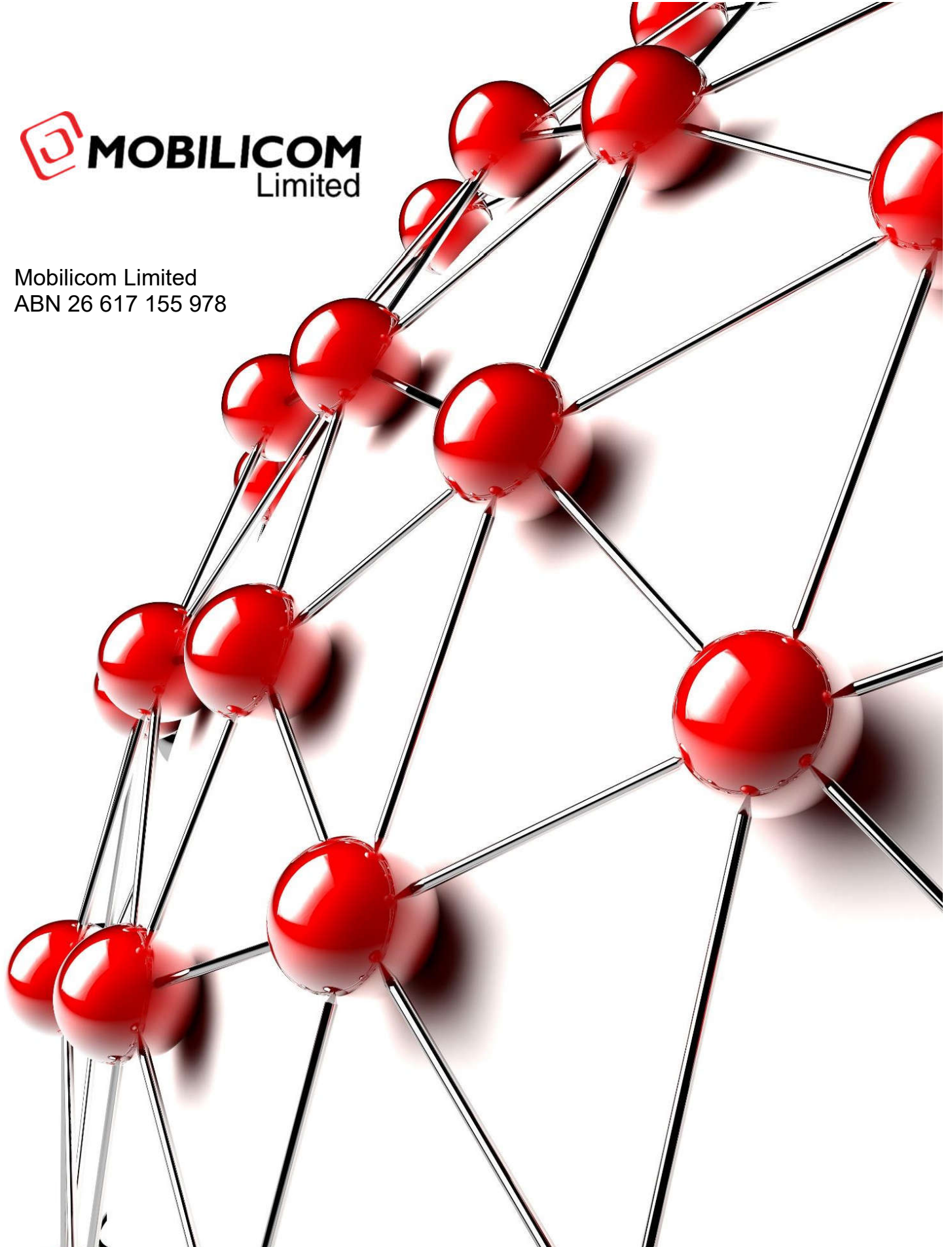


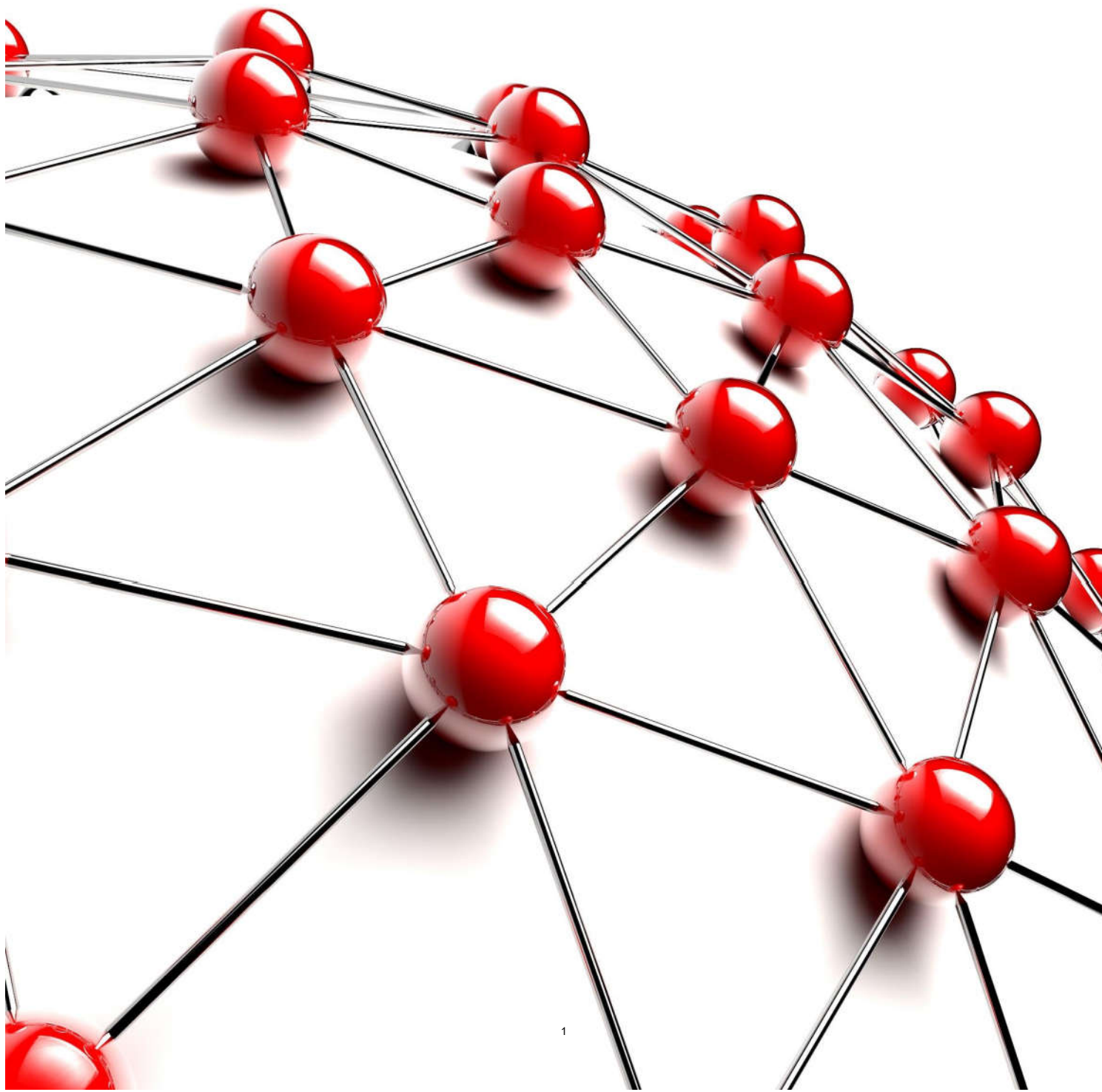


Mobilicom Limited  
ABN 26 617 155 978



**Annual Report – 31 December 2018**

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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) Jonathan Brett (Non-executive Director)
Company secretary	Kate Goland
Registered office	C/- Mertons Corporate Servces Pty Ltd Level 7 330 Collins Street Melbourne, VIC 3000 Ph: 03 8689 9997
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	<a href="https://mobilicom-ltd.com.au">https://mobilicom-ltd.com.au</a>
Corporate Governance Statement	<a href="https://mobilicom-ltd.com.au/charters/">https://mobilicom-ltd.com.au/charters/</a>



Oren Elkayam (Chairman and Managing Director)

## **1. Company Introduction**

Mobilicom Limited (ASX: MOB) designs, develops and delivers holistic 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, Mobilicom has a large solution portfolio with deployments worldwide. It is comprised of two business entities:

- The Mobilicom business entity targets the Government & Enterprise sector. It offers holistic solutions and equipment that cater to mission-critical communication, with applications in Unmanned Platforms; Disaster Relief & Public Safety; and Offshore & Remote Areas;
- The SkyHopper business entity targets the Commercial & Industrial Drone & Robotics market. SkyHopper offers a holistic approach that consists of end-to-end equipment, integration and support services. SkyHopper offering includes: data-link communication, video, processing and analytics, controllers, viewing terminals and software solutions. This enables commercial and industrial drone & robotics manufacturers to increase their chances for success by focusing on their own business objectives, reducing time-to-market and minimizing resource expenditures.

## **2. Financials**

The Company has improved its financial results, year over year across all parameters, growing its revenues to \$2.6 million, up 74% from \$1.5 million in 2017. The increase resulted from both recurrent and new customers, as well as from more products from different applications and new geographic markets.

Government grants for the year increased by 59% compared to 2017.

