of subsidiary	Place of incorporation	Equity Interest	
		2023 %	2022 %
RemSense Pty Ltd	Australia	100	100

Balances and transactions between the Company and its subsidiary, which is a related party of the Company, have been eliminated on consolidation.

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6.5 PARENT COMPANY DISCLOSURES

Accounting Policy

The accounting policies of the parent entity, which has been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

The parent entity of the Group was RemSense Technologies Limited. Set out below is the supplementary information about the parent entity.

	2023	2022
	\$	\$
Result of the parent entity		
Loss for the year	(3,033,883)	(2,638,976)
Total comprehensive loss for the year	(3,033,883)	(2,638,976)
Financial position of parent entity at year end		
Current assets	493,168	1,761,090
Total assets	1,742,159	2,729,246
Current liabilities	(271,173)	(248,546)
Total liabilities	(313,270)	(254,040)
Total equity of the parent entity comprising of:		
Share capital	6,473,140	4,921,771
Equity-settled benefits reserve	391,988	838,411
Accumulated losses	(5,436,239)	(3,284,976)
Total equity	1,428,889	2,475,206

RemSense Technologies Limited has no commitments for expenditure at 30 June 2023 (2022: Nil) and has no guarantees (2022: Nil).

6.6 AUDITORS' REMUNERATION

The auditor of RemSense Technologies Limited is BDO Audit (WA) Pty Ltd. During the financial year the following fees were paid or payable for services provided by BDO Australia, the auditor of the Company and its network firms:

	2023	2022
	\$	\$
BDO Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	81,068	89,488
<i>Other assurance services</i>		
Independent Limited Assurance Report for IPO *	-	19,629
Total remuneration for audit and other assurances services	81,068	109,117
<i>Non-Audit services</i>		
Taxation services	27,500	57,619
Total Non-Audit services	27,500	57,619
Total remuneration services of BDO Australia	108,568	166,736

* On 25 May 2021, BDO Corporate Finance were engaged to perform an Independent Limited Assurance Report ("ILAR") to assist with the Company in listing on the ASX. The fee was \$19,629 with expenses incurred during the 2022 year.

6.7 MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 1 August 2023, RemSense announced it had raised a further \$340,500 via a placement facilitated by Peak Asset Management Pty Ltd. Under this placement, shares were issued at 7.5 cents each with one free attaching listed option. Peak also managed a \$475,000 placement in March 2023 and the rights issue which closed in May 2023 and raised a further \$200,296. The broker fees for the combined capital raise included the issue to Peak of 2,446,500 listed 15c options expiring on 15 December 2025.

On 25 August 2023, it was announced that Steve Brown had retired as Managing Director and CEO of RemSense. Warren Cook will commence as CEO as of 7 September 2023. Steve Brown will remain on the Board as a Non-Executive Director. On the same date, RemSense issued Warren Cook with 2m 15c options, exercisable on or before 10 December 2025 and 2m performance rights, 1m to vest 12 months from the date of commencement of employment and 1m to vest 24 months from date of commencement of employment, as part of his remuneration package.

Other than as disclosed above, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

6.8 NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its operations and effective for an accounting period on or after 1 July 2022.

All new and revised Standards have been assessed and the Group has determined that there is no material impact on the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to the Group accounting policies.

6.9 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the Group has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Group's accounting policies, however, further analysis will be performed when the relevant standards are effective.

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DIRECTORS' DECLARATION

In the opinion of the Directors of RemSense Technologies Limited (the 'Group'):

- (a) the financial statements and notes set out on pages 24 to 68 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



STEVE BROWN
Managing Director

30 August 2023
Perth

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INDEPENDENT AUDITOR'S REPORT

To the members of RemSense Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of RemSense Technologies Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial 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 2023 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.

Material uncertainty related to going concern

We draw attention to Note 1.3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has several material revenue streams in the form of engineering services, scanning jobs and Software as a Service (SaaS) contracts.</p> <p>The revenue streams are material to the financial report. Management focuses on revenue as the key driver by which the performance of the Group is measured.</p> <p>Refer to Note 2.2 in the financial report for disclosures relating to the Group’s revenue accounting policy and judgements applied in revenue recognition.</p> <p>The core principle of AASB 15 Revenue from contracts with customers, is that an entity should recognise revenue to depict the transfer of promised services to customers that reflects the consideration to which the entity expects to be entitled for those services.</p> <p>In our view, revenue recognition is significant to our audit due to the significance of revenue to the financial report and the complex nature of accounting for the appropriate timing of revenue related to the individual revenue streams.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of management’s revenue recognition policy, ensuring that the policy is in accordance with the five step model adopted by the relevant Australian Accounting Standards, AASB 15; • Understanding and documenting the process and controls used by the group in recording revenue; • Checking a sample of revenue transactions to evaluate whether they were appropriately recorded as revenue ensuring the amounts recorded agrees to supporting evidence; • Testing a sample of outstanding customer contracts at year end and agreeing to supporting records to ensure that contract assets and contract liabilities have been recognised in accordance with the accounting standard and the Group’s accounting policy; • Performing cut-off procedures to ensure that all revenue was captured in the appropriate financial year; and • Assessing the adequacy of the related disclosures in note 2.2 of the financial report.

