

Appendix 4E - Preliminary Financial Report for the year ended 30 June 2020



Weebit Nano Limited
ACN: 146 455 576

Details of the reporting period and previous reporting period

This preliminary financial report under ASX listing rule 4.3A covers Weebit Nano Limited and its controlled entities (“the Group”) and is based on the audited Financial Report.

Results for announcement to the market

Revenue from ordinary activities	\$NIL (100%)	\$NIL
Loss from ordinary activities after tax attributable to members	down \$2,672,346 (40%)	to \$4,021,457
Dividends	Amount per security	Franked amount per security
Final dividend	NIL	N/A
Interim dividend	NIL	N/A
Record date for determining entitlements to the dividend	N/A	

Net tangible assets per security with the comparative figure for the previous corresponding period

	30 June 2020	30 June 2019
Net tangible asset backing per share	4.016 cents	2.521 cents

Details of entities over which control has been gained or lost during the year

There were no entities over which control has been gained or lost during the year.

Dividend paid or reinvested.

No dividends have been declared or are payable for the year ended 30 June 2020.

Dividend reinvestment plan

No dividend or distribution reinvestment plan was in operation during the year ended 30 June 2020.

Accounting standard for foreign entities

The accounts of foreign entities within the Group have been prepared in accordance with International Financial Reporting Standards.

A commentary on the results and additional disclosure information required under listing rule 4.3a is disclosed within the Directors’ Report within the audited full year report for the 2020 financial year.

Appendix 4E - Preliminary Financial Report for the year ended 30 June 2020

2020 Annual General Meeting and Director Nominations

Weebit Nano Limited advises that its Annual General Meeting will be held on Tuesday 17 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) Wednesday 30 September 2020.

WEEBIT NANO LTD
ACN: 146 455 576



ACN 146 455 576

ANNUAL REPORT

for the year ended 30 June 2020

**WEEBIT NANO LTD
ACN: 146 455 576**

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This Annual Report covers Weebit Nano Ltd ("WBT" or the "Company") as a Group consisting of Weebit Nano Ltd and its subsidiaries, collectively referred to as the "Group". The financial report is presented in Australian currency.

WBT is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Weebit Nano Ltd
C/- Mertons Corporate Services Pty Ltd
Level 7
330 Collins Street
Melbourne VIC 3000

WEEBIT NANO LTD
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CORPORATE INFORMATION

Directors:

David Perlmutter
Chairman

Jacob Hanoch
Managing Director and CEO

Fred Bart
Non-Executive Director

Ashley Krongold
Non-Executive Director

Yoav Nissan-Cohen
Executive Director

Atiq Raza
Non-Executive Director

Company Secretaries:

Mark Licciardo
Priyamvada Rasal

Auditors:

Nexia Perth Audit Services Pty Ltd
Level 3, 88 William Street
PERTH WA 6000

Bankers:

Westpac Banking Corporation
108 Stirling Highway
NEDLANDS WA 6009

Solicitors - Sydney:

King & Wood Mallesons
Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Registered & Principal Office:

C/- Mertons Corporate Services Pty Ltd
Level 7
330 Collins Street
Melbourne VIC 3000
+61 3 8689 9997

Postal Address:

C/- Mertons Corporate Services Pty Ltd
Level 7
330 Collins Street
Melbourne VIC 3000

Home Stock Exchange:

Australian Securities Exchange Limited
Level 40
152-158 St Georges Terrace
PERTH WA 6000

ASX Code:

WBT

Share Registry:

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

Website:

www.weebit-nano.com

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DIRECTORS' REPORT

Your Directors have pleasure in submitting their report on the Company and its subsidiaries for the year ended 30 June 2020.

David 'Dadi' Perlmutter - Chairman (Appointed 01/08/2016)

EXPERIENCE AND EXPERTISE

Mr David (Dadi) Perlmutter is focused on investment in growing technology companies in Israel. Mr Perlmutter also serves as a member of the Board of Directors of Mellanox Technologies, chairs various non-profit organisations, is a member of the Board of Governors of the Technion – Israel Institute of Technology and sits on the board of directors of various startups.

Mr Perlmutter served until early 2014 as Executive Vice President and General Manager of the Intel Architecture Group (IAG) and chief product officer of Intel Corporation. He was responsible for the business and development of Intel's platform solutions for all computing and communication segments including datacenters, desktops, laptops, handhelds, embedded devices, and computer electronics. In his tenure he grew the business from \$35 billion in 2008 to more than \$50 billion in 2013, managed 35,000 people worldwide and made investments and acquisitions exceeding \$2.5 billion.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Mellanox Technologies (MLNX (NASDAQ), resigned 24/04/2020)

Jacob 'Coby' Hanoch - Managing Director and CEO (Appointed 01/10/2017)

EXPERIENCE AND EXPERTISE

Mr Jacob (Coby) Hanoch has 15 years' experience in engineering and engineering management and 25 years' experience in sales management and executive roles. Coby was Vice President Worldwide Sales at Verisity where he was part of the founding team and grew the company to over \$100M in annual sales which facilitated its acquisition by Cadence Design Systems (NASDAQ: CDNS).

He was also Vice President Worldwide Sales at Jasper, doubling sales in 3 years before it was acquired by Cadence. As CEO of PacketLight, Coby helped steer the company away from bankruptcy. Coby set up a consulting company, EDAcon Partners, which helps startups define their corporate strategies, set up their worldwide sales channel and raise capital.

Coby holds a Bachelor of Science in Systems Design from Technion – Israel Institute of Technology.

NO OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Fred Bart - Non-Executive Director (Appointed 05/03/2018)

EXPERIENCE AND EXPERTISE

Mr. Fred Bart has an extensive track record of business success behind him and brings decades of business know-how to Weebit Nano. Starting his career in the bed linen retail and fashion industries, Fred's business interests diversified to include genetics, securities, electro-optics, hospitality and more. In the 1980s he was responsible for transforming his family business from a small operation to a 1,200 employee corporation with a \$200 million turnover. He acquired and turned around several businesses during his impressive career, expanding their operations, growing revenue and helping them to become publicly listed. Currently, he is Chairman and major shareholder of Electro Optics Systems Limited (ASX: EOS) and Chairman of Audio Pixels Holdings Limited (ASX: AKP). Mr Bart also holds a wide range of private companies worldwide.

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DIRECTORS' REPORT (continued)

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Electro Optics Systems Limited – Chairman

Audio Pixels Holdings Limited – Non-Executive Chairman

Ashley Krongold – Non-Executive Director (Appointed 29/09/2016)

EXPERIENCE AND EXPERTISE

Mr Ashley Krongold is the CEO of The Krongold Group, a third-generation, family-run group of companies based in Melbourne, Australia with businesses spanning various industries. Prior to Krongold Group, Ashley spent 15 years in the Investment Banking and Accounting industries. He was a founding member of Investec Bank Australia, worked at William Buck Chartered Accountants, ANZ Corporate Finance (London) and ANZ Private Bank (Australia).

NO OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Dr Yoav-Nissan Cohen – Executive Director (Appointed 15/02/2018)

EXPERIENCE AND EXPERTISE

Dr Yoav Nissan-Cohen's career covers nearly 40 years of scientific research, technology development and executive management in the hi-tech industry. He is currently Chairman and CEO of Zullavision, a company which leverages Israeli technologies to provide innovative solutions for film and TV productions.

Yoav received his PhD researching non-volatile memories, under the supervision of Prof Dov Frohman, the inventor of the first non-volatile memory technology.

He started his illustrious career as a research scientist in GE's R&D centre in New York where he studied the use of silicon dioxide in semiconductor memory devices. He then led the spin-off of National Semiconductor's fabrication facility in Israel, establishing Tower Semiconductor, a Nasdaq-listed, global specialty semiconductor foundry leader with a market cap of US\$3.4 billion, where he served as CEO for nine years. Dr. Nissan-Cohen also played a key role in establishing a non-volatile technology startup, Saifun Semiconductor, which was subsequently sold to Spansion. After two years in the venture capital industry, he returned to his entrepreneurial origins taking up Chairman and CEO positions in Amimon which provides wireless transmissions of HD Video at zero latency. Dr. Nissan-Cohen holds a PhD in Applied Physics where his focus was on semiconductor device physics.

NO OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Atiq Raza – Non-Executive Director (Appointed 01/07/2019)

EXPERIENCE AND EXPERTISE

Atiq Raza is currently the Chairman of Virsec, a next generation Cybersecurity software company.

He has served as Chairman of the board at Validity, a biometric solutions company acquired by Synaptics and was also on the board of Seeo, a next generation Li-ion battery company acquired by Bosch. Atiq served on the Stanford University School of Engineering Advisory Council for eight years until 2016.

Atiq Raza is an industry veteran and has been working in engineering leadership and senior management positions for the past thirty-two years. He was Chairman and CEO of NexGen, the first company to challenge Intel in microprocessors. NexGen became a public company and subsequently was acquired by AMD for approximately \$850 million in AMD stock. Atiq became the President and COO of AMD and served on its Board of Directors. At AMD he laid the foundation of its processor business and brought the AMD-K6 and Athlon products to market and established the Opteron 64-bit instruction set architecture. Prior to NexGen, Atiq held various management positions at VLSI Technology Incorporated, most notably the president of Technology Centers.

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DIRECTORS' REPORT (continued)

Post AMD, Atiq founded Raza Microelectronics Incorporated (RMI). RMI was acquired by NetLogic in October 2009 and Atiq served as Chief Technology Advisor to NetLogic. NetLogic in turn was acquired by Broadcom on the strength of the RMI Processor.

Atiq has been on the boards of several successful start-ups including Mellanox (now a public company), SiByte (acquired by Broadcom for \$2.2 billion), Siara (acquired by Redback for \$4 billion), VxTel (acquired by Intel for \$500 million) and Magma (now a public company). He has several degrees, including his Bachelor's degree with honors in Physics from Punjab University, with a double bachelor's degree in Philosophy, his Bachelor's degree in Electrical Engineering with honours from the University of London, and his Master's degree in Materials Science & Engineering from Stanford University.

NO OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

FORMER DIRECTORS DURING THE YEAR ENDED 30 JUNE 2020

Yossi Keret- Non-Executive Director (Appointed 01/08/2016, Resigned 26/09/2019)

EXPERIENCE AND EXPERTISE

Mr Yossi Keret has extensive managerial and financial experience and has led a variety of international companies in different fields including industrial, financing, biotech and high-tech startups both in Europe and the USA. Mr Keret has a vast experience in public and private companies and took a major part in M&A negotiations and implementation as well as in complex international tax planning. Mr Keret has played a major part in initial public offerings on NASDAQ and has led successful private equity raising for public companies. Mr Keret was formerly the Managing Director and CEO of Weebit Nano Limited and announced his resignation for personal reasons on 30 June 2017, effective 30 September 2017 when he became a non-executive director. Yossi currently serves as the CEO of Nanorobotics Ltd, an Israeli Biotech company. Yossi also serves as a board member in Wize Pharma a traded company on the OTCQB (WIZP).