Operating expenses were lower than planned, reflecting strong execution and a significantly lower net cash burn rate for the period. This has allowed the Company to maintain a strong cash balance of \$5.0 million for 2018 year end.

In 2018, Mobilicom increased its sales and marketing activities, developing new geographic markets, engaging with new and existing customers, building global brand awareness and releasing new products, which was reflected in higher selling and marketing expenses. Research and Development (R&D) expenses also increased, with a new R&D site in Europe that allowed Mobilicom to release new solutions in a more efficient and cost-effective manner. All activities have been conducted to build Mobilicom's scalability and future sales.

The loss for the consolidated entity was reduced to \$3.2 million, down 47% compared to the prior period.

### **3. Significant Company Milestones**

#### **Mobilicom Business Entity Expands its Customer Base**

In 2018, the Mobilicom business sold to existing customers and also attracted new customers in several geographic markets. Mobilicom delivered on purchases from several industry leaders and multinational companies that integrated the Mobilicom solution. These customers included one of the largest companies in the Fortune 500, **General Electric**; oil and gas giant, **ExxonMobil**; **German Aerospace Center**; **Israel Ministry of Defense**; several autonomous drone system manufacturers and a leading US robotics company.

Mobilicom released a Network Management Application (NMA), a New Mobile MESH Network Solution for Underground Operations as well as two new Mobile Terminals, the MCU RVT and MCU mini controller.

#### **SkyHopper Exceeds Aggressive Milestones One Year After Launch**

The SkyHopper business entity, marked one year since its launch at the end of Q2 2018, outperforming its first-year goals. SkyHopper showed acceptance by the commercial drone industry, having been purchased and integrated with more than 50 drone manufacturers that are now planning their drone systems around SkyHopper products for future commercial release. Customers include global aerospace giant, **Airbus**; market-leader in RC controllers, **Futaba** and more.

