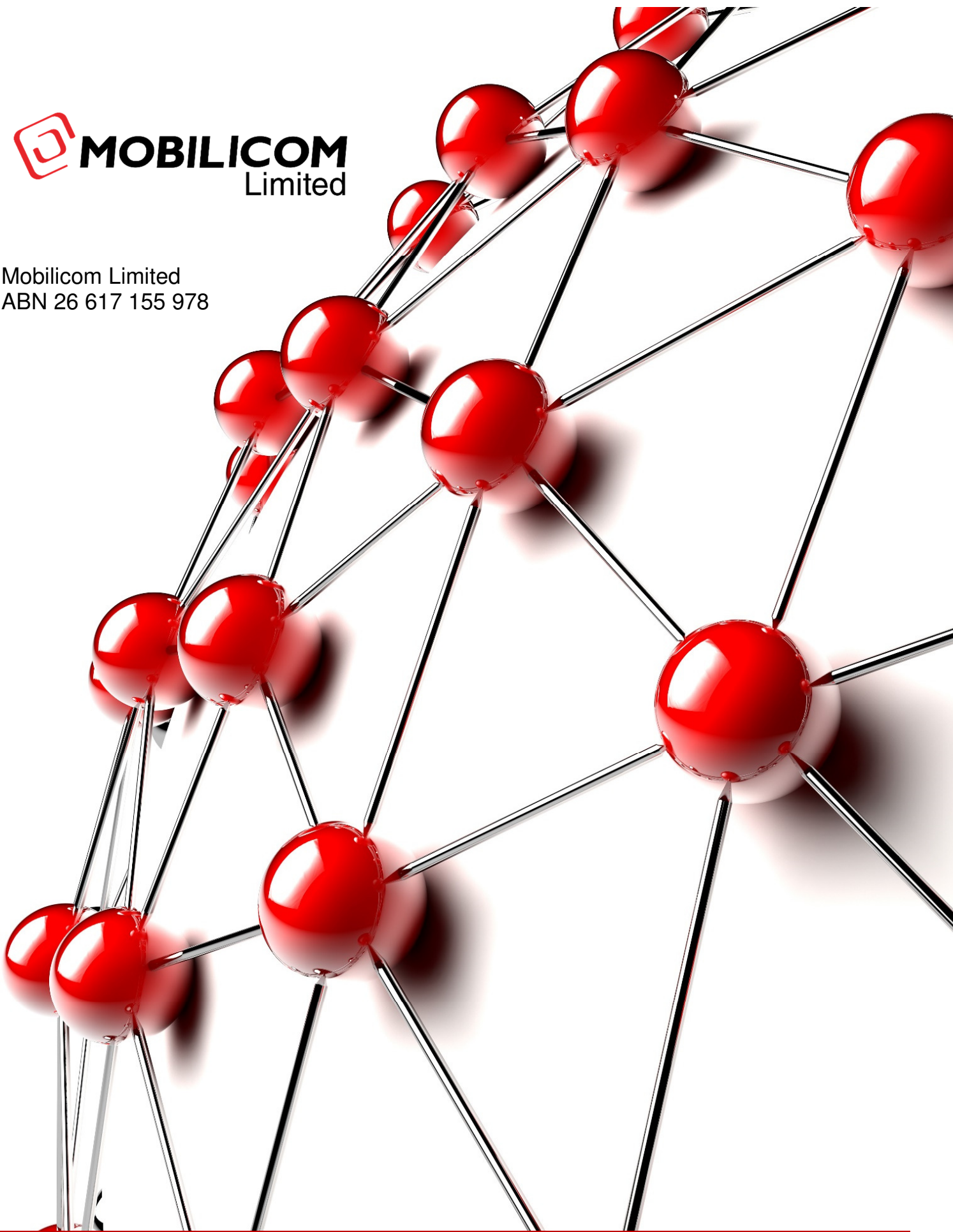


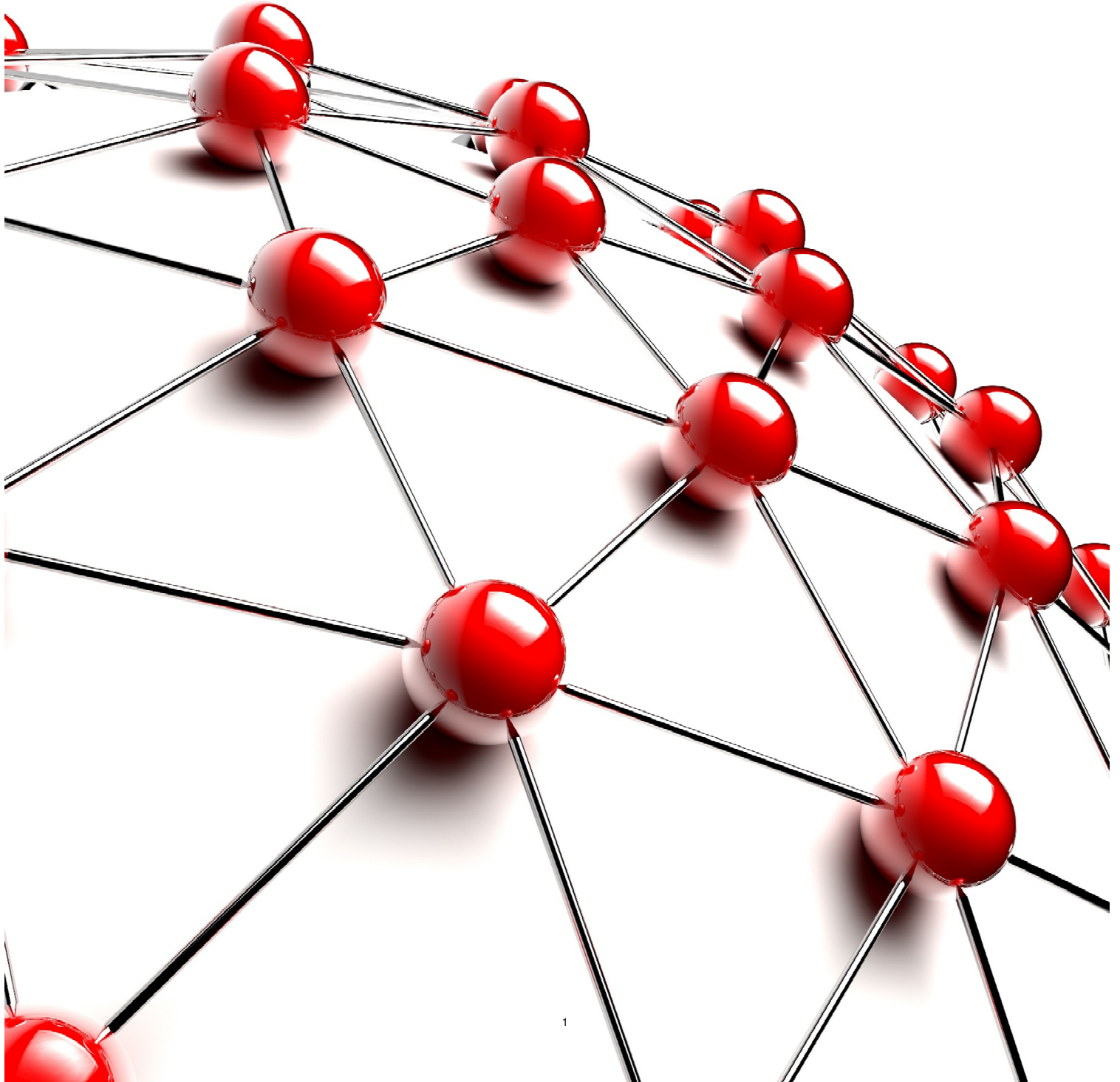


Mobilicom Limited
ABN 26 617 155 978

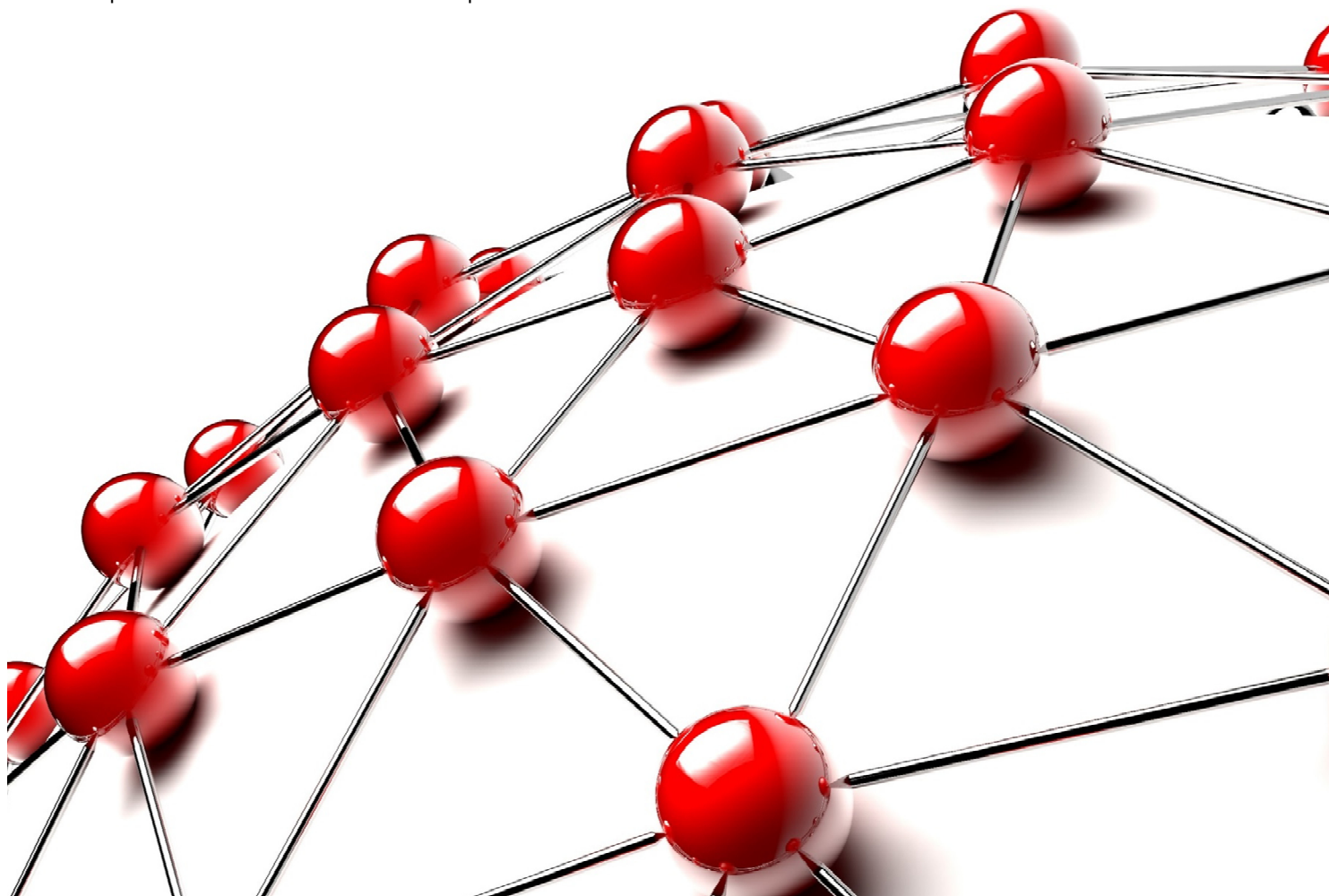


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Directors	Oren Elkayam (Chairman and Managing Director) Yossi Segal (Executive Director) Campbell McComb (Non-executive Director) Mark Licciardo (Non-executive Director)
Company secretary	Kate Goland
Registered office	Suite 1, Level 6, 50 Queen Street Melbourne, Victoria, 3000 Ph: 03 8692 9000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW, 2000 Ph: 1300 737 760 (within Australia) Ph: +61 2 9290 9600
Auditor	BDO East Coast Partnership Collins Square, Tower 4 Level 18, 727 Collins Street Melbourne, Victoria, 3008
Stock exchange listing	Mobilicom Limited shares are listed on the Australian Securities Exchange (ASX code: MOB)
Website	https://mobilicom-ltd.com.au
Corporate Governance Statement	https://mobilicom-ltd.com.au/charters/





Oren Elkayam (Chairman and Managing Director)

1. Company Introduction

Mobilicom Limited is a hi-tech company that designs, develops and delivers communication solutions for mission critical and remote mobile private networks without the need for any infrastructure. Mobilicom's products and technologies are based on an innovative approach that merges 4G and Mobile MESH technologies. With versatile network topologies and a large product portfolio, Mobilicom offers a number of product families that have been commercially deployed. Mobilicom has developed proprietary technology for a product portfolio that is fully designed and developed in-house with the utmost flexibility and scalability to optimise to customer needs.

Mobilicom Limited is comprised of two entities:

- The Mobilicom entity offers solutions that cater to mission-critical communication in the Government & Enterprise sector, with applications in Unmanned Vehicles; Offshore Oil, Gas & Energy; and Homeland Security & Public Safety
- The SkyHopper entity targets the commercial & industrial drones & robotics market. SkyHopper leverages Mobilicom's field-proven experience and technology to offer a holistic approach that consists of an end-to-end hardware portfolio, software tools, integration services and onsite support.

This holistic approach enables commercial and industrial drone manufacturers and service providers to focus on their own business objectives by reducing time-to-market, minimizing resource expenditures and increasing their chances for success.

2. Significant Company Milestones

This year was pivotal in terms of Mobilicom's activities and achievements. Mobilicom became a public company, grew its operations, penetrated new markets and secured key contracts with a new and existing customer base.

Mobilicom is traded on the Australian Securities Exchange

In May 2017, Mobilicom Limited listed on the Australian Securities Exchange (ASX). Completion of a \$7.5 million Initial Public Offering (IPO) has enabled Mobilicom to grow its activities in both Government & Enterprise and Commercial & Industrial market verticals, with solutions from both the Mobilicom and SkyHopper entities.

Mobilicom Grows as a Company

Throughout 2017, Mobilicom increased its workforce significantly to support its growing operations and sales, and in turn has increased its presence on a global level. The Company increased personnel at its local headquarters in sales, marketing, research and development (R&D), and finance functions to support its business goals. It increased its worldwide marketing, sales and support presence in its key markets of Asia Pacific, the US and Western Europe, building infrastructure for business success and future growth. The retention and growth of its employee base is enabling Mobilicom to execute new strategies the company has established in 2017 and carry them into 2018.

Mobilicom Wins Two International Grants

In 2017, Mobilicom won two major grants – a Smart Money grant valued up to \$450,000 for building infrastructure for sales success in China; and an R&D grant for influencing the 5G standard and building future technology, the project scope of which is valued \$650,000.