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Wize Pharma (OTCQBWIZP) – Non-Executive Director

COMPANY SECRETARY

Mark Licciardo (Appointed 01/02/2017)

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

As a former Company Secretary of ASX 50 companies, Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with Boards of Directors in the areas of corporate governance, business management, administration, consulting and company secretarial matters. Mark is also an experienced Chairman and non-executive Director of a number of ASX listed public and private companies. Mark holds a Bachelor of Business Degree (Accounting) from Victoria University and a Graduate Diploma in Company Secretarial Practice, is a Fellow of the Australian Institute of Company Directors, the Governance Institute of Australia and the Institute of Company Secretaries and Administrators.

Priyamvada Rasal (Appointed 23/01/2020)

Priyamvada Rasal has diversified experience in corporate governance, company secretarial services, compliances, and corporate strategies. Priyamvada also has extensive experience working with a broad range of industries, including financial services, FMCG, advertising & media, agriculture and manufacturing. She has held roles in the Company Secretaries Professional Services, Stock Exchange and private companies in the past.

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DIRECTORS' REPORT (continued)

FORMER SECRETARIES DURING THE YEAR ENDED 30 JUNE 2020

Tamara Barr (Appointed 21/08/2019, resigned 20/12/2019)

Tamara Barr has extensive experience as a Company Secretary, working predominantly within the financial services sector for both Australian ASX listed companies and UK unlisted companies. Her experience includes leading a team of company secretaries for a prominent Lloyd's of London insurance company, Assistant Company Secretary for Australia's largest listed investment company (Australian Foundation Investment Company), and its sister companies, and providing company secretarial services to corporate finance clients. As a corporate governance professional, she has solid experience in due diligence, corporate finance administration, market research, investor relations and restructuring (procedure and process development). Tamara is currently a Corporate Governance Advisor and Company Secretary to various public and private companies.

PRINCIPAL ACTIVITIES

Weebit Nano Ltd ("WBT" or the "Company") develops a next generation Non-Volatile Memory using a Resistive RAM (ReRAM) technology based on Silicon Oxide (SiOx).

On 24 November 2017 Weebit Nano Israel, a wholly owned subsidiary, incorporated a 100% held R&D subsidiary in France- Weebit Nano France.

RESULTS

As the group is in the research and development stage it does not yet generate revenue. The Loss for the year attributable to members of the Company for the year ended 30 June 2020 amounted to \$4,021,457 (2019: \$6,693,803). The loss mainly reflects the research and development activities of the Group as well as administration costs.

DIVIDENDS

No dividends were paid or declared during the year or in the period from the year end to the date of this report.

OPERATING AND FINANCIAL REVIEW

Overview

As described above, the Company's strategy is to develop a next generation Non-Volatile Memory made of Silicon Oxide (SiOx).

The Company, through its R&D French subsidiary, signed a collaboration agreement with CEA-Leti (Leti), a leading French microelectronics research institute, for the development and prototyping of advanced ReRAM memories based on switching SiOx materials. This created a team of highly skilled scientists based in a world-class facility to further develop the technology.

The first phase of development started in mid-September 2016, which was the development and engineering of the base technology, bringing it to a production-level geometry of 40 nanometers and demonstrating an initial 1 Mb (Mega-bit) memory array.

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DIRECTORS' REPORT (continued)

In May 2018 the agreement with Leti was extended to enable improving the “baseline parameters” bringing the memory array closer to the level required for production. In May 2019 the Company announced it has reached technical results at the forefront of the market which enabled it to engage with an initial potential customer. The Company is now in the process of adapting its technology to the specification given by this potential customer.

In the last 12 months the company announced 2 Letters-of-Intent (LOIs) with Chinese companies XTX Technologies and SiEn (QingDao) Integrated Circuits to explore the adoption of its technology in their products. XTX tested Weebit's technology in its facilities and issued a joint press release confirming it works as advertised.

The Company has also announced it has registered 3 patents of its own related to its technology, and 5 additional patents in cooperation with Leti.

In August 2019, at the Flash Memory Summit, Weebit demonstrated, together with its partner Leti, the first ever Spiking Neural Network (SNN) running on a ReRAM, showing how ReRAM can be used to emulate the brain. This achievement resulted in Weebit receiving the Technology Innovation Award at the prestigious International Solid-State Circuit Conference (ISSCC) 2020 conference.

In addition, Weebit was chosen as one of the top 10 most promising startups in the EETimes' (the industry's leading magazine) “Silicon 100, 100 Startups Worth Watching” report.

Global Covid-19 restrictions caused some disruptions to company's technical and commercial activities, due to the temporary closure of its French based development partner, Leti, for some of the period, travel restrictions, and the need to temporarily pause discussions with some potential partners.

However, the successful capital raise that secured \$9.1 million (as described below) allows the company to accelerate its development work across the embedded and standalone memory markets and will enable demonstration of the embedded memory module and transfer to a production fab, and importantly, should take the company to its first commercial agreement.

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DIRECTORS' REPORT (continued)

Financial Position

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a loss for the year ended 30 June 2020 of \$4,021,457 (2019: Loss of \$6,693,803) and experienced net cash outflows from operating activities of \$1,986,691 (2019: \$5,745,444). As at 30 June 2020 the Group had cash on hand of \$4,115,275 (2019: \$1,670,912) and net working capital surplus of \$3,173,632 (2019: \$1,522,767). The loss mainly reflects the administration costs of the Group.

During August and September 2019 the company raised a total amount of \$3,138,232 by means of a private placement and an entitlement offer. The cost to raise these funds totaled \$459,000.

In June 2020 the company announced it had secured commitments from existing and new sophisticated and institutional investors to place \$6,565,000 via a two-tranche placement. Subscribers would receive one listed option for each placement share. The placement options would be exercisable at \$0.45 each with an expiry date of 18 months from the date of issue.

Tranche 1 shares of the placement, was issued using the company's placement capacity pursuant to ASX listing rule 7.1. Tranche 2 of the placement and the attaching placement options, including those related to Tranche 1 shares, were subject to shareholder approval at an extraordinary general meeting of the company held on 23 July 2020.

In the extraordinary general meeting of the company that was held on 23 July 2020, the second tranche placement was approved. In addition, on 17 July 2020 the company announced the successful and oversubscribed closing of its Share Purchase Plan (SPP) and raised \$2,527,562.

The directors carefully manage discretionary expenditure in line with the Group's cash flow forecast.

Based on the matters described above, the Directors consider the going concern basis of preparation appropriate.

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DIRECTORS' REPORT (continued)

Financial review

As the group is in the research and development stage it does not yet generate revenue. The loss for the year ended 30 June 2020 was \$4,021,457 (2019: \$6,693,803).

The loss for the year ended 30 June 2020 mainly comprised the following:

Research and development (net)	(\$154,338)	<p>For the development process of Non-Volatile Memory made of Silicon Oxide.</p> <p>Cost of development with Leti was \$1,578,539 in 2020 (2019: \$2,556,092).</p> <p>Weebit Nano France is entitled to receive Research and Development grants (tax refunds) from the French government. Such grants are recognised as revenue upon receipt. The 2018 and 2019 grants totaling ~\$3 million were both received in the 2020 financial year. R&D costs were reduced accordingly.</p> <p>R&D expenses include \$229,191 for share based compensation (2019: \$427,147).</p>
General and Administrative	(\$3,767,477)	Of which \$1,283,935 was for share based payments (2019: \$636,686)

As at 30 June 2020, the total current assets of the group were \$4,314,868 (2019: \$1,891,933) out of which \$4,115,275 (2019: \$1,670,912) was cash and cash equivalents. Total assets were \$4,508,193 (2019: \$1,973,601).

Total liabilities, including lease liabilities, as at 30 June 2020 were \$1,165,681 (2019: \$369,166).

Total equity as at 30 June 2020 was \$3,342,512 (2019: \$1,604,435). The increase in equity despite the loss for the year is mainly due to a share issuance, net of capital raising costs, of \$4,581,622.

Net cash used in operating activities for the year ended 2020 was \$1,986,691 (2019: \$5,745,444), mainly in respect of payments to suppliers, consultants and employees, net of Research and Development grants received in France. Net cash flows provided by financing activities for the year ended 2020 were \$4,443,488 (2019: \$4,061,262) from share issuance, net of capital raising costs and repayments of lease liabilities.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Weebit Nano is currently focused on the adaptation of its technology to the specification given by the first potential customer. It is engaged with additional potential customers and partners as part of its move from development to commercialisation and productisation.

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DIRECTORS' REPORT (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 16 July 2020 the company announced the filing of two new patents for improved selector of embedded ReRAM products, to further protect the intellectual property of its silicon oxide (SiOx) ReRAM technology.

On 20 July 2020 the company announced the upsized oversubscribed SPP (described in the Financial Position section of the Directors' Report above).

On 21 July 2020 the company and Politecnico di Milano (Polimi), a leading European university for industrial and information engineering, technology and industrial design, have presented a joint research paper on a novel artificial intelligence (AI) self-learning demonstration based on company's silicon oxide (SiOx) ReRAM at a prominent industry conference.

On 23 July 2020 the extraordinary general meeting of the company approved the second tranche placement (described in the Financial Position section of the Directors' Report above).

On 11 August 2020 the company had successfully completed the first stage of the "stabilization" process, a key milestone on the path to productisation, verifying the company's production process is repeatable and consistent, resulting in a higher wafer production yield.

The impact of the Coronavirus (COVID-19) pandemic is ongoing as at 30 June 2020 and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to environmental regulations in the jurisdictions in which it operates.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of \$127,228 (2019: \$70,000) excluding GST to insure the Directors and officers of the Company for a 12 months period.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

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DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

Details of relevant interests of current Directors in Weebit Nano's shares as at the date of this report are as follows:

Director	Shares		Options		Performance Rights	
	Held Directly	Held Indirectly	Held Directly	Held Indirectly	Held Directly	Held Indirectly
Dadi Perlmutter	660,246	1,153,500	1,657,143	-	-	-
Coby Hanoch	262,672	270,000	2,598,571	-	-	210,000
Fred Bart	-	596,237	260,000	196,428	128,000	-
Ashley Krongold	-	1,429,150	-	100,000	-	-
Yoav Nissan-Cohen	-	240,603	560,000	213,571	-	136,000
Atiq Raza	222,363	-	349,286	-	128,000	-
TOTAL	1,145,281	3,689,490	5,425,000	509,999	256,000	346,000

MEETINGS OF DIRECTORS

Set out below are details of the number of Board meetings held by Weebit Nano during the 2020 financial year with each director's attendance details.