SkyHopper exceeded its customer engagement plan, achieving 97 engagements to surpass the Company's goal of 20. It also scored 10 design wins, which exceeded the Company's goal of eight, and reached its goal of compatibility with 10 ecosystem partners.

SkyHopper also launched five new products, including the SkyHopper VU and SkyHopper ControlAir. The full SkyHopper product portfolio enables a fully end-to-end solution including data-link communication, video processing and analytics, controllers, viewing terminals and software solutions.

#### **Mobilicom Limited Strengthens Board and Management Team**

Mobilicom made several appointments to its Board and management team to further drive the Company's strategies and scale up sales initiatives. Jonathan Brett was appointed to the Board of Directors as a Non-Executive Director and Dr. Yuval Dan-Gur was appointed to the Management Team as Chief Operations Officer.



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 2018.

### **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)  
Yossi Segal (Executive Director)  
Campbell McComb (Non-executive Director)  
Mark Licciardo (Non-executive Director)  
Jonathan Brett (Non-executive Director) - appointed 18 September 2018

### **Principal activities**

Mobilicom Limited designs, develops and delivers holistic 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.

### **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 \$3,176,686 (31 December 2017: \$6,089,936).

### *Revenues*

Revenue from sales increased to \$2,640,006 from the prior period (31 December 2017: \$1,519,719). This increase has resulted from the following:

- Growth in customers worldwide due to the company's increasing presence; and
- Growth in revenues from existing customers; and
- Release of new products to the market.

Other income for the year includes government grants for \$367,695, which are up 59.40% (31 December 2017: \$230,673).

### *Expenses*

In order to achieve the increase in revenues and orders forecast, the year ended 2018 saw higher production expenses due to one-time manufacturing costs for yearly quantities.

2018 saw a slight decrease in gross margin.

Other expenses have reduced by 25.84% to \$5,548,104 (31 December 2017: \$7,481,320).

In addition, \$427,116 in finance costs were recognised during the prior period.

The net decrease in company expenses included an increase in sales and marketing expenses, with the company expanding its presence on a global level and establishing the sales and marketing infrastructure of SkyHopper. The increase in research and development was led by a significant increase in the company's workforce, with new R&D activities in Europe which will focus on software development, as well as the release of new products under Mobilicom and SkyHopper.

### *Statement of financial position*

Cash reserves have decreased to \$4,959,245 during the year (31 December 2017: \$8,077,472), with Mobilicom maintaining a strong financial position. At 31 December 2018 net assets amounted to \$4,294,993.

Refer to the detailed review of operations preceding this report for further information on the consolidated entity's activities.

### **Significant changes in the state of affairs**

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

### **Matters subsequent to the end of the financial year**

On 21 January 2019 the consolidated entity announced that it has been chosen by the Israel Ministry of Defence and the Israel Innovation Authority to execute an R&D program budget in excess of \$1.8 million.

No other matter or circumstance has arisen since 31 December 2018 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
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  
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 (Orthogonal Frequency Division Multiple/ Access) 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  
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. He has significant investment experience across equity securities, venture capital and private equity. Mr McComb is currently the Managing Director of Auctus (ASX: AVC), a listed Alternative Investment Management business.

Other current directorships: Auctus Alternative Investments Limited  
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  
Qualifications: B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD  
Experience and expertise: Mr 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. Mr Licciardo is also the former Chairman of the Academy of Design Australia Limited, the Governance Institute of Australia Victoria division and Melbourne Fringe Festival. Mr Licciardo is also a director of a number of public and private companies.

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



Name: Mr Jonathan Brett  
Title: Non-executive Director (appointed 18 September 2018)  
Qualifications: BComm (Legal), Bachelor of Accountancy, Master of Commerce (Financial Management), Diploma in Datametrics (Computer Science) and is a CA(SA)  
Experience and expertise: Mr Brett is a highly strategic and commercial senior director with a strong track record of driving transformational business performance and profitability across multiple geographies. He was also Managing Director and CEO of Techway Limited which pioneered internet banking in Australia. He is currently Executive Chairman of Stridecorp Equity Partners, an AFSL licensed fund manager specialising in private equity.  
Other current directorships: Indoor Skydive Australia Limited  
Former directorships (last 3 years): Vocus Group Ltd, The Pas Group Limited, Godfreys Group Limited.  
Special responsibilities: No special responsibilities  
Interests in shares: 250,000 Fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of a ll 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*

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 2018, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held*
Mr O Elkayam	6	6
Mr Y Segal	6	6
Mr C McComb	6	6
Mr M Licciardo	6	6
Mr J Brett (appointed 18 September 2018)	2	2

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)
- Yossi Segal (Executive Director)
- Campbell McComb (Non-executive Director)
- Mark Licciardo (Non-executive Director)
- Jon Brett (Non-executive Director) - appointed 18 September 2018

	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	
<b>2018</b>	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Mr C McComb*	39,996	-	-	-	-	-	39,996
Mr M Licciardo**	39,996	-	-	-	-	-	39,996
Mr J Brett	-	-	-	-	-	20,000	20,000
<i>Executive Directors:</i>							
Mr O Elkayam	358,660	-	14,966	110,680	-	-	484,306
Mr Y Segal	358,660	-	14,966	110,680	-	-	484,306
	<u>797,312</u>	<u>-</u>	<u>29,932</u>	<u>221,360</u>	<u>-</u>	<u>20,000</u>	<u>1,068,604</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).

	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.