The Smart Money program is highly competitive, attracting qualified companies with a certain level of export activity and significant potential in China. The grant boosts Mobilicom's marketing and sales efforts in the region, driving the growth of its market presence, building upon its strategic partnerships and expanding its team on the ground.

Mobilicom also received a government grant for its involvement in the Heron 5G International Research Consortium, which will place Mobilicom at the forefront of 5G development, and which is expected to have an extremely positive impact on wireless technology.

3. Successes of Mobilicom's Core Business

Mobilicom has continued to drive success with its core business. In 2017, Mobilicom reached a base of more than 40 customers across 15 countries. The Mobilicom entity continues to be the primary revenue generator with its core MCU business in the Government & Enterprise sector.

The Company has driven sales in the unmanned vehicle and autonomous platform market, the offshore oil, gas & energy market and with several Homeland Security (HLS) integrators.

Looking forward to 2018, the Mobilicom entity is expected to continue as the key revenue driver for the Company.

Unmanned Vehicles & Robotics

This year, Mobilicom ramped up sales with a strong base of Government & Enterprise unmanned vehicles customers that show year-over-year growth, and with whom Mobilicom has grown as a result. Within this realm, with the increase in autonomous UAV platforms, Mobilicom has been supplying its solutions to a few market leaders of autonomous drone platforms, and these companies have begun initial deployments in resource industry, enterprise security and inspection applications, driving recurrent sales for Mobilicom in 2017.

Maritime – Offshore Oil, Gas & Energy

Mobilicom has garnered success with top offshore oil & gas integrators that will lead the Company to expand its presence in the Offshore Oil, Gas & Energy market vertical with existing and new customers. Projects included:

1. **ExxonMobil:** ExxonMobil expanded the use of Mobilicom's technology, with an additional sale that comes after an initial deployment of the Mobilicom solution. Mobilicom also collaborated with ExxonMobil to increase security and elevate the customer's protection against cyber threats. Most recently, ExxonMobil conducted successful fleet tests by using Mobilicom's MESH capabilities with its own platforms and vessels to receive continuous video and data at long ranges.
2. **Mediterranean Gas Project:** Mobilicom secured its second expansion of the Mediterranean Gas Project, bringing total sales-to-date with this customer to more than \$1,100,000 for this project. Mobilicom recently completed successful maritime field testing by this integrator, resulting in the integrator's plans to sell our solution to its customers globally. This expansion is a testament to Mobilicom exceeding the expectations of the customer in the testing and deployment performance of its solutions.

Public Safety, Security & Surveillance

Mobilicom conducted successful integration campaigns of its MCU solutions including field trials in the Czech Republic with a leading HLS system integrator and a customer demo in Sri Lanka involving helicopters and ground personnel in MESH scenarios. Mobilicom drove recurrent sales from a leading autonomous drone manufacturer as well as several Israeli HLS integrators. Mobilicom has also seen recurrent sales with various customers in Japan, Europe and other regions of the world, growing potential for further deployment expansions of Mobilicom's solutions.

4. SkyHopper Entity Successes

Mobilicom made a strategic decision to expand its operations into the Commercial & Industrial sector with the SkyHopper entity, beginning with the Drone & Robotics market. It has done so by leveraging its core technologies in the Government & Enterprise sector to provide a solution that caters to the unmet needs of this new market. With the objective of shortening Mobilicom's sales cycle and driving mass quantities of the Company's products, as the commercial drone market ramps up, Mobilicom expects to enjoy an increase in revenue, as its SkyHopper products will be integrated with established manufacturers in the sector.

