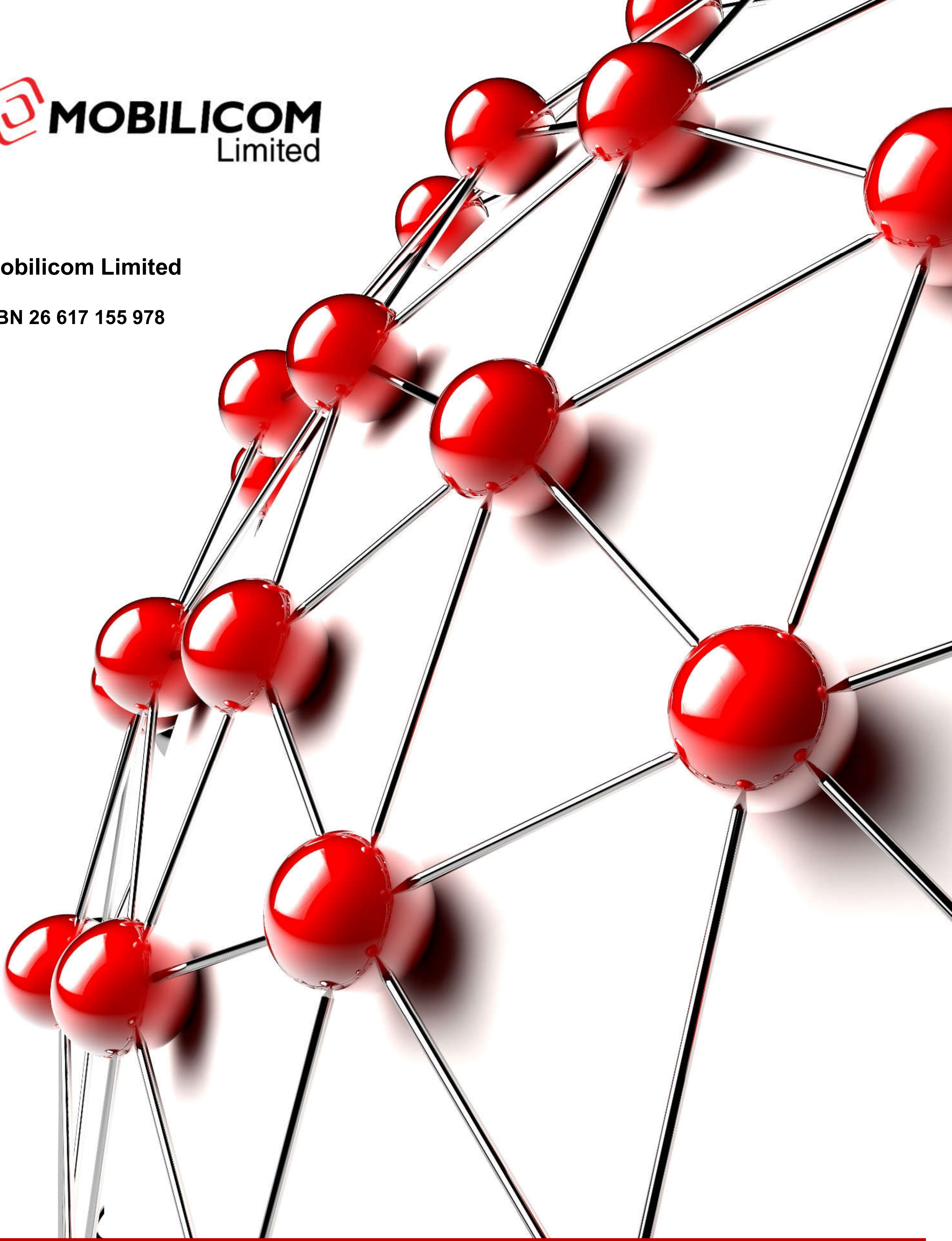
Mobilicom Limited

ABN 26 617 155 978



Annual Report – 31 December 2019

Mobilicom Limited
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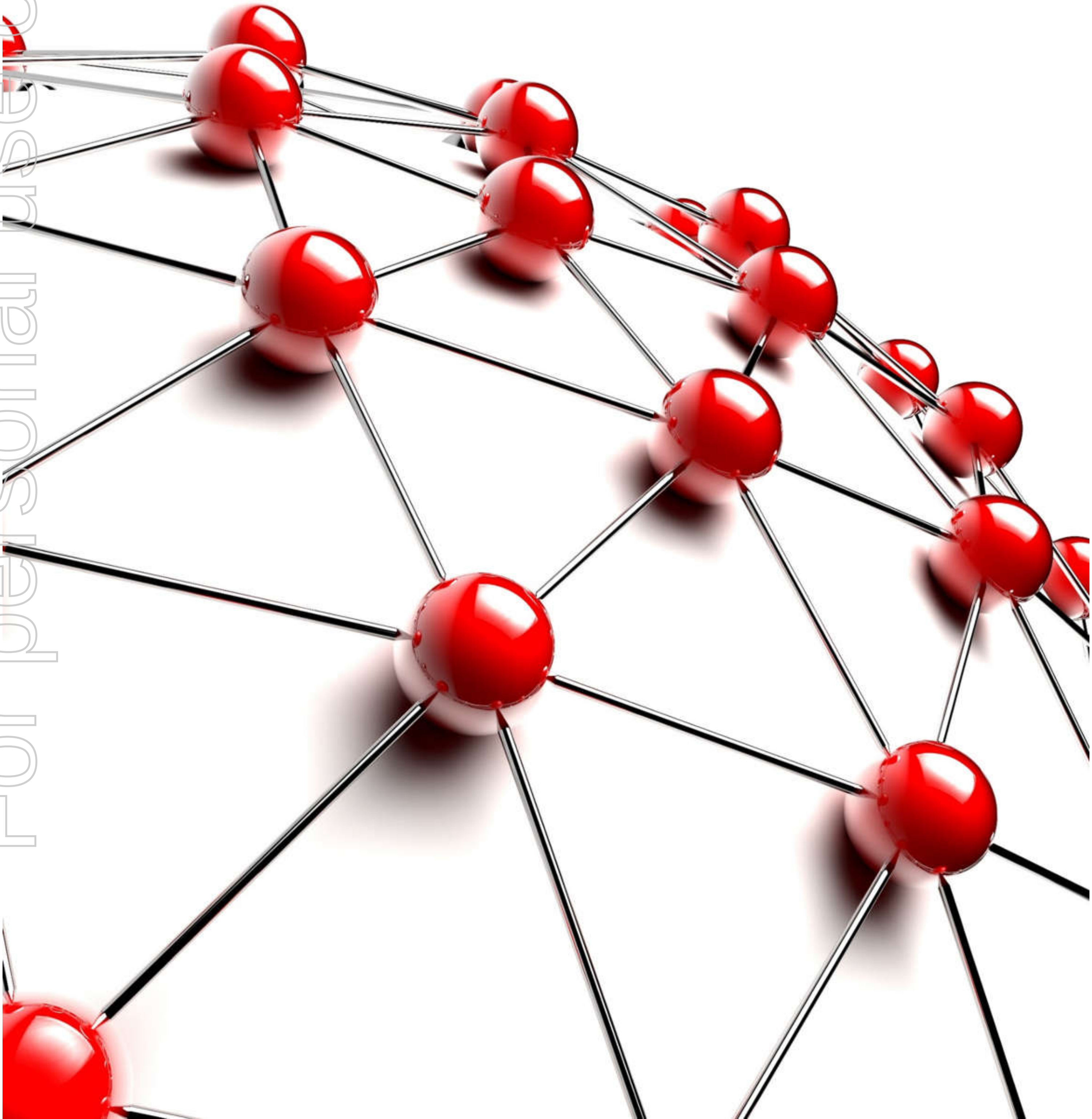

Directors	Oren Elkayam (Chairman and Managing Director) Yossi Segal (Executive Director) Campbell McComb (Non-executive Director) Mark Licciardo (Non-executive Director) Jonathan Brett (Non-executive Director)
Company secretary	Kate Goland
Registered office	C/- Mertons Corporate Services Pty Ltd Level 7 330 Collins Street Melbourne, VIC 3000 Ph: 03 8692 9000
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW, 2000 Ph: 1300 737 760 (within Australia) Ph: +61 2 9290 9600
Auditor	BDO East Coast Partnership Collins Square, Tower 4 Level 18, 727 Collins Street Melbourne, Victoria, 3008
Stock exchange listing	Mobilicom Limited shares are listed on the Australian Securities Exchange (ASX code: MOB)
Website	https://mobilicom-ltd.com.au
Corporate Governance Statement	https://mobilicom-ltd.com.au/charters/

Oren Elkayam (Chairman and Managing Director)

1. <u>FINANCIAL HIGHLIGHTS</u>

Financial results:

The company has improved its financial results across all parameters, growing its revenues to $3.4 million, up 30% from $2.6 million in 2018. This increase resulted from existing and new customers, repeat orders, as well as from sales of full system solutions and different market applications.