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

Name	Fixed remuneration		At risk - STI		At risk – LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Mr C McComb	100%	100%	-	-	-	-
Mr M Licciardo	100%	100%	-	-	-	-
Mr J Brett	100%					
<i>Executive Directors:</i>						
Mr O Elkayam	100%	68%	-	-	-	32%
Mr Y Segal	100%	68%	-	-	-	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 may be terminated upon 60 days' written notice, or immediately by Mobilicom 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 may be terminated upon 60 days' written notice, or immediately by Mobilicom 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 2018 are set out below:

Name	Date	Shares	Issue price	\$
Mr J Brett	24 October 2018	250,000	\$0.08	20,000

#### *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	\$0.20	\$0.1473
28/04/2017	28/04/2018	28/04/2022	\$0.20	\$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	37,499,774	-	-	-	37,499,774
Mr Y Segal	31,092,158	-	-	-	31,092,158
Mr C McComb	2,230,000	-	-	-	2,230,000
Mr M Licciardo	100,000	-	-	-	100,000
Mr J Brett	-	250,000	-	-	250,000
	<u>70,921,932</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>71,171,932</u>



*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
	<u>4,350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,350,000</u>

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

A total of \$40,608 was paid to Mertons Corporate Services Pty Ltd (an entity related to Mr Licciardo) for provision of corporate secretarial services.

A total of \$17,002 was paid to Camac Investments Pty Ltd (an entity related to Mr McComb) for provision of consulting services.

*Payables to key management personnel and their related parties*

As at 31 December 2018, the Company had director fees and corporate secretarial service fees payable to Mertons Corporate Services Pty Ltd (an entity related to Mr Licciardo) of \$14,818.

As at 31 December 2018, the Company has director fees and consulting fees payable to Camac Investments Pty Ltd (an entity related to Mr McComb) of \$6,700.

***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	\$0.20	3,400,000
27/04/2017	27/04/2022	\$0.20	1,850,000
27/04/2017	20/03/2020	\$0.05	460,568
27/04/2017	21/09/2021	\$0.05	460,568
27/04/2017	25/11/2025	\$0.12	307,044
27/04/2017	20/10/2026	\$0.12	614,090
27/04/2017	25/09/2021	\$0.05	1,919,030
27/04/2017	05/11/2025	\$0.12	1,151,417
17/04/2018	16/04/2023	\$0.15	5,200,000
30/05/2018	29/05/2024	\$0.15	400,000
20/09/2018	19/09/2023	\$0.15	600,000
			<u>16,362,717</u>

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 2018 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 23 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 23 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

A handwritten signature in blue ink, appearing to read 'Oren Elkayam', written over a horizontal line.

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Oren Elkayam  
Chairman and Managing Director

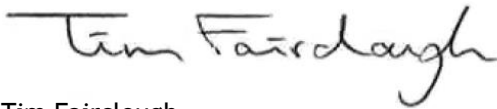
25 February 2019  
Tel Aviv

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

As lead auditor of Mobilicom Limited for the year ended 31 December 2018, 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, 25 February 2019

**Mobilicom Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2018**



	Note	Consolidated 2018 \$	2017 \$
<b>Revenue</b>	5	2,640,006	1,519,719
Cost of sales	6	(758,798)	(384,598)
Government grants		367,695	230,673
Interest received		53,954	25,590
Foreign exchange gains		68,561	-
Other income		490,210	256,263
<b>Expenses</b>			
Selling and marketing expenses	7	(1,448,328)	(1,076,372)
Research and development	8	(2,699,341)	(2,063,294)
General and administration expenses	9	(1,308,744)	(1,109,584)
Listing fees	10	-	(1,103,425)
Share based payments		(91,691)	(1,701,529)
Finance costs		-	(427,116)
<b>Loss before income tax expense</b>		(3,176,686)	(6,089,936)
Income tax expense	11	-	-
<b>Loss after income tax expense for the year attributable to the owners of Mobilicom Limited</b>		(3,176,686)	(6,089,936)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Re- measurements on defined benefit plans		30,557	(195,529)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		11,017	(26,934)
Other comprehensive income for the year, net of tax		41,574	(168,595)
<b>Total comprehensive income for the year attributable to the owners of Mobilicom Limited</b>		<u>(3,135,112)</u>	<u>(6,258,531)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	31	(1.46)	(4.12)
Diluted earnings per share	31	(1.46)	(4.12)

*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 2018**



	Note	Consolidated	
		2018	2017
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	4,959,245	8,077,472
Trade and other receivables	13	490,144	423,644
Inventories	14	437,483	303,936
Total current assets		<u>5,886,872</u>	<u>8,805,052</u>
<b>Non-current assets</b>			
Property, plant and equipment		39,111	42,440
Total non-current assets		<u>39,111</u>	<u>42,440</u>
<b>Total assets</b>		<u>5,925,983</u>	<u>8,847,492</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	986,512	888,732
Total current liabilities		<u>986,512</u>	<u>888,732</u>
<b>Non-current liabilities</b>			
Employee benefits	16	476,798	456,959
Governmental liabilities on grants received	17	167,680	163,387
Total non-current liabilities		<u>644,478</u>	<u>620,346</u>
<b>Total liabilities</b>		<u>1,630,990</u>	<u>1,509,078</u>
<b>Net assets</b>		<u>4,294,993</u>	<u>7,338,414</u>
<b>Equity</b>			
Issued capital	18	19,075,915	19,055,915
Reserves	19	876,677	763,412
Accumulated losses		<u>(15,657,599)</u>	<u>(12,480,913)</u>
<b>Total equity</b>		<u>4,294,993</u>	<u>7,338,414</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 2018**