SkyHopper by Mobilicom employs a holistic approach that offers an end-to-end hardware portfolio, software tools, integration services and onsite support.

In Q2 2017, Mobilicom launched an aggressive SkyHopper strategy for winning in the commercial drone & robotics market. Mobilicom is in Phase I of this strategy, which includes building infrastructure to establish market share and a leading market position. It is based on three pillars:

1. Releasing a broad portfolio of solutions and obtaining key worldwide certifications
2. Securing 8 design wins with worldwide drone manufacturers
3. Guaranteeing Compatibility or Partnership with 10 Ecosystem Partners.

Despite the aggressive goals set by the Company, Mobilicom has so far outperformed its plan which is to run through Q2 2018. In summary, the Company has achieved:

- 7 out of 8 design wins to-date
- 3 key worldwide certifications, surpassing its goal of 2
- 3 out of 4 products launched
- 5 out of 10 ecosystem compatibilities or partnerships.

Design Wins

To date, SkyHopper has secured seven design wins with key professional commercial drone manufacturers in geographic markets including France, S. Korea, Japan, Singapore and Israel. These design wins prove the market traction and strong foothold that the SkyHopper brand has made since its recent launch, and place Mobilicom in a strong sales position as the commercial drone market continues to ramp up. Furthermore, through its design wins, Mobilicom has secured contracts that have translated into initial commercial purchases for 2018.

Solutions & Certifications

SkyHopper has released three product solutions since its launch, with a fourth due to launch in Q1 2018. This places SkyHopper on track with its product roadmap. SkyHopper released its first two solutions, SkyHopper PRO and SkyHopper ONE, in Q2 & Q3 respectively. These offer communication solutions for professional commercial drones & robotics. Mobilicom released SkyHopper PRO V in Q4, which offers video processing & analytics in addition to communication.

Additionally, SkyHopper has exceeded its goal of receiving two certifications in 2017, with the receipt of a third certification, enabling the solutions to be sold to an additional, unplanned market. To date, SkyHopper has received US (FCC) certification, European (CE) certification, as well as Japanese (TELEC) certification.

Ecosystem Compatibility & Partnership

Mobilicom has established compatibility and partnership with five key drone components within the commercial drone ecosystem to lock in market share and broaden its market positioning. This is achieved by leveraging ecosystem compatibilities and partnerships to provide a more complete solution and accelerated integration process for SkyHopper customers. Mobilicom has established compatibility with five best-of-breed companies within the commercial drone market, including those providing flight controllers, payloads and software for various services.

Overall, the achievements Mobilicom has made in executing its SkyHopper strategy have brought the entity significant success, which will position the Company strongly for future growth.

5. Financial Position

In 2017, Mobilicom Limited secured several contracts with customers across both its Mobilicom and SkyHopper entities. The Purchase Orders (POs) that were received resulting from these contracts were significantly backlogged, placing Mobilicom in a positive position for 2018 as the backlogged POs translate into significant revenue generation in 2018.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Mobilicom Limited (referred to hereafter as the 'Company', 'Mobilicom Australia' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Directors

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

Oren Elkayam (Chairman and Managing Director) - appointed 2 February 2017
Yossi Segal (Executive Director) - appointed 27 April 2017
Campbell McComb (Non-executive Director) - appointed 2 February 2017
Mark Licciardo (Non-executive Director) - appointed 28 February 2017
Alexander Fabbri (Non-executive Director) - appointed 2 February 2017 and resigned 28 February 2017

Principal activities

On 27 April 2017, the Company ('Mobilicom (Australia) Ltd' ABN 26617155978) acquired 100% of the issued capital in Mobilicom Ltd (Company no. 513891753) ('Mobilicom Israel'), a company incorporated in Israel, in exchange for 174,626,715 fully paid ordinary shares.

For accounting purposes, Mobilicom Israel has been identified as the controlling entity of the consolidated group. The accompanying consolidated financial statements represent a continuation of Mobilicom Israel's financial statements. The consolidated results reflect the financial year of Mobilicom Israel plus Mobilicom Australia from the date of incorporation, 2 February 2017 to 31 December 2017. The comparative period results reflect Mobilicom Israel only.

The consolidated entity's principal activity is seeking to further commercialise solutions for mission critical and remote mobile private communications networks without the need to rely upon or utilise existing infrastructure. The Company's product portfolio is fully designed and developed in-house and relies on extensive know how and experience gained by leading mission- critical-communication systems development worldwide.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$6,089,936 (31 December 2016: \$443,355).

Revenues

During the year, the Company completed its Initial Public Offering (IPO) on the Australian Securities Exchange. A total of \$7.5m was raised before costs. The use of funds enable Mobilicom to grow its activities in both Government & Enterprise with solutions from Mobilicom business entity. The funds are proposed to build on existing customers and develop new ones in a number of sectors including Unmanned Vehicles; Offshore Oil, Gas & Energy; and Homeland Security & Public Safety. As well as supporting the company's expansion into the commercial and industrial market, with focus on Drones and Robotics, with research and development of new products and solutions from SkyHopper business entities. This market is expected to grow over the next two years adding a significant additional revenue line for the Company. Sales for 2016 were high thanks to projects (including modification NRE revenues) that were initiated in 2015 and were recognised in 2016 as revenue was generated. Mobilicom has continued to drive successful sales in 2017 with its core business to existing and new customers, although reduced due to timing in the awarding of government contracts.

The Mobilicom entity continues to be the primary revenue generator with its core MCU business in the Government & Enterprise sector. The Company has driven sales in the unmanned vehicle and autonomous platform market, the offshore oil, gas & energy market and with several Homeland Security (HLS) integrators. Looking forward to 2018, the Mobilicom entity is expected to continue as the key revenue driver for the Company.

The SkyHopper business has the objective of shortening Mobilicom's sales cycle and driving mass quantities of the Company's products, as the commercial drone market ramps up, Mobilicom expects to enjoy an increase in revenue, as its SkyHopper products will be integrated with established manufacturers in the sector.

Expenses

During the year, as indicated above, the Company completed its IPO leading to an increase in expenses. A significant portion of these costs are either non-recurring or non-cash. For example, amount of approximately \$1,704,088 has been accounted for during the year in relation to advisor, Director and employee shares and options issued.

Additional costs amounting to approximately \$1,100,000 relating to the Company's IPO have been expensed during the period and will not recur in future financial periods.

As part of the company's strategy to expand into the commercial and industrial market utilizing its proven technology, the company grew its sales and marketing team, increased its R&D expenses to develop a new brand of products (SkyHopper) and increased its manufacturing expenses for initial introduction of the new product family.

The company received CE Certification for SkyHopper product to enable to sell and marketed in the European Union. Telec certification enable the SkyHopper family of products to be sold , marketed and operated in Japan
The company passes FCC lab testing for SkyHopper which enable commencement of sales and marketing in US, with other regions recognising FCC certification.

During the financial year there was increased international expenditure in order to secure design win with drones and robotics manufactures, as well as eco-system partnerships.

Statement of financial position

As a result of the capital raising, the Company has increased its cash reserves to \$8,077,472 at 31 December 2017. The Company had a net asset position of \$7,338,414 (compared to a net deficit at 31 December 2016 of \$85,760). This leaves Mobilicom in a very sound position to implement the Company's plan over coming periods.

The Company received government grant from the Israel Innovation Authority for its project, the scope of which is valued at \$650,000 for 2018.

Mobilicom is in a positive position for 2018 as the backlogged POs translate into significant revenue generation in 2018.

The Company closed the year with positive cash in the bank in excess of what was raised through the initial public offering.

Based on the last quarter Net Burn Rate the company has more than 8 quarters forward. Although the company plans to increase its burn rate to support faster growth in its activities and business results.

Significant changes in the state of affairs

On 23 February 2017 the Company, being the Australian entity, changed its name from A.C.N. 617 155 978 Pty Ltd to Mobilicom Limited.

In order to IPO on the ASX, Mobilicom Ltd (Company no. 513891753) ('Mobilicom Israel') underwent a restructure involving the insertion of an Australian holding Company Mobilicom Limited. A total 174,626,715 fully paid ordinary shares were issued to the shareholders in Mobilicom Israel in relation to the restructure.

In accordance with the Company's Replacement Prospectus dated 21 March 2017, the following securities were issued:

Public Offer - 37,500,000 fully paid ordinary shares issued at \$0.20 (20 cents) per share, raising \$7,500,000 (before costs);

Vendor Offer - 174,626,715 fully paid ordinary shares to the vendors of Mobilicom Israel;

Advisor and Director Offer - 5,250,000 fully paid ordinary shares and 5,250,000 unlisted options; and

Exchange Option Offer - 5,373,284 unlisted options.

Mobilicom Australia was admitted to the official list on the Australian Securities Exchange (ASX) on 28 April 2017 under the new ASX Code "MOB". The Company's securities commenced trading on 2 May 2017.

On 3 August 2017 the Company announced the release of SkyHopper ONE, a UAV data link targeting the high-end DIY drone market segment.