	Board Meetings	
	Held	Attended
Dadi Perlmutter	20	18
Coby Hanoch	20	20
Fred Bart	20	19
Ashley Krongold	20	18
Yoav Nissan-Cohen	20	18
Atiq Raza	20	14
Yossi Keret*	6	4

*Resigned on 26/09/2019

Under Weebit Nano's Constitution, documents containing written resolutions assented to by Directors are to be taken as a minute of a meeting of Directors. There were eight written resolution assented to by the Board this financial year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Key Management Personnel of the Company for the year ended 30 June 2020. The information contained in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

This remuneration report details the remuneration arrangements for key management controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes those executives in the Parent and the Group receiving the highest remuneration.

Key Management Personnel

Directors:

Mr David Perlmutter (Chairman)

Mr Jacob Hanoch (CEO and MD)

Mr Fred Bart (Non-Executive Director)

Mr Yossi Keret (Non-Executive Director) (resigned on 26/09/2019)

Mr Ashley Krongold (Non-Executive Director)

Dr Yoav Nissan-Cohen (Executive Director)

Mr Atiq Raza (Non-Executive Director) (appointed on 01/07/2019)

Remuneration Policy

The Company's performance relies heavily on the quality of its Key Management Personnel (KMP) which currently consists of directors only. The Company has therefore designed a remuneration policy to align director and executive reward with business objectives and shareholder value.

The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain high calibre management personnel and directors to run and manage the Group.

Remuneration Structure

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

Non-Executive Director Remuneration

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of annual fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting (currently \$300,000).

Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in employee incentive option plans that may exist from time to time.

Executive Remuneration

Executive Remuneration currently consists of fixed remuneration only, and the board is considering variable remuneration (comprising short-term and long-term incentive schemes).

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DIRECTORS' REPORT (continued)
REMUNERATION REPORT (AUDITED) (continued)

Fixed Remuneration

The Company's performance relies heavily on the quality of its Key Management Personnel. The Company has therefore designed a remuneration policy to align director and executive reward with business objectives and shareholder value.

The fixed remuneration of the Company's Key Management Personnel is detailed in page 13.

Variable Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and key management personnel. Currently this is facilitated through bonus plans and through the issue of options and performance rights to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Directors and executives may be issued options to encourage the alignment of personal and shareholder interests. Options and performance rights issued to Directors may be subject to market-based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Company believes this policy will be effective in increasing shareholder wealth. Key Management Personnel are also entitled to participate in the employee share and option arrangements.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward key management personnel for performance that results in long- term growth in shareholder value.

Remuneration of Directors and Executives

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Weebit Nano Ltd are set out in the following tables.

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Key management personnel of Weebit Nano Limited

2020	Short Term Benefits		Post Employment Benefits \$	Share Based Payments \$	Total \$	% of remuneration consisting of options and performance rights
	Salary and Fees \$	Non-Monetary \$				
Key Management Personnel						
David Perlmutter	100,696	-	-	227,661	328,357	69%
Jacob Hanoch	521,074	-	-	589,236	1,110,310	53%
Fred Bart	45,000	-	-	60,110	105,110	57%
Yossi Keret	11,066	-	-	-	11,066	0%
Ashley Krongold	45,000	-	-	9,782	54,782	18%
Yoav Nissan Cohen	162,230	-	-	111,866	274,096	41%
Atiq Raza	49,875	-	-	65,765	115,640	57%
Total	934,941	-	-	1,064,420	1,999,361	

2019	Short Term Benefits		Post Employment Benefits \$	Share Based Payments \$	Total \$	% of remuneration consisting of options and performance rights
	Salary and Fees \$	Non-Monetary \$				
Key Management Personnel						
David Perlmutter	96,147	-	-	144,126	240,273	60%
Jacob Hanoch	471,761	-	-	719,962	1,191,723	58%
Fred Bart	45,000	-	-	37,873	82,873	46%
Yossi Keret	44,854	-	-	-	44,854	-
Ashley Krongold	45,000	-	-	-	45,000	-
Yoav Nissan Cohen	192,113	-	-	40,120	232,233	17%
Total	894,875	-	-	942,081	1,836,956	-

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DIRECTORS' REPORT (continued)
REMUNERATION REPORT (AUDITED) (continued)

a) Shareholdings of key management personnel

The number of ordinary shares of Weebit Nano Ltd held directly, indirectly or beneficially, by each Director, including their personally-related entities, as at balance date:

2020:

Directors	Held at 1 July 2019	Movement during year	Held Prior to Resignation	Held at 30 June 2020
D. Perlmutter	1,251,477	205,126	-	1,456,603
J. Hanoch	45,641	308,460	-	354,101
F. Bart	233,143	166,666	-	399,809
Y. Keret*	753,500	-	(753,500)	-
A. Krongold	1,429,150	-	-	1,429,150
Y. Nissan Cohen	28,572	190,460	-	219,032
A Raza**	-	133,077	-	133,077
Total	3,741,483	1,003,789	(753,500)	3,991,772

*Resigned on 26 September 2019.

** Appointed on 1 July 2019.

2019:

Directors	Held at 1 July 2018	Movement during year*	Held Prior to Resignation	Held at 30 June 2019
D. Perlmutter	29,858,321	(28,606,844)	-	1,251,477
J. Hanoch	426,724	(381,083)	-	45,641
F. Bart	4,400,000	(4,166,857)	-	233,143
Y. Keret	28,837,489	(28,083,989)	-	753,500
A. Krongold	35,728,729	(34,299,579)	-	1,429,150
Y. Nissan Cohen	-	28,572	-	28,572
A Raza**	-	-	-	-
Total	99,251,263	(95,509,780)	-	3,741,483

* Figures were adjusted to reflect a 1:25 share consolidation that was finalised on 25 February 2019.

** Appointed on 1 July 2019.

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DIRECTORS' REPORT (continued)
REMUNERATION REPORT (AUDITED) (continued)

b) Options and Performance Rights holdings of Key Management Personnel

The number of options over ordinary shares in Weebit Nano Ltd held directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities, as at the balance date is as follows:

2020 (Options):

Directors	Held at 1 July 2019	Movement during year	Held prior to resignation	Held at 30 June 2020	Vested and exercisable at 30 June 2020	
F. Bart	160,000	100,000	-	260,000	90,000	Refer (a)
Y. Nissan-Cohen	320,000	400,000	-	720,000	180,000	Refer (b)
J. Hanoch	1,520,000	900,000	-	2,420,000	850,000	Refer (c)
A Raza	-	260,000	-	260,000	-	Refer (d)
David Perlmutter	800,000	500,000	-	1,300,000	300,000	Refer (e)
Ashley Krongold	-	100,000	-	100,000	-	Refer (f)
Total	2,800,000	2,260,000	-	5,060,000	1,420,000	

2020 (Performance Rights):

Directors	Held at 1 July 2019	Movement during year	Held prior to resignation	Held at 30 June 2020	Vested and exercisable at 30 June 2020	
F. Bart	128,000	-	-	128,000	72,000	Refer (a)
Y. Nissan-Cohen	256,000	(120,000)	-	136,000	24,000	Refer (b)
J. Hanoch	480,000	(270,000)	-	210,000	-	Refer (c)
A Raza	-	128,000	-	128,000	-	Refer (d)
Total	864,000	(262,000)	-	602,000	96,000	

The amounts paid per ordinary share on the exercise of performance rights at the date of exercise, on 5 March 2020, was \$0.36.

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

2019: (Options)

Directors	Held at 1 July 2018	Movement during year	Held prior to resignation	Held at 30 June 2019	Vested and exercisable at 30 June 2019	
F. Bart	4,000,000	(3,840,000)	-	160,000	50,000	Refer (a)
Y. Nissan-Cohen	8,000,000	(7,680,000)	-	320,000	100,000	Refer (b)
J. Hanoch	28,000,000	(26,480,000)	-	1,520,000	420,000	Refer (c)
D. Perlmutter	-	800,000	-	800,000	-	Refer (e)
Total	40,000,000	(37,200,000)	-	2,800,000	570,000	

2019:

(Performance Rights)

Directors	Held at 1 July 2018	Movement during year	Held prior to resignation	Held at 30 June 2019	Vested and exercisable at 30 June 2019	
F. Bart	3,200,000	(3,072,000)	-	128,000	40,000	Refer (a)
Y. Nissan-Cohen	6,400,000	(6,144,000)	-	256,000	80,000	Refer (b)
J. Hanoch	-	480,000	-	480,000	-	Refer (c)
Total	9,600,000	(8,736,000)	-	864,000	120,000	

(a) Mr Bart's options were issued on 26 September 2019, following approval in the AGM, at an exercise price equals to a 10% premium over the volume weighted average market price calculated during the three trading days preceding the grant of the Options. The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

(a) 25% of the Options shall vest on the first anniversary of the date of issue; and

(b) thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and performance rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

(b) Mr Nissan-Cohen's options were issued on 26 September 2019, following approval in the AGM at an exercise price equals to a 50% premium over the volume weighted average market price calculated during the three trading days preceding the grant of the Options. The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

(a) 25% of the Options shall vest on the first anniversary of the date of issue; and

(b) thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

Performance Rights - 120,000 ordinary fully paid shares were issued to Mr Nissan-Cohen on 5 March 2020, following conversion of performance rights.

(c) Mr Hanoch's options were issued on 26 September 2019, following approval in the AGM at an exercise price equals to a 50% premium over the volume weighted average market price calculated during the three trading days preceding the grant of the Options. The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

(a) 25% of the Options shall vest on the first anniversary of the date of issue; and

(b) thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

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DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Performance Rights - 270,000 ordinary fully paid shares were issued to Mr Nissan-Cohen on 5 March 2020, following vesting of performance rights.

(d) Mr Raza's options were issued on 26 September 2019, following approval in the AGM, at an exercise price equals to a 10% premium over the volume weighted average market price calculated during the three trading days preceding the grant of the Options. The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

(a) 25% of the Options shall vest on the first anniversary of the date of issue; and

(b) thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

Mr Raza's performance rights were issued on 26 September 2019. The performance rights shall vest and be exercisable during a four year period (Vesting Period) based on the following:

(a) 25% of the Options shall vest on the first anniversary of the date of issue; and

(b) thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

(e) Mr Perlmutter's options were issued on 26 September 2019, following approval in the AGM, at an exercise price equals to a 10% premium over the volume weighted average market price calculated during the three trading days preceding the grant of the Options. The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

(a) 25% of the Options shall vest on the first anniversary of the date of issue; and

(b) thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

(f) Mr Krongold's options were issued on 26 September 2019, following approval in the AGM, at an exercise price equals to a 10% premium over the volume weighted average market price calculated during the three trading days preceding the grant of the Options. The Options shall be vested and be exercisable during a four year period (Vesting Period) based on the following:

(a) 25% of the Options shall vest on the first anniversary of the date of issue; and

(b) thereafter for a period of three years, 6.25% of the Options shall vest at the end of each quarter.