<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share based payments reserve</b> <b>\$</b>	<b>Foreign currency reserve</b> <b>\$</b>	<b>Remeasurement reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 January 2017	4,577,223	1,796,326	123,037	(191,369)	(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	-	-	26,934	(195,529)	-	(168,595)
Total comprehensive income for the year	-	-	26,934	(195,529)	(6,089,936)	(6,258,531)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 32)	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>149,971</u>	<u>(386,898)</u>	<u>(12,480,913)</u>	<u>7,338,414</u>
<b>Consolidated</b>	<b>Issued capital</b> <b>\$</b>	<b>Share based payments reserve</b> <b>\$</b>	<b>Foreign currency reserve</b> <b>\$</b>	<b>Remeasurement reserve</b> <b>\$</b>	<b>Accumulated losses</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
Balance at 1 January 2018	19,055,915	1,000,339	149,971	(386,898)	(12,480,913)	7,338,414
Loss after income tax expense for the year	-	-	-	-	(3,176,686)	(3,176,686)
Other comprehensive income for the year, net of tax	-	-	11,017	30,557	-	41,574
Total comprehensive income for the year	-	-	11,017	30,557	(3,176,686)	(3,135,112)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 32)	20,000	71,691	-	-	-	91,691
Balance at 31 December 2018	<u>19,075,915</u>	<u>1,072,030</u>	<u>160,988</u>	<u>(356,341)</u>	<u>(15,657,599)</u>	<u>4,294,993</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 2018**



	Note	Consolidated	
		2018	2017
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers*		2,566,605	1,541,780
Interest received		53,954	25,590
Payments to suppliers and employees*		(5,955,165)	(5,162,466)
Interest and other finance costs paid		-	(285,116)
Government grants received		367,695	-
Net cash used in operating activities	30	<u>(2,966,911)</u>	<u>(3,880,212)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		<u>(7,462)</u>	<u>(24,046)</u>
Net cash used in investing activities		<u>(7,462)</u>	<u>(24,046)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	18	-	7,500,000
Proceed from issue of convertible notes, net of costs		-	1,147,461
Proceeds from exercise of share options		-	298,711
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>-</u>	<u>8,041,485</u>
Net increase/(decrease) in cash and cash equivalents		(2,974,373)	4,137,227
Cash and cash equivalents at the beginning of the financial year		8,077,472	4,127,057
Effects of exchange rate changes on cash and cash equivalents		<u>(143,854)</u>	<u>(186,812)</u>
Cash and cash equivalents at the end of the financial year	12	<u><u>4,959,245</u></u>	<u><u>8,077,472</u></u>

\* inclusive of GST where applicable

*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.

The functional currency of Mobilicom Limited's subsidiary, Mobilicom Ltd ("Mobilicom Israel"), is Israeli New Shekels.

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**

C/- Mertons Corporate Services Pty Ltd  
Level 7, 330 Collins Street  
Melbourne, Victoria, 3000  
Australia

### **Principal place of business**

Level 7, 90 Collins Street  
Melbourne, Victoria, 3000  
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2019. The directors have the power to amend and reissue the financial statements.

## **Note 2. 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.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

**Note 2. Significant accounting policies (continued)**

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 9 Financial Instruments*

This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset, and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk the consolidated entity compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

In making this assessment, as far as available, the consolidated entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the consolidated entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the consolidated entity's core operations.

In particular, as far as available, the following information is taken into account when assessing significant movements in credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- external credit rating
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the consolidated entity and changes in the operating results of the borrower
- macroeconomic information such as market interest rates and growth rates

The consolidated entity assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the consolidated entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.



## **Note 2. Significant accounting policies (continued)**

### *AASB 15 Revenue from Contracts with Customers*

The consolidated entity has adopted AASB 15 from 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
- determination of 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
- 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.

### **Impact on application**

#### *AASB 9*

The consolidated entity believes the change in method from recognition of incurred losses to recognition of expected credit losses for impairment of financial assets under AASB 9 has not resulted in any adjustments.

#### *AASB 15*

The consolidated entity predominantly derives revenue from the sale of goods. Contracts with customers pertain to predominantly one performance obligation, that being the delivery of the product.

Revenue from the sale of goods were previously 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.

The consolidated entity believes the application of AASB 15 has not resulted in any adjustments. Revenue from sale of goods continue to be recognised at a point in time on the delivery date.

The total transaction price does not currently include any variable consideration.

### **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.

## **Note 2. Significant accounting policies (continued)**

### *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 3.

### **Going concern**

The consolidated entity incurred a net loss after tax for the year ended 31 December 2018 of \$3, 176,686 and had net cash outflows from operating of \$2,966,911. The consolidated entity's ability to continue as a going concern is dependent upon them achieving its forecasts. The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlements of liabilities in the normal course of business for the following reasons:

- As at 31 December 2018 the consolidated entity had cash and cash equivalents of \$4,959,245, total assets of \$5,925,983 and net assets of \$4,294,993.
- The company has been awarded a significant R&D government program budget of \$1.8m subsequent to 31 December 2018 from the Israel Ministry of Defence and Israel Innovation Authority which is expected to fund the majority of related R&D salaries over the next 2.5 years.
- The Directors have prepared budgets which demonstrates that, based on the above factors the consolidated entity has sufficient funds available to meet its commitments for at least twelve months from the date of signing of this report.
- The Board are confident of raising further capital through equity raising when deemed necessary.

### **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 27.

### **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 2018 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.

**Note 2. Significant accounting policies (continued)**

*Foreign currency transactions*

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

*Foreign operations*

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

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

**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.

**Note 2. 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, 1963 (Israel). 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 reporting period ended 31 December 2018. 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.

## **Note 2. Significant accounting policies (continued)**

### *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 consolidated entity will adopt this standard from 1 January 2019, and has assessed the potential effect of AASB 16 on its consolidated financial statements. The consolidated entity leases premises for its offices and R&D centre in Azor, Israel. As at 31 December 2018, the operating lease commitment amounts to approximately AUD \$32,500, with the lease term ending on 14 February 2019. On 25 October 2018, the company signed a new office rental agreement, with a commencement date in February 2019. The consolidated entity believes the application of AASB 16 would not have a material impact on the financial statements.