The product is the second to be release from the SkyHopper family of products and is available via Amazon and Ebay in selected countries, as well as on the SkyHopper website.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

In addition to six design wins in 2017, the Company achieved an additional 1 design win in February 2018. Currently the Company has achieved 7 design wins from a target of 8 through 18/Q2.

At the end of 2017, the Company received a significant backlog of purchase orders which will translate into 2018 revenues.

The company is establishing new R&D activities in Europe which focus on software development.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Information on directors

Name:	Mr Oren Elkayam
Title:	Chairman and Managing Director (appointed 2 February 2017)
Qualifications:	B.Sc, MBA
Experience and expertise:	Mr Elkayam (CEO and Co-Founder of Mobilicom Israel) has worked at both business development and CEO levels with leading companies in the wireless communications space (including as VP Business Development at Runcom Ltd and CEO of Sortech Ltd). Mr Elkayam has initiated and negotiated contracts with top global carrier companies such as Alcatel-Lucent, Nortel, Mitsubishi and Motorola. He has also led a number of investment rounds with US venture capital funds. He has been a voting member on both the Institute of Electrical and Electronic Engineers (IEEE) and WiMAX international committees, and served as an officer in the Israeli Air Force in an elite research and development unit.
Other current directorships:	No other current directorships of listed companies
Former directorships (last 3 years):	No other directorships of listed companies
Special responsibilities:	No special responsibilities
Interests in shares:	170,000 Fully paid ordinary shares held in the name of Elkayam 101 Ltd – Director. 925,000 Fully paid ordinary shares held in the name of Oren Elkayam. 36,404,774 Fully paid ordinary shares held in the name of IBI Trust Management which acts as custodian/bare trustee of the shares.
Interests in options:	462,500 Options to acquire fully paid ordinary shares exercisable at \$0.20, vesting 6 months from the issue date, and expiring 5 years from the issue date. 462,500 Options to acquire fully paid ordinary shares exercisable at \$0.20, vesting 12 months from the issue date, and expiring 5 years from the issue date.

Name: Mr Yossi Segal
Title: Executive Director (appointed 27 April 2017)
Qualifications: B.Sc, M.Sc, MBA
Experience and expertise: Mr Segal (Vice President of R&D and Co-Founder of Mobilicom Israel) was the former CTO and a founding member of Runcom Ltd. Mr Segal is a worldwide expert in OFDM/A and has written essential patents for OFDM/A technology, being the first to implement OFDM/A in a working product. He has also previously led the design and development groups of three mobile integrated circuits (IC chip) and eight wireless broadband systems which are currently in operation and sold worldwide. Mr Segal has taken a leading role in several international wireless standards (IEEE and ETSI) as a committee voting member, and served in the Israeli Army as an officer in an elite electronic warfare research and development unit.

Other current directorships: No other current directorships of listed companies
Former directorships (last 3 years): No other directorships of listed companies
Special responsibilities: No special responsibilities
Interests in shares: 925,000 ordinary fully paid shares
30,167,158 Fully paid ordinary shares held in the name of IBI Trust Management which acts as custodian/bare trustee of the shares
Interests in options: 462,500 Options to acquire fully paid ordinary shares exercisable at \$0.20, vesting 6 months from the issue date, and expiring 5 years from the issue date.
462,500 Options to acquire fully paid ordinary shares exercisable at \$0.20, vesting 12 months from the issue date, and expiring 5 years from the issue date.

Name: Mr Campbell McComb
Title: Non-executive Director (appointed 2 February 2017)
Qualifications: BEc, GAICD, FINSIA
Experience and expertise: Mr McComb has over 20 years' experience in funds management and investment banking, and has overseen the development of numerous businesses. Over his career, Mr McComb has gained significant investment experience across equity securities, venture capital and private equity. Mr McComb currently runs the Venture Capital and Funds business of Greenwich Capital Partners, an alternative investment management firm with offices in Melbourne and Sydney, and is an adviser to a Singapore based Alternatives Fund. Most recently Mr McComb served as Chief Investment Officer of The Adcock Group, a single family office, and prior to that as Managing Director of Easton Investments, an ASX listed Investment Company, where he was responsible for overseeing the growth of the business to approximately A\$1bn of funds under management and advice.

Other current directorships: No other current directorships of listed companies
Former directorships (last 3 years): DirectMoney Ltd
Special responsibilities: No special responsibilities
Interests in shares: 100,000 Fully paid ordinary shares held in the name of CM2 Investments Pty Ltd (McComb Super Fund A/C) – Director.
2,130,000 Fully paid ordinary shares held in the name of Camac Investments Pty Ltd – Director and Shareholder.
Interests in options: 2,500,000 Options to acquire fully paid ordinary shares exercisable at \$0.20 and expiring 3 years from the issue date.

Name: Mr Mark Licciardo
Title: Non-executive Director (appointed 28 February 2017)
Qualifications: B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD
Experience and expertise: Mark Licciardo is the founder and Managing Director of Mertons Corporate Services. A former company secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial. Mark is also the current Chairman of the Academy of Design Australia Limited and a former Chairman of the Governance Institute of Australia Victoria division and Melbourne Fringe Festival. Mark is also a director of a number of public and private companies. Current ASX listed company directorships are shown below.

Other current directorships: Frontier Digital Ventures Limited, Ensogo Limited
Former directorships (last 3 years): iCar Asia Limited
Special responsibilities: No special responsibilities
Interests in shares: 100,000 Fully paid ordinary shares held in the name of Loire Investments Pty Ltd (Loire Investment A/C) - Director

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

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Kate Goland (appointed 28 February 2017)

Kate Goland CPA, GIA (Cert) Mertons Corporate Services, is an experienced accounting and company secretarial professional. She has demonstrated expertise in supporting clients in meeting their corporate obligations and ASIC compliance requirements. She joined Mertons from BDO where she assisted clients within the company secretarial division. Kate is a current Company Secretary of various public and private companies and has held the role of Company Secretary for a not for profit organisation. She has a strong understanding of corporate compliance matters.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 December 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr O Elkayam	8	8
Mr Y Segal	7	7
Mr C McComb	7	8
Mr M Licciardo	8	8
Mr A Fabbri	-	-

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

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

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

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held in February 2017, where the shareholders approved a maximum annual aggregate remuneration of \$250,000.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

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

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares may be awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Details of remuneration

Amounts of remuneration

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

The key management personnel of the consolidated entity consisted of the following directors of Mobilicom Limited :

- Oren Elkayam (Chairman and Managing Director) - appointed 2 February 2017
- Yossi Segal (Executive Director) - appointed 27 April 2017
- Campbell McComb (Non-executive Director) - appointed 2 February 2017
- Mark Licciardo (Non-executive Director) - appointed 28 February 2017
- Alexander Fabbri (Non-executive Director) - appointed 2 February 2017 and resigned 28 February 2017

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2017	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr C McComb*	36,663	-	-	-	-	-	36,663
Mr M Licciardo**	33,330	-	-	-	-	-	33,330
<i>Executive Directors:</i>							
Mr O Elkayam***	293,630	250,000	13,726	91,642	-	298,558	947,556
Mr Y Segal***	293,630	250,000	13,726	91,642	-	298,558	947,556
	<u>657,253</u>	<u>500,000</u>	<u>27,452</u>	<u>183,284</u>	<u>-</u>	<u>597,116</u>	<u>1,965,105</u>

* Mr McComb received his remuneration through Camac Investments Pty Ltd (an entity associated with him).

** Mr Licciardo received his remuneration through Mertons Corporate Services Pty Ltd (an entity associated with him).

*** Mr Elkayam and Mr Yossi each received a payment of \$250,000 awarded by Mobilicom Israel as part of the Initial Public Offer process.

2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
<i>Executive Directors:</i>							
Mr O Elkayam	169,234	-	12,882	54,284	-	-	236,400
Mr Y Segal	169,234	-	12,882	54,284	-	-	236,400
	<u>338,468</u>	<u>-</u>	<u>25,764</u>	<u>108,568</u>	<u>-</u>	<u>-</u>	<u>472,800</u>

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Mr C McComb	100%	-	-	-	-	-
Mr M Licciardo	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Mr O Elkayam	68%	100%	-	-	32%	-
Mr Y Segal	68%	100%	-	-	32%	-

Service agreements

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

Name: Oren Elkayam
Title: Chairman and Managing Director
Agreement commenced: 28 February 2017
Details: \$250,000 USD per annum.
Mr Elkayam's employment with Mobilicom Israel may be terminated upon 60 days' written notice, or immediately by Mobilicom Israel for cause which include a breach of trust or fiduciary duty (for example, theft), conviction of a criminal offense and negligence causing harm to Mobilicom's business or reputation. If terminated for any reason other than for cause, Mr Elkayam will be entitled to a paid salary, together with other benefits detailed in the employment agreements, for a period of 6 months following termination.