These options and rights will expire 10 years from the date of grant. For further details on the valuation assumptions, refer to the table below and Note 14 to the financial statements.

A summary of the terms and conditions of each grant of options and performance rights affecting remuneration in the current or a future reporting period are as follows:

Date of Grant	Type	Number	Exercise price \$	Vesting Conditions	Expiry date	Under-lying share price \$	Share price volatility	Risk free interest rate	Fair Value \$
26.9.2019	Options	900,000	0.54	Refer (c)	14.8.2029	0.39	76.55%	0.79%	0.24
26.9.2019	Options	500,000	0.74	Refer (e)	14.8.2029	0.39	76.55%	0.79%	0.21
26.9.2019	Options	400,000	0.54	Refer (b)	14.8.2029	0.39	70.47%	0.97%	0.27
26.9.2019	Options	300,000	0.74	Refer (a)(d)(f)	14.8.2029	0.39	76.55%	0.79%	0.21
26.9.2019	Options	160,000	0.45	Refer (d)	26.9.2029	0.39	76.55%	0.79%	0.25
26.9.2019	Options	100,000	0.74	Refer (f)	14.8.2029	0.39	76.55%	0.79%	0.21
26.9.2019	Performance rights	128,000	Nil	Refer (d)	14.8.2029	0.45	n/a	n/a	0.45

*****END OF REMUNERATION REPORT*****

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DIRECTORS' REPORT (continued)

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than as disclosed elsewhere in the report, no other likely developments, future prospects and business strategies of the operations of the Company have been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

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DIRECTORS' REPORT (continued)

SHARE OPTIONS/PERFORMANCE RIGHTS

Shares under Option

At the date of this report there are 51,679,826 unissued shares under option and performance rights outstanding as summarised below:

Date Granted	Security Type	Expiry Date	Exercise Price	Number of shares under option
30-Nov-17	Unlisted Options	02-Oct-21	\$0.43875	1,120,000
12-Oct-18	Unlisted Options	12-Oct-22	\$1.31250	180,000
12-Oct-18	Unlisted Options	12-Oct-22	\$1.53125	180,000
24-Dec-18	Unlisted Options	01-Jan-28	\$1.44500	160,000
24-Dec-18	Unlisted Options	29-Jan-28	\$1.71750	290,000
24-Dec-18	Unlisted Options	15-Feb-28	\$1.56500	160,000
24-Dec-18	Unlisted Options	05-Mar-28	\$1.27250	160,000
24-Dec-18	Unlisted Options	16-Oct-28	\$0.84750	800,000
24-Dec-18	Unlisted Options	01-Oct-27	\$0.43875	400,000
26-Sep-19	Unlisted Options	14-Apr-29	\$0.4286	240,000
26-Sep-19	Unlisted Options	14- Aug-29	\$0.4468	160,000
26-Sep-19	Unlisted Options	14- Aug-29	\$0.74	900,000
26-Sep-19	Unlisted Options	14- Aug-29	\$0.54	1,300,000
26-Sep-19	Unlisted Options	14- Aug-29	\$0.54	450,000
26-Sep-19	Unlisted Options	16-Oct-29	\$0.39	100,000
30-Jul-20	Unlisted Options	26-Mar-30	\$0.2312	310,000
30-Jul-20	Unlisted Options	25-Jun-30	\$0.27	50,000
30-Jul-20	Listed Options	30-Jan-22	\$0.45	43,823,435
24-Dec-18	Performance Rights	1-Oct-27	Nil	210,000
24-Dec-18	Performance Rights	29-Jan-28	Nil	167,000
24-Dec-18	Performance Rights	15-Feb-28	Nil	64,000
24-Dec-18	Performance Rights	5-Mar-28	Nil	128,000
30-Jul-16	Performance Shares	30-Jul-21	Nil	115,391
26-Sep-19	Performance Rights	20-May-23	Nil	64,000
26-Sep-19	Performance Rights	14-Aug-29	Nil	128,000
30-Jul-20	Performance Rights	26-Mar-30	Nil	20,000

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

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DIRECTORS' REPORT (continued)

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2020 has been received and can be found on page 28.

AUDITOR

Nexia Perth Audit Services Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

AUDIT SERVICES

During the year the following fees were paid or payable for services provided by the auditor.

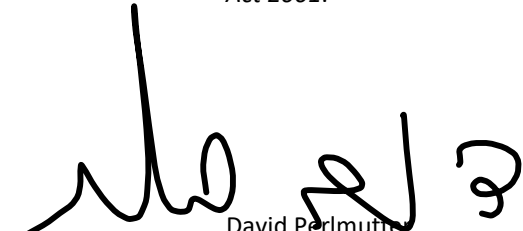
	Consolidated 2020 \$	Consolidated 2019 \$
Amounts received or due and receivable by Nexia Perth Audit Services Pty Ltd		
An audit and review of the financial report of the parent and any other entity in the Group	41,000	40,800
Other services in relation to the parent and any other entity in the Group	19,600	5,600
Amounts received or due and receivable by BDO Israel		
BDO Israel – Audit and review of the subsidiary Weebit Nano Ltd (Israel)*	65,535	62,884
	126,135	109,284

*The fee for BDO Israel includes the audit of statutory financial statements for Weebit Nano Ltd (Israel) and Weebit Nano SARL (France), as well as the audit of the tax return for Weebit Nano Ltd (Israel).

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DIRECTORS' REPORT (continued)

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



David Perlmutter
Chairman

Melbourne
25 August 2020

Corporate Governance Statement

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations. The Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation. The Company's governance-related documents can be found on its website at www.weebit-nano.com under the section marked Corporate Governance.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1 – Recommendation followed

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

- a) setting and reviewing strategic direction and planning;
- b) reviewing financial and operational performance;
- c) identifying principal risks and reviewing risk management strategies; and
- d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

Recommendation 1.2 – Recommendations followed

The Board carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their election. The Company has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director is disclosed in the notice of meeting provided to shareholders.

Recommendation 1.3 – Recommendations followed

The Company has a written agreement with each of the Directors. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Contract details of senior executives who are KMP are summarised in the Remuneration Report in the Company's Annual Report.

Recommendation 1.4 – Recommendations followed

The Company Secretary is accountable to the Board for facilitating the Company's corporate governance processes and the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary.

In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary's experience and qualifications are set out in the Annual Report.

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Corporate Governance Statement (continued)

Recommendation 1.5 – Recommendation not followed

The Company is committed to creating a diverse working environment and promoting a culture which embraces diversity. Given the size of the Company and scale of its operations, however, the Board is of the view that a written diversity policy with measurable objectives for achieving gender diversity is not required at this time. Further, as the Company has not established measurable objectives for achieving gender diversity, the Company has not reported on progress towards achieving them.

Recommendations 1.6 and 1.7 – Recommendations not followed

Whilst the Company has a written policy, the Board recognises that as a result of the Company’s size and the stage of the entity’s life as a public listed junior technology company, the assessment of the directors’ and executives’ overall performance and its own succession plan is conducted on an informal basis. Whilst this is at variance with the ASX Recommendations, for the financial year ended June 2020, the Directors consider an appropriate and adequate process for the evaluation of Directors is in place.

Principle 2 – Structure the board to add value

Recommendation 2.1 – Recommendation followed

As a result of the Company’s size and the stage of the entity’s life as a publicly listed junior technology company and given the size of the Board at present a Nomination Committee has not been established. The Board meets as a whole to consider. The Board from time to time reviews the skill mix required for the Board and, where gaps are identified, embarks on a process to fill those gaps.

Recommendation 2.2 – Recommendation followed

The details of the skill set of the current Board members are set out in the description of each Director in the Annual Report. The Board has adopted the following Board Skills Matrix which sets out the mix of skills and diversity that the Board is looking to achieve in its membership. The Board Skills Matrix highlights the key skills and experience of the Board and the extent to which those skills are currently represented on the Board.

Skills and experience	Number of Directors/ Board representations (out of 7*)
Executive leadership - Senior executive experience including international experience.	6
Board experience - Experience as a board member or member of a governance body.	6
Financial acumen - Senior executive or equivalent experience in financial accounting and reporting, corporate finance, risk and internal controls.	6
Semiconductor - Experience related to the Semiconductor market, connections to key companies in the domain.	4
ASX and Australian public market - Experience in raising capital in Australia, knowledge of the Australian regulations.	5
Strategy - Experience in developing, implementing and challenging a plan of action designed to achieve the long-term goals of an organisation, including information technology and digital experience.	6
Capital management - Experience in capital management strategies, including capital partnerships, debt financing and capital raisings.	6

* Including Mr Atiq Raza, who was appointed on 1 July 2019 and excluding Mr Yossi Keret who resigned on 26 September 2019.

Corporate Governance Statement (continued)

Recommendation 2.3 – Recommendation followed

As at 30 June 2020, the board consisted of six directors, four of whom are non-executive and three of whom are Independent Directors. Since 30 June 2019, Mr Atiq Raza was also appointed to the board as an independent non-executive. The Board considers David Perlmutter (Non-executive Chairman), Ashley Krongold (Non-executive Director), Fred Bart (Non-executive Director) and Atiq Raza (Non-executive Director) to be Independent Directors.

Recommendation 2.4 – Recommendation followed

As noted under Recommendation 2.3, the Board comprises six Directors of whom four are considered Independent Directors. The Board comprises a majority of independent directors and is satisfied that its current composition is suitable for the Company given its resources, size and operations. The current structure and composition of the Board has been determined having regard to the nature and size of the Company, the skill set of The Company's directors both individually and collectively, and the best interests of shareholders. The Board believes that independent judgment is achieved and maintained in respect of its decision-making processes. Furthermore, all directors are entitled to seek independent professional advice as and when required. The directors believe that they are able to objectively analyse the issues before them in the best interests of all shareholders and in accordance with their duties as directors.

Recommendation 2.5 – Recommendation followed

The Chairman, Mr Perlmutter, is an Independent Director. His role as Chairman of the Board is separate from that of the Managing Director (who is responsible for the day to day management of the Company) and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.6 – Recommendation not followed

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior technology company, the Board has not put in place a formal program for inducting new directors. However, it does provide a package of background information on commencement and provides ready interaction with the Company's personnel to gain a stronger understanding of the business. Similarly, the Company does not at this stage provide professional development opportunities for Directors. More formal processes for both of these areas will be considered in the future as the Company develops.