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 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 at:

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 pages 12 to 21 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Remsense Technologies Limited, for the year ended 30 June 2023, 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 (WA) Pty Ltd

BDO


Dean Just

Director

Perth

30 August 2023

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SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable at 24 August 2023:

1. Distribution of ordinary shares

Range	Number of holders	Number of ordinary shares	% of issued capital
1 – 1,000	51	25,479	0.02
1,001 – 5,000	334	880,288	0.90
5,001 – 10,000	166	1,355,501	1.38
10,001 – 100,000	327	11,376,230	11.57
100,001 and over	96	84,672,591	86.13
Total	974	98,310,089	100.00

There were 466 holders of less than a marketable parcel of ordinary shares.

2. Distribution of listed options

Range	Number of holders	Number of listed options	% of issued capital options
1 – 1,000	22	11,522	0.07
1,001 – 5,000	21	49,582	0.31
5,001 – 10,000	15	108,732	0.68
10,001 – 100,000	29	1,031,276	6.45
100,001 and over	32	14,789,345	92.49
Total	119	15,990,457	100.00

3. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

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

Options and rights

No voting rights.

4. Corporate Governance Statement

In accordance with Listing Rule 4.10.3, the Company's Corporate Governance Statement can be found on the Company's website. Refer to <https://remsense.com.au/investors/corporate-governance/>.

5. Escrowed securities

Security	Number	Released from Escrow
Ordinary Shares	48,304,559	2/11/2023
Unlisted Series B Options	1,609,881	2/11/2023
Unlisted Series C Options	1,500,000	2/11/2023
	51,414,440	

6. Twenty largest shareholders of ordinary shares on 24 August 2023

Shareholders Name	Number of ordinary shares held	% of issued shares
VALRICH SUPERANNUATION PTY LTD	14,999,153	15.26
ADRIAN JOHN HOLLIS	12,814,473	13.03
TRENCH SUPER PTY LTD <BROWN FAMILY SUPER FUND A/C>	13,587,638	13.82
OMNIVEST PTY LTD <THE CLEGG SUPER FUND A/C>	7,519,786	7.65
10 BOLIVIANOS PTY LTD	2,524,650	2.57
EGMONT PTY LTD <CRAIG CARTER SUPER FUND A/C>	2,260,112	2.30
MBA INVESTMENTS PTY LTD	1,508,334	1.53
MR FRANCIS JOSEPH MAHER & MRS SHARON JANE MAHER <MAHER FAMILY A/C>	1,200,000	1.22
LOBSTER POT INVESTMENTS PTE LTD	1,188,986	1.21
CHRISTIAN OGENESKI	1,174,317	1.19
MR ANTANAS GUOGA	1,066,667	1.09
MR RICHARD ANTHONY BENNETT & MRS SONIA MAREE BENNETT <RICSON SUPER FUND A/C>	1,062,500	1.08
MR DENNIS BRIAN JONES & MRS JENNIFER ANNE JONES <JONES SUPER FUND A/C>	998,337	1.02
SUTHO ONE PTY LTD <SUTHO ONE SUPER FUND A/C>	979,061	1.00
ENDEAVOUR RIVER PTY LTD	885,000	0.90
ROSHERVILLE PTY LTD <AYTON SUPER FUND A/C>	732,000	0.75
SUNLORA PTY LTD <THE THREE FISH SUPER A/C>	610,567	0.62
SLH SHARE TRADING PTY LTD	600,000	0.61
ADRIAN HOLLIS SUPER FUND PTY	593,949	0.60
VECTOR LEADERSHIP PTY LTD	591,666	0.60
	66,897,196	68.05

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7. Substantial shareholders

Shareholders Name	Number of ordinary shares held	% of issued shares
VALRICH SUPERANNUATION PTY LTD	14,999,153	15.26
ADRIAN JOHN HOLLIS	12,814,473	13.03
TRENCH SUPER PTY LTD	12,647,355	12.86
OMNIVEST PTY LTD <THE CLEGG SUPER FUN	7,519,786	7.65

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CORPORATE DIRECTORY

Directors

Mr Chris Sutherland
Mr Steve Brown
Mr Ross Taylor
Mrs Sue Murphy

Secretary

Mr David McArthur

Registered and Principal Office

Suite 173, 580 Hay Street
Perth WA 6000

Telephone: +61 8 6118 5610

Auditor

BDO Audit (WA) Pty Ltd
Level 9
Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

Banker

National Australia Bank
100 St Georges Terrace
Perth WA 6000

Solicitor

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Share Registry

Automic Group Pty Ltd
Level 2, 267 St Georges Terrace
Perth WA 6000

Stock Exchange

Australian Securities Exchange Limited (ASX)
ASX code: REM

Website and Email

Website: www.remsense.com.au

Email: info@remsense.com.au