Name: Yossi Segal
Title: Executive Director
Agreement commenced: 28 February 2017
Details: \$250,000 USD per annum.
Mr Segal's employment with Mobilicom Israel may be terminated upon 60 days' written notice, or immediately by Mobilicom Israel for cause which include a breach of trust or fiduciary duty (for example, theft), conviction of a criminal offense and negligence causing harm to Mobilicom Israel's business or reputation. If terminated for any reason other than for cause, Mr Segal will be entitled to a paid salary, together with other benefits detailed in the employment agreements, for a period of 6 months following termination.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2017 are set out below:

Name	Date	Shares	Issue price	\$
Mr O Elkayam	27/04/2017	925,000	\$0.2000	185,000
My Y Segal	27/04/2017	925,000	\$0.2000	185,000

Options

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
28/04/2017	28/10/2017	28/04/2022	\$0.2000	\$0.1473
28/04/2017	28/04/2018	28/04/2022	\$0.2000	\$0.1473

Options granted carry no dividend or voting rights.

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares*</i>					
Mr O Elkayam	-	925,000	36,574,774	-	37,499,774
Mr Y Segal	-	925,000	30,167,158	-	31,092,158
Mr C McComb	-	-	2,230,000	-	2,230,000
Mr M Licciardo	-	-	100,000	-	100,000
	-	1,850,000	69,071,932	-	70,921,932

* The above disclosures are in relation to the listed entity

Option holding

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

	Balance at the start of the year	Granted as remuneration	Granted as part of the Advisor and Director offer	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares*</i>					
Mr O Elkayam	-	925,000	-	-	925,000
Mr Y Segal	-	925,000	-	-	925,000
Mr C McComb	-	-	2,500,000	-	2,500,000
	-	1,850,000	2,500,000	-	4,350,000

* The above disclosures are in relation to the listed entity

Other transactions with key management personnel and their related parties

During the year the Company repaid payables and loans amounting to \$128,717 to Mr Elkayam.

During the year the Company repaid payables and loans amounting to \$127,632 to Mr Segal.

As part of the Company's initial public offering, Camac Investments Pty Ltd (a director related entity to Mr McComb) received 2,130,000 shares with a fair value of \$426,000, and 2,500,000 options with a fair value of \$312,068 for corporate advisory fees.

An amount of \$40,000 was paid to Mertons Corporate Services Pty Ltd (a director related entity to Mr Licciardo) for provision of corporate secretarial services.

Payables to key management personnel and their related parties

The Company has director fees payable to a director related entity (Camac Investments Pty Ltd) of \$6,666.

The Company has director fees payable to a director related entity (Mertons Corporate Services Pty Ltd) of \$16,154.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
27/04/2017	27/04/2020	\$0.2000	3,400,000
27/04/2017	27/04/2022	\$0.2000	1,850,000
27/04/2017	20/03/2020	\$0.0472	460,568
27/04/2017	21/09/2021	\$0.0472	460,568
27/04/2017	25/11/2025	\$0.1233	307,044
27/04/2017	20/10/2026	\$0.1233	614,090
27/04/2017	25/09/2021	\$0.0472	1,919,030
27/04/2017	05/11/2025	\$0.1233	1,151,417
			10,162,717

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Mobilicom Limited issued on the exercise of options during the year ended 31 December 2017 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Company who are former partners of BDO East Coast Partnership

There are no officers of the Company who are former partners of BDO East Coast Partnership.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Oren Elkayam
Chairman and Managing Director

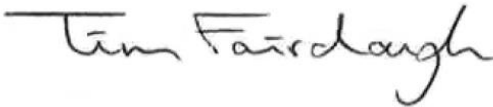
16 February 2018
Tel Aviv

DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF MOBILICOM LIMITED

As lead auditor of Mobilicom Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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



Tim Fairclough
Partner

BDO East Coast Partnership

Melbourne, 16 February 2018

Mobilicom Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017



	Note	Consolidated	
		2017	2016
		\$	\$
Revenue	6	1,519,719	2,232,653
Cost of sales	7	(384,598)	(431,868)
Government grants		230,673	422,784
Interest received		25,590	-
Other income		<u>256,263</u>	<u>422,784</u>
Expenses			
Selling and marketing expenses	8	(1,076,372)	(275,948)
Research and development	9	(2,063,294)	(1,761,226)
General and administration expenses	10	(1,109,584)	(576,794)
Listing fees	11	(1,103,425)	-
Share based payments	34	(1,701,529)	-
Finance costs		<u>(427,116)</u>	<u>(52,956)</u>
Loss before income tax expense		(6,089,936)	(443,355)
Income tax expense	12	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Mobilicom Limited		(6,089,936)	(443,355)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurement of defined benefit plans		-	(153,537)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(168,595)</u>	<u>(68,332)</u>
Other comprehensive income for the year, net of tax		<u>(168,595)</u>	<u>(221,869)</u>
Total comprehensive income for the year attributable to the owners of Mobilicom Limited		<u><u>(6,258,531)</u></u>	<u><u>(665,224)</u></u>
		Cents	Cents
Basic earnings per share	33	(4.12)	(4.43)
Diluted earnings per share	33	(4.12)	(4.43)

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

Mobilicom Limited
Consolidated statement of financial position
As at 31 December 2017



	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	13	8,077,472	4,127,057
Trade and other receivables	14	423,644	390,658
Inventories	15	303,936	170,007
Total current assets		<u>8,805,052</u>	<u>4,687,722</u>
Non-current assets			
Property, plant and equipment		42,440	37,871
Total non-current assets		<u>42,440</u>	<u>37,871</u>
Total assets		<u>8,847,492</u>	<u>4,725,593</u>
Liabilities			
Current liabilities			
Trade and other payables	16	888,732	901,511
Borrowings	17	-	3,530,790
Total current liabilities		<u>888,732</u>	<u>4,432,301</u>
Non-current liabilities			
Employee benefits	18	456,959	216,541
Governmental liabilities on grants received	19	163,387	162,511
Total non-current liabilities		<u>620,346</u>	<u>379,052</u>
Total liabilities		<u>1,509,078</u>	<u>4,811,353</u>
Net assets/(liabilities)		<u>7,338,414</u>	<u>(85,760)</u>
Equity			
Issued capital	20	19,055,915	4,577,223
Reserves	21	763,412	1,727,994
Accumulated losses		<u>(12,480,913)</u>	<u>(6,390,977)</u>
Total equity/(deficiency)		<u>7,338,414</u>	<u>(85,760)</u>

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

Mobilicom Limited
Consolidated statement of changes in equity
For the year ended 31 December 2017



Consolidated	Issued capital \$	Share based payments reserve \$	Foreign currency reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2016	4,960,233	1,709,078	-	(5,794,085)	875,226
Loss after income tax expense for the year	-	-	-	(443,355)	(443,355)
Other comprehensive income for the year, net of tax	-	-	(68,332)	(153,537)	(221,869)
Total comprehensive income for the year	-	-	(68,332)	(596,892)	(665,224)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 34)	-	87,248	-	-	87,248
Payments for shareholders in exchange for waiver on equity rights	(383,010)	-	-	-	(383,010)
Balance at 31 December 2016	<u>4,577,223</u>	<u>1,796,326</u>	<u>(68,332)</u>	<u>(6,390,977)</u>	<u>(85,760)</u>
Consolidated	Issued capital \$	Share based payments reserve \$	Foreign currency reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2017	4,577,223	1,796,326	(68,332)	(6,390,977)	(85,760)
Loss after income tax expense for the year	-	-	-	(6,089,936)	(6,089,936)
Other comprehensive income for the year, net of tax	-	-	(168,595)	-	(168,595)
Total comprehensive income for the year	-	-	(168,595)	(6,089,936)	(6,258,531)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 34)	1,050,000	693,171	-	-	1,743,171
Conversion of convertible notes	4,774,885	-	-	-	4,774,885
Proceeds from completion of Initial Price Offering (IPO)	7,500,000	-	-	-	7,500,000
Transfer from Share based payments reserve	1,039,568	(1,039,568)	-	-	-
Warrants exercised	748,301	(449,590)	-	-	298,711
Capital raising costs	(634,062)	-	-	-	(634,062)
Balance at 31 December 2017	<u>19,055,915</u>	<u>1,000,339</u>	<u>(236,927)</u>	<u>(12,480,913)</u>	<u>7,338,414</u>

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

Mobilicom Limited
Consolidated statement of cash flows
For the year ended 31 December 2017



	Note	Consolidated	
		2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,541,780	1,992,217
Interest received		25,590	-
Payments to suppliers and employees (inclusive of GST)		(5,162,466)	(2,674,075)
Interest and other finance costs paid		(285,116)	(52,956)
Net cash used in operating activities	32	<u>(3,880,212)</u>	<u>(734,814)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(24,046)</u>	<u>(13,197)</u>
Net cash used in investing activities		<u>(24,046)</u>	<u>(13,197)</u>
Cash flows from financing activities			
Proceeds from issue of shares	20	7,500,000	-
Proceed from issue of convertible notes, net of costs		1,147,461	3,316,331
Proceeds from exercise of share options		298,711	-
Payments for shareholders in exchange for waiver on equity rights		-	(383,010)
Proceeds from loan from related parties		-	5,753
Repayment of borrowings		(270,625)	-
Payment of transaction costs related to issues of shares, convertible notes, options		(634,062)	-
Net cash from financing activities		<u>8,041,485</u>	<u>2,939,074</u>
Net increase in cash and cash equivalents		4,137,227	2,191,063
Cash and cash equivalents at the beginning of the financial year		4,127,057	1,935,994
Effects of exchange rate changes on cash and cash equivalents		(186,812)	-
Cash and cash equivalents at the end of the financial year	13	<u><u>8,077,472</u></u>	<u><u>4,127,057</u></u>

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

Note 1. General information

The financial statements cover Mobilicom Limited as a Group consisting of Mobilicom Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Mobilicom Limited's functional and presentation currency.