Principle 3 – Act ethically and responsibly

Recommendation 3.1 – Recommendation followed

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board and is disclosed on the Company's website. The Code applies to all Directors, employees, contractors and officers of the Company.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1 – Recommendation followed

WBT was not a Company required by ASX Listing Rule 12.7 to have an audit committee although it is included in the ASX Recommendations. The Board has not established an audit committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. The Board has adopted an Audit Committee Charter and is disclosed on the Company's website.

Corporate Governance Statement (continued)

Recommendation 4.2 – Recommendation followed

In accordance with ASX Recommendation 4.2 the Chief Executive Officer (or their equivalent) and Chief Financial Officer (or their equivalent) are required to provide assurances that the written declarations under s295A of the Corporations Act (and for the purposes of ASX Recommendation 4.2) are founded on a sound framework of risk management and internal control and that the framework is operating effectively in all material respects in relation to financial reporting risks. Both the Chief Executive Officer and Chief Financial Officer provide such assurances at the time the s295A declarations are provided to the Board.

Recommendation 4.3 – Recommendation followed

The Company's external audit function is performed by Nexia Perth Audit Services Pty Ltd (Nexia). Representatives of Nexia attend the Annual General Meeting and are available to answer shareholder questions regarding the audit.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1 – Recommendations followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and has adopted a policy. The Continuous Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff. A copy of the Continuous Disclosure Policy is available on the Company's website.

Principle 6 – Respect the rights of security holders

Recommendation 6.1 – Recommendations followed

The Company keeps investors informed of its corporate governance, financial performance and prospects via its website – www.weebit-nano.com. Investors can access copies of all announcements to the ASX, notices of meetings, annual reports and financial statements, and Investor presentations via the 'Investor Information' tab and can access general information regarding the Company and the structure of its business under the 'Company' and 'Projects' tabs.

Recommendation 6.2 – Recommendations followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report lodged with the Australian Securities Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website at www.weebit-nano.com; and
- disclosure of the Company's Corporate Governance practices and communications strategy on the entity's website.

Corporate Governance Statement (continued)

Recommendation 6.2 – Recommendations followed (continued)

While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact for Shareholders to make their enquiries.

Recommendation 6.3 – Recommendation followed

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Recommendation 6.4 – Recommendation followed

The Company provides its investors the option to receive communications from and send communications to, the Company and the share registry electronically.

Principle 7 – Recognise and manage risks

Recommendation 7.1 – Recommendation followed

Due to the size of the Board, the Company does not have a separate Risk Committee. The Board is responsible for the oversight of the Company's risk management and control framework. The Board has adopted a Risk Management Policy, which is disclosed on the Company's website.

Recommendation 7.2 – Recommendations not followed

The Board recognises that there are inherent risks associated with the Company's operations including technological, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risks is presented to the Board. The Board reviews the risk profile of the Company and monitors risk informally throughout the year.

Recommendation 7.3 – Recommendation not followed

The Company does not have an internal audit function. This is due to the size of the Company and the stage of life of the entity. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

Corporate Governance Statement (continued)

Recommendation 7.4 – Recommendation followed

As already outlined above in relation to various ASX Recommendations, the Company constantly monitors and reviews the key risks that affect the Company and the management of those risks. They include economic, environment and sustainability risks. The risks which the Company has identified that it has a material exposure to are its ability to raise funds within an acceptable time frame and on terms acceptable to it (“Capital Risk”); and that its existing technology, or any other technologies that it may acquire in the future, will be able to be economically exploited (“Commercialisation Risk”).

The manner in which the Company manages those risks, in the case of Capital Risk, to monitor the market and investment appetite and to raise further required capital in a timely manner such that the Company’s operations are adequately funded; in the case of Commercialisation Risk, to adopt a focused approach using modern techniques, seek partnerships with world-leading organisations and seeking to lay off risk where possible.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1 – Recommendation followed

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board. The duties of the full board in its capacity as a remuneration committee are set out in the Company’s Remuneration Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. The Board has adopted a Remuneration Committee Charter, which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company’s website.

Recommendation 8.2 – Recommendation followed

Details of the Company’s policies on remuneration are set out in the Company’s “Remuneration Report” in each Annual Report published by the Company. This disclosure will include a summary of the Company’s policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company’s financial statements.

Recommendation 8.3 - Recommendation followed

The Company’s Security Trading Policy includes a statement prohibiting directors, officers and employees entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of their security holding in the Company or of participating in unvested entitlements under any equity based remuneration schemes.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- a) closed periods in which directors, employees and contractors of the Company must not deal in the Company’s securities;
- b) trading in the Company’s securities which is not subject to the Company’s trading policy; and
- c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company’s Security Trading Policy forms part of the Company’s corporate policies and procedures and is available to all staff.

Lead auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of Weebit Nano Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

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



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen
Director

Perth
25 August 2020

WEEBIT NANO LTD
ACN: 146 455 576

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Research and Development expenses (net)	3(s)	(154,338)	(3,766,411)
Sales and Marketing expenses		(264,080)	(184,432)
General and Administrative expenses	9	(3,767,477)	(3,114,453)
Finance income (costs)		164,438	371,493
Other Income (expenses)		-	-
Loss before tax		<u>(4,021,457)</u>	<u>(6,693,803)</u>
Income tax expense	5	-	-
Loss for the year		<u>(4,021,457)</u>	<u>(6,693,803)</u>
Other Comprehensive Income potentially reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(285,014)	(371,625)
Total Comprehensive Loss for the year		<u>(4,306,471)</u>	<u>(7,065,428)</u>
Total Comprehensive Loss attributable to:			
Owners of the parent entity		<u>(4,306,471)</u>	<u>(7,065,428)</u>
Basic and Diluted Loss per share	4	(0.057)	(0.108)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

WEEBIT NANO LTD
ACN: 146 455 576

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Consolidated 30 June 2020 \$	Consolidated 30 June 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	11	4,115,275	1,670,912
Trade and other receivables	6	199,593	221,021
Total current assets		4,314,868	1,891,933
Non-current assets			
Plant and equipment		65,905	68,854
Right of use assets	7A	113,914	-
Long term deposit		13,506	12,814
Total non-current assets		193,325	81,668
TOTAL ASSETS		4,508,193	1,973,601
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,041,342	369,166
Lease liability – current	7B	99,894	-
Total current liabilities		1,141,236	369,166
Non-current liabilities			
Lease liability – non current	7B	24,445	-
Total non-current liabilities		24,445	-
TOTAL LIABILITIES		1,165,681	369,166
NET ASSETS		3,342,512	1,604,435
EQUITY			
Share capital	10	36,133,657	31,552,035
Reserves		6,763,301	5,585,389
Accumulated losses		(39,554,446)	(35,532,989)
TOTAL EQUITY		3,342,512	1,604,435

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

WEEBIT NANO LTD
ACN: 146 455 576

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

CONSOLIDATED 2020					
Note	Issued Capital	Foreign currency translation differences for foreign operations	Option Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2019	31,552,035	(590,694)	6,176,083	(35,532,989)	1,604,435
Loss for the year	-	-	-	(4,021,457)	(4,021,457)
Other comprehensive income	-	(285,014)	-	-	(285,014)
Total comprehensive loss for the year	-	(285,014)	-	(4,021,457)	(4,306,471)
Transactions with equity holders:					
Contributions of capital	10	5,340,000	-	-	5,340,000
Capital raising costs	10	(808,378)	-	-	(808,378)
Exercise of options	10	-	-	-	-
Share-based payments	14	50,000	1,462,926	-	1,512,926
Balance at 30 June 2020	36,133,657	(875,708)	7,639,009	(39,554,446)	3,342,512

CONSOLIDATED 2019					
Note	Issued Capital	Foreign currency translation differences for foreign operations	Option Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2018	27,269,973	(219,069)	5,282,646	(28,839,186)	3,494,364
Loss for the year	-	-	-	(6,693,803)	(6,693,803)
Other comprehensive income	-	(371,625)	-	-	(371,625)
Total comprehensive loss for the year	-	(371,625)	-	(6,693,803)	(7,065,428)
Transactions with equity holders:					
Contributions of capital	10	4,819,550	-	-	4,819,550
Capital raising costs	10	(537,488)	-	-	(537,488)
Exercise of options	10	-	-	-	-
Share-based payments	14	-	893,437	-	893,437
Balance at 30 June 2019	31,552,035	(590,694)	6,176,083	(35,532,989)	1,604,435

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

WEEBIT NANO LTD
ACN: 146 455 576

Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
<i>Cash flows from operating activities</i>			
Interest Paid		(16,778)	-
Payments to suppliers and employees		(1,963,978)	(5,745,444)
Payments of leases		(5,935)	-
Net cash used in operating activities	11	(1,986,691)	(5,745,444)
<i>Cash flows from investing activities</i>			
Payments for Property, Plant and Equipment		(11,742)	(44,880)
Decrease/(Increase) in deposits and restricted cash		(692)	43,226
Net cash used in investing activities		(12,434)	(1,654)
<i>Cash flows from financing activities</i>			
Proceeds from issues of share capital	10	5,340,000	4,450,000
Capital Raising Costs	10	(808,378)	(388,738)
Repayment of lease liabilities	7B	(88,134)	-
Net cash flows provided by financing activities		4,443,488	4,061,262
Net increase/(decrease) in cash and cash equivalents		2,444,363	(1,685,836)
Cash and cash equivalents at the beginning of the year		1,670,912	3,356,748
Cash and cash equivalents at the end of the year	11	4,115,275	1,670,912

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2020

NOTE 1: REPORTING ENTITY

Weebit Nano Ltd (the “Company”) is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (collectively referred to as the “Group”).

A description of the nature of the Group’s operations and its principal activities is included in the review of operations and activities in the Directors’ Report on page 5, which does not form part of this financial report.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Consolidated Financial Statements and Notes of the Group comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

Weebit Nano Ltd is a company limited by shares. The financial report is presented in Australian Dollars which is the Group’s reporting currency and monetary amounts are rounded to the nearest dollar, except for earnings per share. Refer to Note 3(o) for the functional currencies of the Group.

This Consolidated Financial Report was approved and authorised for issue by the Board of Directors on 25 August 2020.

Financial Position

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a loss for the year ended 30 June 2020 of \$4,021,457 (2019: Loss of \$6,693,803) and experienced net cash outflows from operating activities of \$1,986,691 (2019: \$5,745,444). As at 30 June 2020 the Group had cash on hand of \$4,115,275 (2019: \$1,670,912) and net working capital surplus of \$3,173,632 (2019: \$1,522,767). The loss mainly reflects the administration costs of the Group.

During August and September 2019 the company raised a total amount of \$3,138,232 by means of a private placement and an entitlement offer. The cost to raise these funds totaled \$459,000.