## **Note 3. 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.

### *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.

## **Note 4. 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 5. Revenue**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Sale of goods	2,640,006	1,519,719

*Revenue from contracts with customers*

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

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

*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 6. Cost of sales**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Salaries and benefits	214,642	159,425
Cost of materials	523,584	193,470
Rental and office expenses	9,555	21,143
Other	11,017	10,560
	<u>758,798</u>	<u>384,598</u>

**Note 7. Selling and marketing expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Salaries and benefits	944,144	792,846
Marketing services	313,414	94,780
Travel expenses	91,699	95,666
Rental and office expenses	16,509	26,355
Other	82,562	66,725
	<u>1,448,328</u>	<u>1,076,372</u>

**Note 8. Research and development**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Salaries and benefits	1,988,562	1,676,512
Materials	20,471	40,344
Royalties to the OCS	11,102	27,686
Subcontractors	502,618	157,923
Depreciation	10,791	19,476
Other	165,797	141,353
	<u>2,699,341</u>	<u>2,063,294</u>

**Note 9. General and administration expenses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Salaries and benefits	555,550	402,121
Professional fees	163,993	201,654
Insurance	49,792	30,875
Travel expenses	53,022	61,468
Depreciation	9,946	12,680
Rental and office expenses	27,380	19,348
Other	449,061	381,438
	<u>1,308,744</u>	<u>1,109,584</u>

**Note 10. Listing fees**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Professional fees	-	115,081
Travel	-	38,547
Bonuses	-	500,000
Other	-	449,797
	<u>-</u>	<u>1,103,425</u>

The company completed its initial public offering on the ASX in 2017.

**Note 11. Income tax benefit**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax expense	(3,176,686)	(6,089,936)
Tax at the statutory tax rate of 27.5%	(873,589)	(1,674,732)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	19,715	179,170
Other temporary differences not recognised	853,874	1,495,562
Income tax benefit	<u>          -</u>	<u>          -</u>

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

**Note 12. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Cash at bank	3,616,381	2,053,562
Cash on deposit	1,342,864	6,023,910
	<u>4,959,245</u>	<u>8,077,472</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.

**Note 13. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Trade receivables	270,666	308,783
Other receivables	219,478	114,861
	<u>490,144</u>	<u>423,644</u>

*Accounting policy for trade and other receivables*

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



**Note 13. Current assets - trade and other receivables (continued)**

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 14. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Finished goods - at cost	<u>437,483</u>	<u>303,936</u>

*Accounting policy for inventories*

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

**Note 15. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Trade payables	256,710	214,745
Other payables	<u>729,802</u>	<u>673,987</u>
	<u>986,512</u>	<u>888,732</u>

Refer to note 21 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 16. Non-current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Employee benefits	<u>476,798</u>	<u>456,959</u>

*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, these amounts may not be withdrawn or mortgaged as long as the employer's obligations have not been fulfilled in compliance with Israeli law.

**Note 16. Non-current liabilities - employee benefits (continued)**

*Statement of financial position amounts*

The amounts recognised in the statement of financial position are determined as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of the defined benefit obligation	596,281	552,559
Fair value of defined benefit plan assets	(119,483)	(95,600)
	<u>476,798</u>	<u>456,959</u>

*Movement in plan assets:*

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the year	95,600	73,320
Interest income	1,486	363
Contributions	18,581	18,149
<i>Re measurements gain/(loss)</i>		
Return on plan assets (excluding interest)	1,115	2,178
Foreign exchanges differences	2,701	1,590
	<u>119,483</u>	<u>95,600</u>

*Reconciliations*

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Reconciliation of the present value of the defined benefit obligation		
Balance at the beginning of the year	552,559	295,657
Interest cost	17,015	5,537
Current service cost	52,557	59,058
Actuarial loss/(gains) from financial assumptions	(25,094)	36,911
Adjustments	(756)	155,396
	<u>596,281</u>	<u>552,559</u>

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 16. Non-current liabilities - employee benefits (continued)**

*Significant actuarial assumptions*

The significant actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated	
	2018 %	2017 %
Discount rate on plan liabilities	3.45	2.86
Future salary increases	1	1

**Note 17. Non-current liabilities - Governmental liabilities on grants received**

	Consolidated	
	2018 \$	2017 \$
Governmental liabilities on grants received	<u>167,680</u>	<u>163,387</u>

*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 Israeli Innovation Authority- Office of 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 18. Equity - issued capital**

	Consolidated			
	2018 Shares	2017 Shares	2018 \$	2017 \$
Ordinary shares - fully paid	<u>217,626,715</u>	<u>217,376,715</u>	<u>19,075,915</u>	<u>19,055,915</u>

**Note 18. Equity - issued capital (continued)**

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 January 2017	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	217,376,715		19,055,915
Issue of shares to Directors	24 October 2018	250,000	\$0.08	20,000
Balance	31 December 2018	<u>217,626,715</u>		<u>19,075,915</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.

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 19. Equity - reserves

	Consolidated	
	2018	2017
	\$	\$
Foreign currency reserve	160,988	149,971
Share-based payments reserve	1,072,030	1,000,339
Re-measurements reserve	(356,341)	(386,898)
	<u>876,677</u>	<u>763,412</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.

### Re-measurements reserve

The reserve is used for remeasurements comprising actuarial gains and losses on the net defined benefit liability.