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

Registered office

Suite 1, Level 6, 50 Queen Street
Melbourne, Victoria, 3000
Australia

Principal place of business

Suite 1, Level 6, 50 Queen Street
Melbourne, Victoria, 3000
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 February 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Background

These financial statements include the financial statements of Mobilicom Limited (the "Company"), and its legal subsidiaries (the "Consolidated entity"). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The consolidated entity has elected to present the statement of comprehensive income using the function of expense method.

In order to IPO on the ASX, Mobilicom Israel underwent a restructure in the reporting period involving the insertion of an Australian holding company Mobilicom Limited.

On 27 April 2017 Mobilicom Limited ("Mobilicom Australia") completed a capital reorganisation transaction with the shareholders of Mobilicom Israel.

In accordance with the Australian Accounting Standards, the transaction does not constitute a business combination and the financial report has been prepared as a continuation of Mobilicom Israel.

The comparative financial information included in the Company's financial information is that of Mobilicom Israel, not the Company.

The accounting policies adopted are consistent with the accounting policies of Mobilicom Israel's last annual financial report for the year ended 31 December 2016.

These financial statements are presented in Australian dollars and the controlling entity, Mobilicom Australia, has a functional currency of the Australian Dollar (AUD).

The functional currency of Mobilicom Israel is the New Israeli Shekel.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Note 3. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Note 3. Significant accounting policies (continued)

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mobilicom Limited ('Company' or 'parent entity') as at 31 December 2017 and the results of all subsidiaries for the year then ended. Mobilicom Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Mobilicom Limited 's presentation currency.

Foreign currency transactions

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

Note 3. Significant accounting policies (continued)

Foreign operations

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

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

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technical feasibility studies identify that the project will develop an intangible asset that will be completed and available for use or sale, that there are adequate technical, financial and other resources to complete the development, that it will deliver future economic benefits and these benefits can be measured reliably.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

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

Note 3. Significant accounting policies (continued)

Defined benefit plans

The Company operates a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal retirement and several other events prescribed by that Law. The liability for termination of employee-employer relationship is measured using the projected unit credit method.

The actuarial assumptions include rates of employee turnover and future salary increases based on the estimated timing of payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on corporate bonds with a term that matches the estimated term of the benefit plan. In respect of its severance pay obligation to certain of its employees, the Company makes current deposits in pension funds and insurance companies ("plan assets").

Plan assets comprise assets held by a Long-term employee benefits fund or qualifying insurance policies. Plan assets are not available to the Company's own creditors and cannot be returned directly to the Company. The liability for employee benefits presented in the statement of financial position presents the present value of the defined benefit obligation less the fair value of the plan assets.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half-year reporting period ended 31 December 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity is currently in the process of evaluating the impact of AASB 9 in future reporting periods.

Note 3. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The standard introduces additional new disclosures. The consolidated entity is currently in the process of evaluating the impact of AASB 15 in future reporting periods.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The standard introduces additional new disclosures. The consolidated entity is currently in the process of evaluating the impact of AASB 16 in future reporting periods.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Share-based payments

The consolidated entity has a share based remuneration scheme for employees. The fair value of share options is estimated by using the Black-Scholes option pricing model, on the date of grant based on certain assumptions. Those assumptions are described in the share based payments note and include, among others, the dividend growth rate, expected share price volatility and expected life of the options. The fair value of the equity settled options granted is charged to statement of comprehensive income over the vesting period of each tranche and the credit is taken to equity, based on the consolidated entity's estimate of shares that will eventually vest.

Revenue from services according to construction contracts

Revenues from services according to construction contracts are reported by the "percentage of completion" method. The percentage of completion is determined by dividing actual completion costs incurred to date by the total completion costs anticipated.

Note 5. Operating segments

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 only operated in one segment, which is to further commercialise solutions for mission critical and remote mobile private communications networks without the need to reply upon or utilise existing infrastructure.

Note 6. Revenue

	Consolidated	
	2017	2016
	\$	\$
Sale of goods	<u>1,519,719</u>	<u>2,232,653</u>

Sales were reduced due to long sales cycle and timing in the awarding of government contracts. As a small management team the IPO process also affected the sales results. The Mobilicom entity continues to be the primary revenue generator with its core MCU business in the Government & Enterprise sector. Looking forward to 2018, the Mobilicom entity is expected to continue as the key revenue driver for the Company. In addition as the commercial drone market ramps up, Mobilicom expects to enjoy an increase in revenue, as its SkyHopper products will be integrated with established manufacturers in the sector.

Accounting policy for revenue recognition

Revenues are measured at the fair value of the consideration received or receivables less any trade discounts, volume rebates and returns.

Sale of goods

Revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continuing managerial involvement. The delivery date is usually the date on which risks and rewards pass. Revenues are recognised in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Note 6. Revenue (continued)

Rendering of services

Provided the amount of revenue can be measured reliably and it is probable that the company will receive any consideration. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

In fixed fee contracts - according to AASB 111 "Construction Contracts" pursuant to which revenues are reported by the "percentage of completion" method. The percentage of completion is determined by dividing actual completion costs incurred to date by the total completion costs anticipated. When a loss from a project is anticipated, a provision is made in the period in which it first becomes evident, for the entire loss anticipated, as assessed by the company's management.

Government Grant income

The Company receives government grant income from the Israeli Innovation Authority (formerly the Office of the Chief Scientist) (Innovation Authority). Grant revenue is accounted for during the period in which it is received.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 7. Cost of sales

	Consolidated	
	2017	2016
	\$	\$
Salaries and benefits	159,425	189,941
Cost of materials	193,470	141,389
Rental and office expenses	21,143	55,065
Other	10,560	45,473
	<u>384,598</u>	<u>431,868</u>

Note 8. Selling and marketing expenses

	Consolidated	
	2017	2016
	\$	\$
Salaries and benefits	792,846	153,279
Marketing services	94,780	59,108
Travel expenses	95,666	30,911
Rental and office expenses	26,355	14,020
Other	66,725	18,630
	<u>1,076,372</u>	<u>275,948</u>

Note 9. Research and development

	Consolidated	
	2017	2016
	\$	\$
Salaries and benefits	1,676,512	1,203,386
Materials	40,344	35,649
Royalties to the OCS	27,686	96,413
Subcontractors	157,923	294,664
Depreciation	19,476	12,200
Other	141,353	118,914
	<u>2,063,294</u>	<u>1,761,226</u>

Note 10. General and administration expenses

	Consolidated	
	2017	2016
	\$	\$
Salaries and benefits	402,121	269,792
Professional fees	201,654	219,576
Insurance	30,875	9,223
Travel expenses	61,468	22,908
Depreciation	12,680	7,454
Rental and office expenses	19,348	14,907
Other	381,438	32,934
	<u>1,109,584</u>	<u>576,794</u>

Note 11. Listing fees

	Consolidated	
	2017	2016
	\$	\$
Professional fees	115,081	-
Travel	38,547	-
Bonuses	500,000	-
Other	449,797	-
	<u>1,103,425</u>	<u>-</u>

Note 12. Income tax expense

	Consolidated	
	2017	2016
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(6,089,936)	(443,355)
Tax at the statutory tax rate of 27.5%	(1,674,732)	(121,923)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	179,170	-
Other temporary differences not recognised	1,495,562	121,923
Income tax expense	<u>-</u>	<u>-</u>

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the benefits of the deferred tax asset can be utilised

Note 13. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	2,053,562	4,127,057
Cash on deposit	6,023,910	-
	<u>8,077,472</u>	<u>4,127,057</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash is considered by Mobilicom to be deposits with banks which are used mainly as a security for guarantees provided against customer payments in advance.

Note 14. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
Trade receivables	308,783	357,168
Other receivables	114,861	33,490
	<u>423,644</u>	<u>390,658</u>

Note 14. Current assets - trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade and other receivables are recognised at amortised cost, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Note 15. Current assets - inventories

	Consolidated	
	2017	2016
	\$	\$
Finished goods - at cost	<u>303,936</u>	<u>170,007</u>

Accounting policy for inventories

Inventories are recognised at the lower of cost and net realisable value.

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$	\$
Trade payables	214,745	114,475
Other payables	<u>673,987</u>	<u>787,036</u>
	<u>888,732</u>	<u>901,511</u>

Refer to note 23 for further information on financial instruments.

Amounts noted above in other payables include amounts payable to Directors for wages payable.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 17. Current liabilities - borrowings

	Consolidated	
	2017	2016
	\$	\$
Loans from related parties	-	214,459
Convertible notes payable	-	<u>3,316,331</u>
	<u>-</u>	<u>3,530,790</u>

Refer to note 23 for further information on financial instruments.