In June 2020, the company announced it had secured commitments from existing and new sophisticated and institutional investors to place \$6,565,000 via a two-tranche placement. Subscribers would receive one listed option for each placement share. The placement options would be exercisable at \$0.45 each with an expiry date of 18 months from the date of issue.

Tranche 1 shares of the placement, was issued using the company’s placement capacity pursuant to ASX listing rule 7.1. Tranche 2 of the placement and the attaching placement options, including those related to Tranche 1 shares, were subject to shareholder approval at an extraordinary general meeting of the company held on 23 July 2020.

In the extraordinary general meeting of the company that was held on 23 July 2020, the second tranche placement was approved. In addition, on 17 July 2020 the company announced the successful and oversubscribed closing of its Share Purchase Plan (SPP) and raised \$2,527,562.

Notes to the Financial Statements

For the year ended 30 June 2020

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Financial Position (continued)

The directors carefully manage discretionary expenditure in line with the Group's cash flow forecast.

Based on the matters described above, the Directors consider the going concern basis of preparation appropriate.

Historical cost convention

These financial statements have been prepared on an accruals basis and under the historical cost convention.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The preparation of the financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets and liabilities of Weebit Nano Ltd and its subsidiaries at 30 June 2020 and the results of the subsidiaries for the year ended. A subsidiary is any entity controlled by Weebit Nano Ltd.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra- entity transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost in the individual financial statements of Weebit Nano Ltd. Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period which Weebit Nano Ltd has control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 3(g)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes startup operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the board of directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in nature.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(c) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

(e) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to another party with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any impairment losses.

(f) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the items. Repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate asset costs over their estimated useful lives, as follows:

- Computer equipment 3 years
- Software 3 years
- Plant & equipment 5 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Plant and Equipment (continued)

Each asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

(g) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs, other than those associated with the issue of equity instruments, that the Group incurs in connection with a Business Combination are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

(h) Impairment of Non-Financial Assets

Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets or groups of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of combination.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Share-Based Payments

The Group has provided payment to service providers and related parties in the form of share-based compensation whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate option valuation model for services provided by employees or where the fair value of the goods and services received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably, the goods and services and the corresponding increase in equity are measured at that fair value. The fair value of the options granted is adjusted to reflect market vesting conditions but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance date, the entity revises its estimates of the number of options that are expected to become exercisable subject to non-market vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant parties become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets and changes in fair value of financial assets held at fair value through profit or loss. Finance expenses comprise changes in the fair value of financial assets held at fair value through profit or loss and impairment losses on financial assets.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Earnings per Share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share

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

(n) Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are stated at amortised cost, using the effective interest method.

(o) Foreign Currency Translation

i) Functional and presentation currency

The functional currency of Weebit Nano Ltd (Israel) (Weebit Israel) is US dollars. The functional currency of Weebit Nano Ltd is Australian Dollars. The functional currency of Weebit France (SARL) is Euro. The presentation currency of the Group is Australian Dollars.

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Significant Accounting Estimates and Assumptions

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are Share-based payment transactions.

The Company measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using either the Binomial or the Black-Scholes valuation methods, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 13. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the activities and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(q) Comparative Information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue

Revenue is recognised as interest is earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Research and Development grants

Research and Development grants are recognised as and when the receipts are virtually certain. Weebit Nano SARL (France) recognised grants of ~\$3 million during the year ended 30 June 2020 which offsets the R&D expenses in the Statement of Comprehensive Income. In the year ended 30 June 2019 no grants had been received and no amounts were recognized in the statement of profit or loss or statement of financial position in the previous financial year.

(t) Intangible Assets

An intangible asset is recognised, whether purchased or self-created (at cost) if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably

Initial recognition: research and development costs:

- All research costs are expensed as incurred:
- Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the Company must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits.

(u) Adoption of New and Revised Accounting Standards

The following new accounting standards came into effect on 1 July 2019:

AASB 16 Leases

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. Under AASB 16, right of use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases.

The Group has applied the new standard using the modified retrospective approach, in which the opening balance of the right of use asset equals the opening lease liability. Refer to note 7 for further details regarding the application of the standard.

The Group has elected to use the exemptions on lease contracts for which the lease terms ends within 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) New accounting standards issued but not yet effective

The Group has reviewed the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020. As a result of this review the Group has determined that there is no material impact of the Standards and Interpretations in issue not yet adopted by the Group; therefore, no change is necessary to the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: LOSS PER SHARE

	Consolidated 2020 \$	Consolidated 2019 \$
Basic and diluted loss per share -cents	(0.057)	(0.108)
Loss used in the calculation of basic and diluted loss per share	(4,021,457)	(6,693,803)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	70,792,554	61,869,341
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	70,792,554	61,869,341

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: INCOME TAX

	Consolidated 2020 \$	Consolidated 2019 \$
Numerical reconciliation between aggregate tax expenses recognised in the Statement of Profit or Loss and Other comprehensive Income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before income tax	(4,021,457)	(6,693,803)
Income tax (benefit) using the domestic corporation tax rate of 30% (2019: 30%)	(1,206,437)	(2,008,141)
Effect of tax rates in foreign jurisdictions	(648,337)	286,715
Prior year under and over in income tax	-	(34,114)
Change in tax rate	-	-
Non-deductible expenses	100	(63,394)
Non-assessable income	-	-
Share based payments	438,938	334,150
Capital raising costs deductible	(275,636)	(209,117)
Unrecognised temporary differences	32,059	(16,124)
Unrecognised tax losses	1,659,313	1,710,025
Income tax (expense)/benefit	-	-

Weebit Nano Ltd has unrecognised tax losses arising in Australia & Israel which are available indefinitely to offset against future profits of the Group on the condition that the tests for deductibility against future profits are met.

(a) Unrecognised deferred tax assets

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

In AUD	2020	2019
Deductible temporary differences	765,682	758,175
Tax losses	7,536,142	5,876,767
	8,301,824	6,634,942

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6: TRADE AND OTHER RECEIVABLES

	Consolidated 2020 \$	Consolidated 2019 \$
<u>Current</u>		
GST Recoverable	48,532	122,477
Other receivables	151,061	98,544
Total	199,593	221,021

The above amounts do not bear interest and their carrying amounts are equivalent to their fair value. Weebit Nano SARL (France) participates in a French government R&D incentive plan. According to this plan, Weebit Nano SARL (France) may claim each calendar year a partial refund on its R&D expenses. During 2019, Weebit Nano SARL (France) filed its request for a refund on 2018 R&D costs. The refund was received in July 2019. During 2020, Weebit Nano SARL (France) filed its request for a refund on 2019 R&D costs. The refund was received in April 2020.

Other receivables include mainly prepaid expenses.

NOTE 7: LEASES

The Group has adopted AASB 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The Group did not have any finance leases prior to 1 July 2019.

	2019
	\$
Operating lease commitments disclosed as at 30 June 2019	240,924
Discounted using the lessee's incremental borrowing rate of at the date of initial application	10.26% - 10.61%
Lease liability recognised as at 1 July 2019	162,540
Of which are:	
Current lease liabilities	83,955
Non-current lease liabilities	78,585
	162,540

Payments associated with short-term leases totaling \$5,935 were recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The standard has also had the impact of reducing the loss per share from 5.8 cents/share (under AASB 117) to 5.7 cents/share.

NOTE 7A – RIGHT OF USE ASSETS

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7A – RIGHT OF USE ASSETS (CONTINUED)

Carrying value

	Properties	Motor Vehicles	Total
	\$	\$	\$
Cost	104,600	102,042	206,642
Accumulated amortisation	(52,300)	(43,052)	(95,352)
Accumulated impairment	-	-	-
Exchange differences	1,055	1,569	2,624
As at 30 June 2020	53,355	60,559	113,914

Movement for the year

	Properties	Motor Vehicles	Total
	\$	\$	\$
Recognised on 1 July 2019	104,600	57,940	162,540
New leases entered	-	44,102	44,102
Leases terminated	-	-	-
Impairment expense	-	-	-
Amortisation expense	(52,300)	(43,052)	(95,352)
Exchange differences	1,055	1,569	2,624
Closing balance	53,355	60,559	113,914

NOTE 7B – LEASE LIABILITY

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 ranged between 10.26% and 10.61%. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Carrying value

	Properties	Motor Vehicles	Total
	\$	\$	\$
Current liabilities	57,674	42,220	99,894
Non-current liabilities	-	24,445	24,445
As at 30 June 2020	57,674	66,665	124,339

Movement for the year

	Properties	Motor Vehicles	Total
	\$	\$	\$
Recognised on 1 July 2019	104,600	57,940	162,540
New leases entered	-	44,102	44,102
Principal repayments	(49,631)	(38,503)	(88,134)
- Repayments	(58,072)	(46,840)	(104,912)
- Interest	8,441	8,337	16,778
Leases terminated	-	-	-
Exchange differences	2,705	3,126	5,831
Closing balance	57,674	66,665	124,339

Interest payments and principal repayments relating to the lease liability have been disclosed in the statement of cash flows as, either, cash flows from operating activities or cash flows from financing activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8: TRADE AND OTHER PAYABLES

	Consolidated 2020 \$	Consolidated 2019 \$
Trade payables (a)	301,817	92,291
Accruals & accrued employee entitlements	380,346	266,131
Other payables (b)	359,179	10,744
	1,041,342	369,166

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(b) Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months.

NOTE 9: GENERAL AND ADMINISTRATIVE

	Consolidated 2020 \$	Consolidated 2019 \$
Administration, insurance and compliance costs	157,802	294,913
Consultants and contractors	882,787	1,070,745
Amortisation and depreciation	107,866	11,814
Employee benefits expenses	2,278,457	1,399,511
Other expenses	340,565	337,470
	3,767,477	3,114,453

NOTE 10: ISSUED CAPITAL & RESERVES

CONSOLIDATED AND PARENT ENTITY

	June 2020 No	June 2020 \$	June 2019 No	June 2019 \$
<i>(a) Issued and Paid up Capital</i>				
Fully paid ordinary shares	80,388,947	36,133,657	63,648,648	31,552,035
<i>(b) Movements in fully paid shares on issue</i>				
Balance at the start of the year	63,648,648	31,552,035	1,442,815,483	27,269,973
Shares issued in the year:				
Capital Raising	15,918,699	5,340,000	139,748,449	4,819,550
Options and performance rights converted to shares	693,350	-	8,652,274	-
Shares granted in lieu of services rendered*	128,250	50,000	-	-
Capital Raising Costs**	-	(808,378)	-	(537,488)
Share consolidation***	-	-	(1,527,567,558)	-
Balance at end of year	80,388,947	36,133,657	63,648,648	31,552,035

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: ISSUED CAPITAL & RESERVES (CONTINUED)

* \$50,000 of research services was settled via the issue of 128,250 shares (2019: \$nil)

** \$nil capital raising costs were settled via the issue of shares or options. (2019: \$148,750 of the capital raising costs in 2019 were settled via the issue of options to the broker). Refer to Note 14 Share Based Payments.