### Movements in reserves

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

Consolidated	Re- measurement reserve \$	Share based payments \$	Foreign currency reserve \$	Total \$
Balance at 1 January 2017	(191,369)	1,796,326	123,037	1,727,994
Foreign currency translation	-	-	26,934	26,934
Share based payments	-	693,171	-	693,171
Conversion of warrants during the year	-	(1,489,158)	-	(1,489,158)
Re-measurement of defined benefit plans	(195,529)	-	-	(195,529)
Balance at 31 December 2017	(386,898)	1,000,339	149,971	763,412
Foreign currency translation	-	-	11,017	11,017
Share based payments	-	71,691	-	71,691
Re-measurement of defined benefit plans	30,557	-	-	30,557
Balance at 31 December 2018	<u>(356,341)</u>	<u>1,072,030</u>	<u>160,988</u>	<u>876,677</u>

## Note 20. Equity - dividends

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

## Note 21. 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 focus is 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.

**Note 21. Financial instruments (continued)**

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):

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US dollars	1,121,000	1,564,000	52,000	75,000
Euros	33,000	177,000	20,000	6,000
Israeli New Shekel	1,078,000	61,000	797,000	743,000
	<u>2,232,000</u>	<u>1,802,000</u>	<u>869,000</u>	<u>824,000</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.

*Price risk*

Price risk is the risk that future cash flows 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.

*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.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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

**Note 21. Financial instruments (continued)**

**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.

<b>Consolidated - 2018</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	256,710	-	-	-	256,710
Other payables	-	636,049	-	-	-	636,049
Government liabilities	-	47,264	57,473	129,692	-	234,429
<b>Total non-derivatives</b>		<b>940,023</b>	<b>57,473</b>	<b>129,692</b>	<b>-</b>	<b>1,127,188</b>

<b>Consolidated - 2017</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<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
<b>Total non-derivatives</b>		<b>888,822</b>	<b>52,414</b>	<b>182,710</b>	<b>-</b>	<b>1,123,946</b>

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

**Fair value of financial instruments**

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

**Note 22. Key management personnel disclosures**

**Directors**

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

Mr Oren Elkayam (Chairman and Managing Director)

Mr Yossi Segal (Executive Director)

Mr Campbell McComb (Non-executive director)

Mr Mark Licciardo (Non-executive director)

Mr Jonathan Brett (Non-executive director)

Appointed 18 September 2018

**Note 22. Key management personnel disclosures (continued)**

*Compensation*

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

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	827,244	1,184,705
Post-employment benefits	221,360	183,284
Share-based payments	20,000	597,116
	<u>1,068,604</u>	<u>1,965,105</u>

**Note 23. 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - BDO East Coast Partnership</i>		
Audit or review of the financial statements	<u>48,000</u>	<u>48,000</u>
<i>Other services - BDO East Coast Partnership</i>		
Preparation of tax return and other tax consulting	8,050	-
Initial Public Offering	<u>-</u>	<u>37,300</u>
	<u>8,050</u>	<u>37,300</u>
	<u>56,050</u>	<u>85,300</u>
<i>Audit services - BDO Israel</i>		
Audit or review of the financial statements	<u>53,871</u>	<u>43,045</u>
<i>Other services - BDO Israel</i>		
Other	<u>1,934</u>	<u>-</u>
	<u>55,805</u>	<u>43,045</u>



**Note 24. Contingent liabilities**

The Company participates in programs sponsored by the Israeli Innovation Authority - Office of 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 each year.

**Note 25. Commitments**

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

<b>Consolidated</b>	
<b>2018</b>	<b>2017</b>
\$	\$

*Lease commitments – operating*

Committed at the reporting date but not recognised as liabilities, payable:  
 Within one year

<u>32,500</u>	<u>24,000</u>
---------------	---------------

**Note 26. Related party transactions**

*Parent entity*

Mobilicom Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 28.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

<b>Consolidated</b>	
<b>2018</b>	<b>2017</b>
\$	\$

Payment for other expenses:

Corporate secretarial fees paid to Mertons Corporate Services Pty Ltd (an entity related to Mark Licciardo)	40,608	40,000
Consulting fees paid to Camac Investments Pty Ltd (an entity related to Campbell McComb)	17,002	-

Other transactions:

Repayment of payables to and loans from Mr Elkayam	-	128,717
Repayment of payables to and loans from Mr Segal	-	127,632
2,130,000 shares were paid to director related entity (Mr McComb (through Camac Investments Pty Ltd)) for as part of the Advisor offer.	-	426,000

**Note 26. 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:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Current payables:		
Payables to related parties	21,518	22,821

*Terms and conditions*

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

**Note 27. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Loss after income tax	(5,731,613)	(6,405,381)
Total comprehensive income	(5,731,613)	(6,405,381)

*Statement of financial position*

	<b>Parent</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Total current assets	1,415,090	6,232,202
Total assets	5,411,200	7,764,500
Total current liabilities	68,676	64,966
Total liabilities	68,676	426,085
Equity		
Issued capital	13,112,267	13,092,267
Share-based payments reserve	723,220	651,529
Accumulated losses	(8,492,964)	(6,405,381)
Total equity	<u>5,342,523</u>	<u>7,338,415</u>

*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 2018.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2018.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2018.

**Note 27. Parent entity information (continued)**

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, 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 28. 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 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Mobilicom Ltd ("Mobilicom Israel")	Israel	100.00%	100.00%

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

On 21 January 2019 the consolidated entity announced that it has been chosen by the Israel Ministry of Defence and the Israel Innovation Authority to execute an R&D project valued in excess of \$1.8 million.