Note 17. Current liabilities - borrowings (continued)

Accounting policy for borrowings

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Note 18. Non-current liabilities - employee benefits

	Consolidated	
	2017	2016
	\$	\$
Employee benefits	456,959	216,541

Accounting policy for employee benefits

The company's liabilities for severance pay retirement and pension pursuant to Israeli law and employment agreements are recognized by full - in part by managers' insurance policies, for which the company makes monthly payments and accrued amounts in severance pay funds and the rest by the liabilities which are included in the financial statements.

The amounts funded displayed above include amounts deposited in severance pay funds with the addition of accrued income. According to the Severance Pay Law, the aforementioned amounts may not be withdrawn or mortgaged as long as the employer's obligations have not been fulfilled in compliance with Israeli law.

Note 19. Non-current liabilities - Governmental liabilities on grants received

	Consolidated	
	2017	2016
	\$	\$
Governmental liabilities on grants received	163,387	162,511

Accounting policy for Government liabilities on grants received

The Company measured the value of its governmental liabilities on grants received, each period, based on discounted cash flows derived from Company's future anticipated revenues.

The Company participates in programs sponsored by the Chief Scientist ("OCS"), for the support of research and development projects. Several programs are subjected to royalties, while others are not (the company is committed to pay royalties for the R&D programs, while the research programs does not required repayment). In exchange for the Chief Scientist's participation in the programs, the Company is required to pay royalties to the Chief Scientist at a rate between 3% and 3.5% of sales of developed products linked to U.S dollars, until repayment of 100% of the amount of grants received, plus annual interest at the LIBOR rate. The company is required to pay royalties, to the OCS, of sales to end customers of products developed with funds provided by the Chief Scientist, if and when such sales are recognized.

The obligation to pay these royalties is contingent on actual sales of the products. Changes in the liability are recognized in research and development expenses. The exceptions of the Company to pay the grants are based on its estimation at the end of the each year.

Note 20. Equity - issued capital

	2017	Consolidated		
	Shares	2016	2017	2016
		Shares	\$	\$
Ordinary shares - fully paid	217,376,715	10,000,000	19,055,915	4,577,223

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2016	10,000,000		4,960,233
Payments for shareholders in exchange for waiver on equity rights		-	-	(383,010)
Balance	31 December 2016	10,000,000		4,577,223
Mobilicom Israel shares exchanged for Mobilicom Australia shares under Vendor Offer		(10,000,000)	-	-
Mobilicom Israel shares exchanged for Mobilicom Australia shares under Vendor Offer		132,090,972	-	-
Transfer from share based payment reserve		-	-	1,039,568
Mobilicom Israel warrants exercised		11,814,243	\$0.06	748,301
Conversion of Mobilicom Israel Convertible notes to Mobilicom Australia shares		30,721,500	\$0.15	4,774,885
Proceeds from shares issued under the Offer		37,500,000	\$0.20	7,500,000
Issue of advisor shares under Advisor and Director Offer		3,400,000	\$0.20	680,000
Issue of shares to Directors under Advisor and Director Offer		1,850,000	\$0.20	370,000
Capital raising costs		-	-	(634,062)
Balance	31 December 2017	<u>217,376,715</u>		<u>19,055,915</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

Note 20. Equity - issued capital (continued)

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for issued capital

Ordinary shares are classified as equity.

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

Note 21. Equity - reserves

	Consolidated	
	2017	2016
	\$	\$
Foreign currency reserve	(236,927)	(68,332)
Share-based payments reserve	<u>1,000,339</u>	<u>1,796,326</u>
	<u><u>763,412</u></u>	<u><u>1,727,994</u></u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

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

Consolidated	Share based payments \$	Foreign currency reserve \$	Total \$
Balance at 1 January 2016	<u>1,796,326</u>	<u>(68,332)</u>	<u>1,727,994</u>
Balance at 31 December 2016	1,796,326	(68,332)	1,727,994
Foreign currency translation	-	(168,595)	(168,595)
Share based payments	693,171	-	693,171
Conversion of warrants during the year	<u>(1,489,158)</u>	<u>-</u>	<u>(1,489,158)</u>
Balance at 31 December 2017	<u><u>1,000,339</u></u>	<u><u>(236,927)</u></u>	<u><u>763,412</u></u>

Note 22. Equity - dividends

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

Note 23. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

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

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows (holdings are shown in AUD equivalents):

Consolidated	Assets		Liabilities	
	2017 \$	2016 \$	2017 \$	2016 \$
US dollars	1,564,000	3,727,000	75,000	62,000
Euros	177,000	106,000	6,000	1,000
Israeli New Shekel	61,000	393,000	743,000	272,000
	<u>1,802,000</u>	<u>4,226,000</u>	<u>824,000</u>	<u>335,000</u>

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

Consolidated - 2017	% change	AUD strengthened Effect on		% change	AUD weakened Effect on	
		profit before tax	Effect on equity		profit before tax	Effect on equity
AUD/USD	5%	74,000	74,000	5%	(74,000)	(74,000)
AUD/EUR	5%	9,000	9,000	5%	(9,000)	(9,000)
AUD/NIS	5%	34,000	34,000	5%	(34,000)	(34,000)
		<u>117,000</u>	<u>117,000</u>		<u>(117,000)</u>	<u>(117,000)</u>

Price risk

Price risk is the risk that future cashflows derived from financial instruments will be changed as a result of a market price movement, other than foreign currency rates and interest rates. The consolidated entity is not exposed to any significant price risk.

Note 23. Financial instruments (continued)

Interest rate risk

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the consolidated entity's cash deposits with floating interest rates. These financial assets with variable rates expose the consolidated entity to interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

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

Remaining contractual maturities

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

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2017						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	214,706	-	-	-	214,706
Other payables	-	627,239	-	-	-	627,239
Government liabilities	-	46,877	52,414	182,710	-	282,001
Total non-derivatives		888,822	52,414	182,710	-	1,123,946

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2016						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	114,597	-	-	-	114,597
Other payables	-	956,540	-	-	-	956,540
Government liabilities	-	44,827	50,972	182,198	-	277,997
Total non-derivatives		1,115,964	50,972	182,198	-	1,349,134

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

Fair value of financial instruments

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

Note 24. Key management personnel disclosures

Directors

The following persons were directors of Mobilicom Limited during the financial year:

Mr Oren Elkayam (Chairman and Managing Director)	(appointed 2 February 2017)
Mr Yossi Segal (Executive Director)	(appointed 27 April 2017)
Mr Campbell McComb (Non-executive director)	(appointed 2 February 2017)
Mr Mark Licciardo (Non-executive director)	(appointed 28 February 2017)
Mr Alexander Fabbri (Non-executive director)	(appointed 2 February 2017 and resigned 28 February 2017)

Compensation

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

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	1,184,705	364,232
Post-employment benefits	183,284	108,568
Share-based payments	597,116	-
	<u>1,965,105</u>	<u>472,800</u>

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company, and its network firms:

	Consolidated	
	2017	2016
	\$	\$
<i>Audit services - BDO East Coast Partnership</i>		
Audit or review of the financial statements	48,000	-
<i>Other services - BDO East Coast Partnership</i>		
Initial Public Offering	37,300	-
	<u>85,300</u>	<u>-</u>
<i>Audit services - BDO Israel</i>		
Audit or review of the financial statements	43,045	33,619
<i>Other services - BDO Israel</i>		
Initial Public Offering	-	53,791
	<u>43,045</u>	<u>87,410</u>

Note 26. Contingent liabilities

The Company participates in programs sponsored by the Chief Scientist ("OCS"), for the support of research and development projects. Several programs are subjected to royalties, while others are not (the company is committed to pay royalties for the R&D programs, while the research programs do not required repayment).

In exchange for the Chief Scientist's participation in the programs, the Company is required to pay royalties to the Chief Scientist at a rate between 3% and 3.5% of sales of developed products linked to U.S dollars, until repayment of 100% of the amount of grants received, plus annual interest at the LIBOR rate. The company is required to pay royalties, to the OCS, of sales to end customers of products developed with funds provided by the Chief Scientist, if and when such sales are recognised.

The obligation to pay these royalties is contingent on actual sales of the products. Changes in the liability are recognised in research and development expenses. The exceptions of the Company to pay the grants are based on its estimation at the end of the each year.

Note 27. Commitments

The Company leases premises for its offices and R&D center in Azor.