*** In February 2019 the General Meeting of the company approved a share consolidation so that every 25 ordinary shares were consolidated into one share.

NOTE 11: CASH AND CASH EQUIVALENTS

	Consolidated 2020 \$	Consolidated 2019 \$
Cash at bank	4,115,275	1,670,912
	4,115,275	1,670,912

As at 30 June 2020, \$300,066 of cash was in transit between the Group's bank accounts.

Reconciliation of cash

	Consolidated 2020 \$	Consolidated 2019 \$
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	4,115,275	1,670,912
	4,115,275	1,670,912

Reconciliation of cash flows from operating activities

	Consolidated 2020 \$	Consolidated 2019 \$
Reconciliation of cash flows from operations with loss after income tax:		
Loss for the year	(4,021,457)	(6,693,803)
Adjusted for – Non-cash items:		
Amortisation	95,252	-
Depreciation	12,614	11,814
Share-based payments (Note 14)	1,512,296	1,114,237
<i>Changes in assets and liabilities</i>		
Increase/(Decrease) in trade creditors and accruals	678,190	(142,436)
Decrease/(Increase) in other debtors	21,428	336,370
Movement in FCTR	(285,014)	(371,626)
Cash flows used in operations	(1,986,691)	(5,745,444)

WEEBIT NANO LTD
ACN: 146 455 576

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11: CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of liabilities arising from financing activities

	Consolidated 2019 \$	Cash flows	On adoption of AASB 16	Non-cash changes New leases	Foreign Exchange Difference s	Consolidated 2020 \$
Lease liabilities	-	(88,134)	162,540	44,102	5,831	124,339
Total	-	(88,134)	162,540	44,102	5,831	124,339

NOTE 12: INTEREST IN CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Weebit Nano Ltd and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2020	\$ Investment 2020	% Equity Interest 2019	\$ Investment 2019
Weebit Nano Ltd (Israel)	Israel	100%	100%	100%	100%
Weebit Nano SARL (France)*	France	100%	100%	100%	100%

* held by Weebit Nano Ltd (Israel).

NOTE 13: RELATED PARTY TRANSACTIONS

a) *Parent and ultimate controlling party*

The parent entity and ultimate controlling party is Weebit Nano Ltd.

b) *Related party compensation and Equity Interests of Key Management Personnel*

Information on remuneration of Directors and Key Management Personnel including details of shares and option holdings is contained in the Remuneration Report within the Directors' Report.

c) *Loans to and from related parties*

Terms and Conditions of loans

On 8 August 2016, Weebit Nano Ltd signed a loan agreement with its 100% subsidiary Weebit Nano Israel, for up to AUD \$4,000,000. Weebit Nano Ltd granted Weebit Nano Israel additional funds on the same terms during the financial year. Repayment terms were not defined. The loan bears no interest. As at 30 June 2020 the loan balance was \$8,463,289 (2019: \$6,392,196).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13: RELATED PARTY TRANSACTIONS (CONTINUED)

d) Other related party transactions

In November 2017, Weebit Nano (Israel) signed an agreement with Weebit Nano (France), whereby Weebit Nano France performs R&D Services for Weebit Nano (Israel). In consideration for the services rendered, Weebit Nano (Israel) pays Cost + 5% of the R&D cost incurred by Weebit Nano (France).

Related party transactions that occurred during the year were in the form of short term employee and advisory benefits, payments to directors and officers and share based payments. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 14: SHARE BASED PAYMENTS

Share-based payment transactions

The Company completed the following share-based payment transactions during the year:

Date of Grant	Grantee	Type	Number	Exercise price \$	Vesting Conditions	Expiry date	Underlying share price \$	Share price volatility	Risk free interest rate	Fair Value \$
29.7.2019	Employee	Performance rights	64,000	Nil	25% annually	20.5.2023	0.39	n/a	n/a	0.39
14.8.2019	Employees	Options	450,000	0.54	*	14.8.2029	0.45	76.09%	0.76%	0.29
26.9.2019	CEO	Options	900,000	0.54	*	14.8.2029	0.39	76.55%	0.79%	0.24
26.9.2019	Chairman	Options	500,000	0.74	*	14.8.2029	0.39	76.55%	0.79%	0.21
26.9.2019	Director	Options	400,000	0.54	*	14.8.2029	0.39	70.47%	0.97%	0.27
26.9.2019	Directors	Options	300,000	0.74	*	14.8.2029	0.39	76.55%	0.79%	0.21
26.9.2019	Director	Options	160,000	0.45	*	26.9.2029	0.39	76.55%	0.79%	0.25
26.9.2019	Advisor	Options	100,000	0.74	*	14.8.2029	0.39	76.55%	0.79%	0.21
26.9.2019	Director	Performance rights	128,000	Nil	*	14.8.2029	0.45	n/a	n/a	0.45
1.10.2019	Advisor	Options	100,000	0.39	*	16.10.2029	0.39	73.07%	1.04%	0.30
26.03.2020	Employees	Options	310,000	0.2312	*	26.03.2030	0.24	75.96%-80.75%	0.5%-0.62%	0.15
26.03.2020	Employees	Performance rights	20,000	Nil	25% annually	26.03.2030	0.24	n/a	n/a	0.23

* 25% shall vest upon the completion of the first 12-month period following the grant and then 6.25% shall vest every 3 months thereafter.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

Share based payments expenses

In total, \$1,512,296 of share-based payments expense was recognised this financial year.

Share-based payments expense recognised during the year in relation to options and performance rights was \$1,462,926 (2019: \$1,262,987).

In 2020, 128,205 shares were issued to consultants for research services. As such, \$50,000 was recognised in research expense. (In 2019, 360,000 options were issued to consultants for services in relation to a capital raising. As such, a share-based payment expense of \$148,750 was booked to capital raising.)

In addition to the options and performance rights detailed above, the options and performance rights granted in a previous period which existed and vested during the year were:

Date of Grant	Grantee	No. of options/ performance rights	Exercise price \$	Vesting Schedule	Contractual Term
30.11.2017	CEO	1,120,000	0.43875	*	10 years
30.01.2018	Employees	290,000	1.7125	*	10 years
30.01.2018	Employees	296,000	N/A	*	10 years
30.01.2018	Director	160,000	1.4450	*	10 years
15.02.2018	Director	160,000	1.5650	*	10 years
15.02.2018	Director	128,000	-	*	10 years
15.02.2018	Director	128,000	-	*	10 years
26.02.2018	Director	160,000	1.2725	*	10 years
26.02.2018	Director	128,000	-	*	10 years
28.11.2018	Director	800,000	0.8475	25% vest on 16/10/2019 and 6.25% on quarterly basis thereafter	16.10.2028
28.11.2018	CEO	400,000	0.43875	*	01.10.2027
28.11.2018	CEO	480,000	-	*	01.10.2027
12.10.2018	Consultant	180,000	1.3125	Fully vested	11.10.2022
12.10.2018	Consultant	180,000	1.53125	Fully vested	11.10.2022
14.04.2019	Employees	248,000	0.4286	*	14.04.2029

* 4 years: 25% after 1 year, and 12 equal quarterly portions thereafter

Consistent with the disclosure in Note 10, at a General Meeting in February 2019 the Company approved a share consolidation so that every 25 shares were consolidated into one share. Consequently, every 25 options and every 25 performance rights were also consolidated into one option and one performance right respectively. The exercise prices of existing options were adjusted accordingly. The details of options and performance rights granted prior to February 2019 have been adjusted to reflect the effect of the 25:1 consolidation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

A summary of the movements of all Company options issued as share-based payments is as follows:

	2020	Weighted Average Price \$	2019	Weighted Average Price \$
Outstanding at the beginning of the year	7,675,096	1.01	151,677,400	0.04
Granted	3,220,000	0.557	39,248,000	0.04
Forfeited	(8,000)	0.4286	-	-
Expired	(2,000,000)	1.5625	(5,000,000)	0.03
25:1 consolidation	-	-	(178,250,304)	-
Outstanding at year-end	8,887,096	0.722	7,675,096	1.01

The outstanding options have a weighted average contractual life of 6.31 years (2019: 4.22 years)

A summary of the movements of all Company performance rights issued as share-based payments is as follows:

	2020	2019
Outstanding at the beginning of the year	1,506,091	41,304,545
Granted	212,000	12,000,000
Exercised/vested	(693,350)	(15,652,274)
25:1 consolidation	-	(36,146,180)
Outstanding at the end of the year	1,024,741	1,506,091

NOTE 15: AUDITORS' REMUNERATION

	Consolidated 2020 \$	Consolidated 2019 \$
<i>Amounts received or due and receivable by Nexia Perth Audit Services Pty Ltd:</i>		
An audit or review of the financial report of the parent and any other entity in the Group	41,000	40,800
Other services in relation to the parent and any other entity in the Group	19,600	5,600
<i>Amounts received or due and receivable by BDO Israel</i>		
*Audit and review of the subsidiaries Weebit Nano Ltd (Israel) and Weebit Nano SARL (France)	65,535	62,884
	126,135	109,284

*The fee for BDO Israel includes the audit of statutory financial statements for Weebit Nano Ltd (Israel) and audit of tax return for Weebit Nano Ltd (Israel).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16: FINANCIAL RISK MANAGEMENT

Risk management is carried out by the CEO.

Foreign Currency Risk

As a result of significant operations in the Israel and France, the Group's statement of financial position can be affected significantly by movements in the NIS/USD, EURO/AUD USD/AUD exchange rates. As at the end of the reporting period the Group's exposure to foreign currency risk was considered immaterial by the Company and therefore no sensitivity analysis has been disclosed.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Price risk

The Company is not directly exposed to any price risk.

Interest rate risk

The Group's cash balances are subject to changes in interest rates.

a) Credit Risk

The Group has no significant concentrations of credit risk except cash at bank with various banks

b) Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained for the coming months. Upcoming capital needs and the timing of raisings are assessed by the Board at each Meeting of Directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are the contractual maturities of the financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

Nature of financial liabilities	Carrying Amount \$	Contractual cash flows \$	< 1year \$	1 - 5 years \$	> 5 years \$
Trade and other payables					
At 30 June 2020	1,041,342	1,041,342	-	-	-
At 30 June 2019	369,166	369,166	-	-	-
Lease liability					
At 30 June 2020	124,339	124,339	99,894	24,445	-
At 30 June 2019	-	-	-	-	-

c) Cash flow and Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, only cash is affected by interest rate risk as cash is the Group's only financial asset exposed to fluctuating interest rates.