No other matter or circumstance has arisen since 31 December 2018 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 30. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated	
	2018 \$	2017 \$
Loss after income tax expense for the year	(3,176,686)	(6,089,936)
Adjustments for:		
Depreciation and amortisation	10,791	19,476
Share-based payments	91,691	1,701,529
Foreign exchange differences	143,854	-
Amortisation of loan costs	-	427,117
Change in operating assets and liabilities:		
Increase in trade and other receivables	(73,400)	(32,985)
Increase in inventories	(133,546)	(133,929)
Decrease in prepayments	6,900	-
Increase/(decrease) in trade and other payables	139,353	(12,779)
Increase in employee benefits	19,839	240,418
Increase in Government liabilities	4,293	877
Net cash used in operating activities	<u>(2,966,911)</u>	<u>(3,880,212)</u>

**Note 31. Earnings per share**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Mobilicom Limited	<u>(3,176,686)</u>	<u>(6,089,936)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>217,423,290</u>	<u>147,697,056</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>217,423,290</u>	<u>147,697,056</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(1.46)	(4.12)
Diluted earnings per share	(1.46)	(4.12)

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 currently because the option price is below the market share price.

*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 32. Share-based payments**

Set out below is a summary of options granted and on issue at the end of the year.

2018

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	\$0.20	3,400,000	-	-	-	3,400,000
27/04/2017	27/04/2022	\$0.20	1,850,000	-	-	-	1,850,000
10/03/2010	20/03/2020	\$0.05	460,568	-	-	-	460,568
21/09/2011	21/09/2021	\$0.05	460,568	-	-	-	460,568
05/11/2015	25/11/2025	\$0.12	307,044	-	-	-	307,044
20/10/2016	20/10/2026	\$0.12	614,090	-	-	-	614,090
25/09/2011	25/09/2021	\$0.05	1,919,030	-	-	-	1,919,030
05/11/2015	05/11/2025	\$0.12	1,151,417	-	-	-	1,151,417
17/04/2018	16/04/2023	\$0.15	-	5,200,000	-	-	5,200,000
30/05/2018	29/05/2024	\$0.15	-	400,000	-	-	400,000
20/09/2018	19/09/2023	\$0.15	-	600,000	-	-	600,000
			10,162,717	6,200,000	-	-	16,362,717

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

During the year, the company granted the following options:

- 400,000 options granted to Mr Shalom Elkayam (Mobilicom Israel's board member), as part of his remuneration
- 5,800,000 options granted as part of the company's Employee Share Option Plan (ESOP)

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
17/04/2018	16/04/2023	\$0.07	\$0.15	68.61%	-	2.45%	\$0.0000
30/05/2018	29/05/2024	\$0.06	\$0.15	68.61%	-	2.09%	\$0.0000
20/09/2018	19/09/2023	\$0.07	\$0.15	68.61%	-	2.33%	\$0.0000

*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.

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.

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

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 2 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 2018 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



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Oren Elkayam  
Chairman and Managing Director

25 February 2019  
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 2018, 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 statements, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 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.



## 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"> <li>• Gaining an understanding of the Group, its components and the environment it operates in to identify the risks of material misstatement to the Group’s financial report; and</li> <li>• Engaging component auditors in Israel.</li> </ul> <p>As part of this matter we evaluated:</p> <ul style="list-style-type: none"> <li>• Their understanding of the ethical requirements and their professional competence to ensure they were competent and independent;</li> <li>• The business activities of the component that were significant to the Group audit through regular teleconferences throughout the audit process;</li> <li>• The susceptibility of the component’s financial information to material misstatement from fraud and error; and</li> <li>• Review of the component auditor’s working papers and deliverables, in particular the areas that were key to the Group audit.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 31 December 2018, 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](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 8 to 13 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Mobilicom Limited, for the year ended 31 December 2018, 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**

Tim Fairclough  
Partner

Melbourne, 25 February 2019

The shareholder information set out below was applicable as at 13 February 2019.

**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 ordinary shares ASX Escrowed 24 months	Number of holders of options over ordinary shares
1 to 1,000	8	-	-
1,001 to 5,000	28	-	-
5,001 to 10,000	85	-	-
10,001 to 100,000	230	8	4
100,001 and over	143	7	24
	<u>494</u>	<u>15</u>	<u>28</u>
Holding less than a marketable parcel	<u>53</u>	<u>-</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	28,803,496	21.230
HSBC Custody Nominees	4,335,066	3.195
Lancing Liquid Relative Value Fund	4,302,713	3.171
MCR19 Holdings LLC	4,217,645	3.109
Hershman Holdings LLC	4,074,370	3.003
Mr Alan Hirnes	3,894,864	2.871
National Nominees Limited	3,537,500	2.607
HSBC Custody Nominees (Australia) Limited - A/C 2	2,797,397	2.062
Steven & Mali Shwartz LLC	2,530,587	1.865
Carrier International Pty Limited (Super Fund A/C)	2,320,945	1.711
BNP Paribas Nominees Pty Ltd (Ib Au Noms Retailclient Drp)	2,317,595	1.708
Citicorp Nominees Pty Limited	2,246,822	1.656
Mr John Plummer	2,127,515	1.568
Australian Executor Trustees Limited (No 1 Account)	1,820,986	1.342
Muhlbauer Investments Pty Ltd (Muhlbauer Family A/C)	1,496,481	1.103
Jetan Pty Ltd	1,375,000	1.013
BCJMOB LLC	1,265,294	0.933
Mr Nathan Kaplan	1,265,294	0.933
BC Business LLC	1,222,307	0.901
Mr Harry Kotowitz	1,222,307	0.901
	<u>77,174,184</u>	<u>56.883</u>

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Fully paid ordinary shares	81,954,413	15
Options over ordinary shares issued	16,362,717	28

The following person holds 20% or more of unquoted equity securities:

<b>Name</b>	<b>Class</b>	<b>Number held</b>
IBI Trust Management	Options over ordinary shares issued ASX escrowed 24 months	76,704,413

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares Number held</b>	<b>% of total shares issued</b>
Oren Elkayam	37,329,774	17.15
Yossi Segal	31,092,158	14.29
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.

**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.