	Consolidated	
	2017	2016
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	24,000	-
	24,000	-

Note 28. Related party transactions

Parent entity

Mobilicom Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	\$	\$
Payment for other expenses:		
Consulting fees paid to director related entity (Mark Licciardo (through Mertons Corporate Services Pty Ltd)) for provision of Corporate secretarial services.	40,000	-
Other transactions:		
Repayment of payables to and loans from Mr Elkayam	128,717	-
Repayment of payables to and loans from Mr Segal	127,632	-
Payment to Mr Elkayam in exchange for waiver on equity rights	-	202,000
Payment to Mr Segal in exchange for waiver on equity rights	-	202,824
Shares/options paid to director related entity (Mr McComb (through Camac Investments Pty Ltd)) for as part of the Advisor offer.	738,068	-

Note 28. Related party transactions (continued)

Receivable from and payable to related parties

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

	Consolidated	
	2017	2016
	\$	\$
Current payables:		
Payables to related parties	22,821	49,526

Loans to/from related parties

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

	Consolidated	
	2017	2016
	\$	\$
Current borrowings:		
Loan from related parties	-	214,372

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017	2016
	\$	\$
Loss after income tax	(6,405,381)	-
Total comprehensive income	(6,405,381)	-

Statement of financial position

	Parent	
	2017	2016
	\$	\$
Total current assets	6,232,202	-
Total assets	7,764,500	-
Total current liabilities	64,966	-
Total liabilities	426,085	-
Equity		
Issued capital	13,092,267	-
Share-based payments reserve	651,529	-
Accumulated losses	(6,405,381)	-
Total equity	7,338,415	-

Note 29. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2017.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2017.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 3, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 3:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Mobilicom Ltd ("Mobilicom Israel")	Israel	100.00%	-

Note 31. Events after the reporting period

In addition to six design wins in 2017, the Company achieved an additional 1 design win in February 2018. Currently the Company has achieved 7 design wins from a target of 8 through 18/Q2.

At the end of 2017, the Company received a significant backlog of purchase orders which will translate into 2018 revenues.

The company is establishing new R&D activities in Europe which focus on software development.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 32. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017	2016
	\$	\$
Loss after income tax expense for the year	(6,089,936)	(443,355)
Adjustments for:		
Depreciation and amortisation	19,476	19,654
Share-based payments	1,701,529	87,248
Foreign exchange differences	-	(68,332)
Amortisation of loan costs	427,117	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(32,985)	(240,436)
Increase in inventories	(133,929)	(43,004)
Decrease in trade and other payables	(12,779)	(83,183)
Increase/(decrease) in employee benefits	240,418	(5,950)
Increase in Government liabilities	877	42,544
Net cash used in operating activities	<u>(3,880,212)</u>	<u>(734,814)</u>

Note 33. Earnings per share

	Consolidated	
	2017	2016
	\$	\$
Loss after income tax attributable to the owners of Mobilicom Limited	<u>(6,089,936)</u>	<u>(443,355)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>147,697,056</u>	<u>10,000,000</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>147,697,056</u>	<u>10,000,000</u>
	Cents	Cents
Basic earnings per share	(4.12)	(4.43)
Diluted earnings per share	(4.12)	(4.43)

The rights to options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights to options are non-dilutive as the consolidated entity is loss generating.

Accounting policy for earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 34. Share-based payments

During the financial year the Company issued 3,400,000 unlisted options to advisors, 1,850,000 options to Directors and 5,373,284 exchange options to employees of the Company as set out below:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/04/2017	27/04/2020	\$0.2000	-	3,400,000	-	-	3,400,000
27/04/2017	27/04/2022	\$0.2000	-	1,850,000	-	-	1,850,000
10/03/2010	20/03/2020	\$0.0472	-	460,568	-	-	460,568
21/09/2011	21/09/2021	\$0.0472	-	460,568	-	-	460,568
05/11/2015	25/11/2025	\$0.1233	-	307,044	-	-	307,044
20/10/2016	20/10/2026	\$0.1233	-	614,090	-	-	614,090
25/09/2011	25/09/2021	\$0.0472	-	1,919,030	-	-	1,919,030
05/11/2015	05/11/2025	\$0.1233	-	1,151,417	-	-	1,151,417
			-	10,162,717	-	-	10,162,717

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
27/04/2017	27/04/2020	\$0.2000	\$0.2000	100.00%	-	1.80%	\$0.1250
27/04/2017	27/04/2022	\$0.2000	\$0.2000	100.00%	-	2.13%	\$0.1500
10/03/2010	20/03/2020	\$0.4416	\$0.0472	-	-	4.09%	\$0.1682
21/09/2011	21/09/2021	\$4.4474	\$0.0472	-	-	4.68%	\$3.7260
05/11/2015	25/11/2025	\$6.6218	\$0.1233	-	-	1.28%	\$4.0655
20/10/2016	20/10/2026	\$5.8821	\$0.1233	-	-	1.24%	\$3.4536
25/09/2011	25/09/2021	\$4.6534	\$0.0472	-	-	4.10%	\$3.8986
05/11/2015	05/11/2025	\$6.6218	\$0.1233	-	-	1.28%	\$4.0655

Accounting policy for share-based payments

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

Note 34. Share-based payments (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Oren Elkayam
Chairman and Managing Director

16 February 2018
Tel Aviv

INDEPENDENT AUDITOR'S REPORT

To the members of Mobilicom Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mobilicom Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Group Reorganisation

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Prior to listing on the ASX, the group underwent a restructure whereby Mobilicom Limited acquired the entire issued capital of Mobilicom Israel in a share swap transaction.</p> <p>As disclosed in Note 2 and 20 this Group reorganisation did not constitute a business combination in accordance with AASB 3: Business Combinations, instead the Directors' have treated this as a form of capital reorganisation. As there are no accounting standards which govern the treatment of the transaction the directors have had to exercise significant judgement in accounting for this reorganisation.</p> <p>The Group reorganisation is considered a Key Audit Matter as a result of the complexity in the steps involved in affecting the group reorganisation and the judgement exercised in determining the accounting treatment to apply to this transaction.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Gaining an understanding of the structure of the Group through review of Share Swap agreement schedules; • Obtaining an understanding of the transactions used to affect the group reorganisation; • Assessing the appropriateness of the group reorganisation including internal technical consultation; and • Assessing the appropriateness of the disclosures in notes 2 and 20 of the Financial Report.

Audit strategy for overseas operations

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's structure comprises significant overseas operations. The existence of such operations heightens the importance of engaging with the component auditor to mitigate the risk associated with delivering an audit in a location and regulatory environment other than Australia.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Gaining an understanding of the Group, its components and the environment they operate in to identify the risks of material misstatement to the Group's financial report; and • Engaging component auditors in Israel. <p>As part of this matter we evaluated:</p> <ul style="list-style-type: none"> • Their understanding of the ethical requirements and their professional competence to ensure they were competent and independent; • The business activities of the component that were significant to the Group audit through regular teleconferences throughout the audit process; • The susceptibility of the component's financial information to material misstatement from fraud and error; and • Review of the component auditor's working papers, in particular the areas that were key to the Group audit.



Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

http://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 10 to 15 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Mobilicom Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership

A handwritten signature in black ink. The signature consists of the letters 'BDO' in a stylized, blocky font, followed by the name 'Tim Fairclough' in a cursive script.

Tim Fairclough

Partner

Melbourne, 16 February 2018

The shareholder information set out below was applicable as at 15 February 2018.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	4	-
1,001 to 5,000	27	-
5,001 to 10,000	72	-
10,001 to 100,000	231	-
100,001 and over	109	4
	<u>443</u>	<u>4</u>
Holding less than a marketable parcel	<u>5</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
IBI Trust Management	105,507,909	48.54
Morgan Stanley Australia Securities (Nominee) Pty Ltd (No 1 Account)	10,136,189	4.66
CS Fourth Nominees Pty Ltd (HSBC Cust NOM AU Ltd 11 a/c)	9,912,031	4.56
Lancing Liquid Relative Value Fund	5,632,581	2.59
HSBC Custody Nominees (Australia) Limited	4,355,066	2.00
MCR19 Holdings LLC	4,217,645	1.94
Hershman Holdings LLC	4,074,370	1.87
Mr Alan Hirmes	3,894,864	1.79
Steven & Mali Shwartz LLD	2,530,587	1.16
Jetan Pty Ltd	2,375,000	1.09
Citicorp Nominees Pty Limited	2,148,473	0.99
Camac Investments Pty Ltd	2,130,000	0.98
Mr John Plummer	2,127,515	0.98
Australian Executor Trustees Limited (No 1 Account)	1,995,586	0.92
Fallang Family Limited Partnership	1,853,648	0.85
BNP Paribas Nominees Pty Ltd (IB AU NOMS Retail Client DRP)	1,649,253	0.76
BCJMOB LLC	1,265,294	0.58
Mr Nathan Kaplan	1,265,294	0.58
BC business LLC	1,222,307	0.56
Mr Harry Kotowitz	1,222,307	0.56
	<u>169,515,919</u>	<u>77.96</u>

	Options over ordinary shares	
	Number held	% of total options issued
Camac Investments Pty Ltd	2,500,000	47.62
Oren Elkayam	925,000	17.62
Yossi Segal	925,000	17.62
Nicholas Burnham	900,000	17.14
	<u>5,250,000</u>	<u>100.00</u>

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	5,250,000	4
Fully paid ordinary shares	93,092,849	18

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Oren Elkayam	37,329,774	17.17
Yossi Segal	31,092,158	14.30
Shalom Elkayam	12,051,511	5.54

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Fully paid ordinary shares	1 May 2019	81,954,413
Fully paid ordinary shares	27 April 2018	11,138,436
Unlisted options	27 April 2020	3,400,000
Unlisted options	27 April 2022	1,850,000
		<u>98,342,849</u>

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objectives are to develop the business of Mobilicom Limited in line with its business model.

The consolidated entity believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 21 March 2017.