In accordance with AASB 9 the following sensitivity analysis has been performed for the Group's Interest Rate risk:

Consolidated Risk Variable	Sensitivity	Effect On: Profit 2020 \$	Effect On: Equity 2020 \$	Effect On: Profit 2019 \$	Effect On: Equity 2019 \$
Interest Rate	1%	41,153	41,153	16,709	16,709
	-1%	(41,153)	(41,153)	(16,709)	(16,709)

* It is considered that 100 basis points a 'reasonably possible' estimate of the sensitivity in the interest rate.

The fair values of all financial assets and liabilities of the Group approximate their carrying values.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital includes ordinary share capital and share options, supported by financial assets.

There were no changes in the Group's approach to capital management during the year ended 30 June 2020. Neither the Company nor the Group are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 17: SUBSEQUENT EVENTS

On 16 July 2020, the company announced the filing of two new patents for improved selector of embedded ReRAM products, to further protect the intellectual property of its silicon oxide (SiOx) ReRAM technology.

On 20 July 2020, the company announced the upsized oversubscribed SPP (described in the Financial Position section of Note 2).

On 21 July 2020, the company and Politecnico di Milano (Polimi), a leading European university for industrial and information engineering, technology and industrial design, have presented a joint research paper on a novel artificial intelligence (AI) self-learning demonstration based on company's silicon oxide (SiOx) ReRAM at a prominent industry conference.

On 23 July 2020, the extraordinary general meeting of the company approved the second tranche placement (described in the Financial Position section of Note 2).

NOTE 18: COMMITMENTS

As at 30 June 2020, the Group had the following commitments:

	Within 1 year	Greater than 1 year
Contracted future payments to Leti	\$327,845	\$nil
Contracted future payments for rent	\$57,674	\$nil
Contracted future payments for leased cars	\$42,220	\$24,445

NOTE 19: SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

During the year the Company has only operated in one segment and that was the development of the next generation of Non-Volatile Memory made of Silicon Oxide (SiOx).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 20: PARENT COMPANY DISCLOSURES

	2020	2019
	\$	\$
Results of the parent entity		
Loss for the year	(4,306,471)	(7,065,428)
Financial position of the parent entity at year end		
Current assets	1,908,544	940,757
Non-Current Assets	13,080,405	10,209,312
Provision for non-recovery of loans	(11,283,849)	(9,459,206)
Total assets	3,705,100	1,690,863
Current liabilities	362,588	86,428
Total liabilities	362,588	86,428
Total equity of the parent entity comprising:		
Share capital	33,542,198	28,960,576
Reserves	7,639,009	6,176,083
Accumulated losses	(37,838,695)	(33,532,224)
Total equity	3,342,512	1,604,435

Parent Entity Contingencies

The Directors are not aware of any contingent liabilities that may arise from the Company's operations as at 30 June 2020 apart from as disclosed elsewhere in this report.

Directors' Declaration

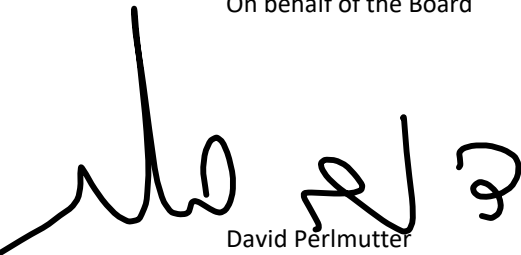
In the Directors' opinion:

- a) the financial statements and notes set out on pages 29 to 57 and the Remuneration Report in the Directors' Report are 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 2020 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and
 - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements.
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2020.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board



David Perlmutter
Chairman

25 August 2020
Melbourne

Independent Audit Report to the Members of Weebit Nano Limited

Report on the financial report

Opinion

We have audited the financial report of Weebit Nano Limited ("the Company"), including its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Future Funding (Refer to Note 2)</p> <p>The Group's primary activity is research and development which is funded through equity raisings as the Group does not yet have revenue generating activities.</p> <p>As disclosed in Note 2, the Group reported an operating loss after tax for the year ended 30 June 2020 of \$4,021,457, of which \$1,312,987 represented a share based payment expense. The Group reported net cash outflows from operating activities of \$1,986,691.</p> <p>The adequacy of funding and liquidity, as well as the relevant impact on the going concern assessment, is a key audit matter due to the significance of management's judgments and estimates in respect of this assessment.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Checking the mathematical accuracy of the cash flow forecast prepared by management; • Evaluating the reliability and completeness of management's assumptions by comparing them to our understanding of the Group's future plans and operating conditions; • Obtaining an understanding of management's forecast and evaluating the sensitivity of assumptions made by management; and • considered events subsequent to year end to determine whether any additional facts or information have become available since the date on which management made its assessment.

Other information

The directors are responsible for the other information. The other information comprises the information in the Weebit Nano Limited annual report for the year ended 30 June 2020, but does not include the consolidated financial report and the auditor's report thereon.

Our opinion on the consolidated 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 the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial report, the directors are responsible for assessing the Group's ability 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 entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility 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 include 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 Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.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 11 to 16 of the Directors' Report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Weebit Nano Limited for the year ended 30 June 2020 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.



Nexia Perth Audit Services Pty Ltd



M. Janse Van Nieuwenhuizen

Director

Perth

25 August 2020

WEEBIT NANO LTD
ACN: 146 455 576

ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below. This information is dated as at 24 August 2020.

CAPITAL

a) Ordinary Share Capital

105,110,517 ordinary fully paid shares. All ordinary shares carry one vote per share.

b) Unlisted Options over Unissued Shares

8,937,096 unlisted options.

1,977,096	\$0.75	30-Jun-20
1,120,000	\$0.44	02-Oct-21
180,000	\$1.31	12-Oct-22
180,000	\$1.53	12-Oct-22
160,000	\$1.45	01-Jan-28
290,000	\$1.72	29-Jan-28
160,000	\$1.57	15-Feb-28
160,000	\$1.27	05-Mar-28
800,000	\$0.85	16-Oct-28
400,000	\$0.44	01-Oct-27
240,000	\$0.43	14-Apr-29
160,000	\$0.45	14-Aug-29
900,000	\$0.74	14-Aug-29
1,300,000	\$0.54	14-Aug-29
450,000	\$0.54	14-Aug-29
100,000	\$0.39	16-Oct-29
310,000	A\$0.2312	26-Mar-30
50,000	A\$0.27	25-Jun-30

WEEBIT NANO LTD
ACN: 146 455 576

c) Performance Rights

896,391 Performance Rights with an exercise price of \$NIL.

210,000	24-Dec-18
167,000	24-Dec-18
64,000	24-Dec-18
128,000	24-Dec-18
115,391	30-Jul-16
64,000	26-Sep-19
128,000	26-Sep-19
20,000	30-Jul-20

d) Performance Shares

346,091 Performance Shares escrowed until 30 July 2018 (following which the holder may elect to convert each Performance Share into one ordinary share) and expiring on 30 July 2021.

e) Listed Options

WBTOA: 43,823,435 LISTED OPTIONS exercisable at \$0.45 each expiring at 30 January 2022 (being 18 months from the date of issue) 5:00 pm (AEST).

The voting rights attached to each class of equity security are as follows:

- Ordinary shares: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- Unlisted Options, Performance Rights and Performance Shares: Options and performance rights do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance rights convert and subsequently registered as ordinary shares.

WEEBIT NANO LTD
ACN: 146 455 576

TOP 20 SHAREHOLDERS AS AT 24 AUGUST 2020

WEEBIT NANO LTD		ORDINARY FULLY PAID SHARES (Total) Composition : ORD	
Top Holders			
1	CITICORP NOMINEES PTY LIMITED	3,447,867	3.28
2	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	2,044,204	1.94
3	IBI TRUST MANAGEMENT <JAMES TOUR A/C>	1,509,462	1.44
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,437,882	1.37
5	SILVER HORIZON PTY LTD	1,429,150	1.36
6	DAVSAM PTY LTD <ROSEMAN RETIREMENT FUND A/C>	1,340,330	1.28
7	IBI TRUST MANAGEMENT <DAVID PERLMUTTER A/C>	1,153,500	1.10
8	BEARAY PTY LIMITED <BRIAN CLAYTON S/F A/C>	1,071,429	1.02
9	DROXFORD INTERNATIONAL LIMITED	1,044,000	0.99
10	RIDDLER INVESTMENTS PTY LTD	1,035,713	0.99
11	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	986,074	0.94
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	936,847	0.89
13	MR ELI STAUB	800,000	0.76
13	MR TONY PETER VUCIC + MRS DIANE VUCIC <VUCIC FUTURE FUND A/C>	800,000	0.76
15	MR DAVID ELIMELECH PERLMUTTER	660,246	0.63
16	MR DAVID DEWAR JOHNSON + MRS LUCY JULIA JOHNSON <CAZSAM SUPER FUND A/C>	650,000	0.62
17	BT PORTFOLIO SERVICES LIMITED <BEARDSLEY SUPER FUND A/C>	636,949	0.61
18	MR ERIC MARK CASPARY	630,873	0.60
19	BT PORTFOLIO SERVICES LIMITED <MICHAEL BURNELL S/F A/C>	614,569	0.58
20	IBI TRUST MANAGEMENT <RAMI HADAR A/C>	576,874	0.55
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		22,805,969	21.70
Total Remaining Holders Balance		82,304,548	78.30

WEEBIT NANO LTD
ACN: 146 455 576

TOP 20 SHAREHOLDERS AS AT 24 AUGUST 2020 (CONTINUED)

Range	Total holders	Units	% Units
1 - 1,000	871	443,628	0.42
1,001 - 5,000	1,197	3,219,890	3.06
5,001 - 10,000	506	3,899,303	3.71
10,001 - 100,000	1,100	36,149,831	34.39
100,001 Over	215	61,397,865	58.41
Rounding			0.01
Total	3,889	105,110,517	100.00
Unmarketable Parcels			
	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.3900 per unit	1,283	1,003	596,468

There is no current on-market buy-back.

SUBSTANTIAL SHAREHOLDERS AS AT 24 AUGUST 2020

There are no substantial shareholder of the Company as at 24 August 2020.

RESTRICTED SECURITIES

The Company had no Ordinary Shares subject to Voluntary Escrow as at the date of this report.

PRINCIPAL REGISTERED OFFICE

As disclosed in the Corporate directory on page 1 of this Annual Report.

REGISTERS OF SECURITIES

As disclosed in the Corporate directory on page 1 of this Annual Report.

STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the Corporate directory on page 1 of this Annual Report.

USE OF FUNDS

The Company has used its funds in accordance with its initial business objectives.