Government grants for the year increased to $729K, up 98% compared to the prior period.

Total 2019 income* increased to $4.3 million, up 39% from $3.1 million in 2018.

Mobilicom has a strong cash balance of $4.7 million as of December 31, 2019.

Operating expenses were incurred to drive both business and R&D initiatives. On the business side, expenses were incurred to build the Company's market position and sales for the coming years as well as to drive continued sales momentum of its full system solutions. R&D expenses were incurred to develop the Company's cybersecurity solution for drones and robotics in order to yield licensing revenue as well as continued investment in maintaining the technology gap.

Capital raising:

In April, Mobilicom completed a $4.0 million placement of 40 million ordinary new shares at $0.10 per share to accelerate the Company's expansion opportunities with key strategic partners.

2. <u>SIGNIFICANT COMPANY MILESTONES</u>

Mobilicom Successes

$2M+ contract with Elbit Systems

During Q4, Mobilicom secured a contract exceeding $2 million from Elbit Systems, one of the leading drone suppliers worldwide outside of the US. Elbit has revenues of more than $3.6 billion and is an international high technology company engaged in a wide range of defence, homeland security and commercial programs throughout the world. Mobilicom was selected by Elbit as the vendor of choice for controllers for tactical drones.

Mobilicom received the first order for the development and delivery of a commercial batch of controllers, based on Mobilicom's technology and its ability to support the specific needs of tactical drones. The majority of the contract is expected to be fulfilled during CY2020 and 2021. Additional orders are expected from Elbit in due course.

Commercial Drone Upgrade Solution exceeds $1 million goal

In October, the Company announced that its breakthrough Commercial Drone Upgrade Solution to the Israel MOD exceeded its goal of $1 million in orders. Mobilicom is the sole provider of the Commercial Drone Upgrade Solution. This Solution is an after-market add on for drone units already in the market and was developed as a result of the US ban on the use of certain drones in security operations due to backdoor cyber risks.

Bird AeroSystems

Mobilicom received a repeat order of more than $250,000 from leading provider of airborne surveillance solutions, Bird AeroSystems. Mobilicom's MCU communication units will be deployed in mobile command posts, aircraft, ground response vehicles and sea vessels.

Japanese Telco Giant, NTT, Fifth Largest Telecommunications Company in the World

Mobilicom received new purchase orders exceeding $200K from Japanese telecommunications giant, Nippon Telegraph & Telephone Corporation (NTT), the fifth largest telecommunications company in the world. It has also indicated that it expects to place multiple orders with Mobilicom each year. The above purchase orders are based on MCU products kit for the Japanese Self Defense Forces ("SDF").

US Robotics

Mobilicom received a repeat order valued more than $200,000 for its MCU-30 Lite product from a veteran US ground robotics company. Those orders came after delivering on purchase orders exceeding $300,000 the previous year. The MCU-30 Lite has been integrated into an innovative robotics solution which will be used for underground and in-building operations.

SkyHopper Successes

In 2019, SkyHopper's end-to-end solutions were sold to over 30 new and existing customers including Samsung in South Korea; autonomous drone companies Azur Drones in France and Easy Aerial in the US; Honeywell in the US; and other drone and robotics companies across Canada, Japan, Taiwan, Finland, Czech Republic, Switzerland, Italy and Israel.

Repeat order exceeding $260,000 from Aero Sentinel

Aero Sentinel is an industry-leading manufacturer of tactical unmanned aerial systems for military and defence applications. Aero Sentinel has integrated the SkyHopper PRO across multiple drone platforms. Sales of these drone platforms have experienced a significant ramp-up, and additional and consistent orders for SkyHopper PRO units have been received.

Partnership with large drone manufacture

Mobilicom signed a key strategic partnership with Yuneec International. Yuneec is a global leader in drones and electric aviation. Yuneec plans to release drone solutions based on the SkyHopper product portfolio, targeted at the commercial and government markets. Yuneec and Mobilicom have made excellent progress on their joint drone offering, with the development and testing of initial H520-SkyHopper drone system prototypes completed and delivered to first reference customer.

Certification for SkyHopper in Japan

Mobilicom received the Japanese high-power transmission certification for its SkyHopper data links, making SkyHopper the first certified high power, long range, highly secured data link in Japan. The certification comes after SkyHopper received the low-power Japanese TELEC certification at the end of 2017. The high power TELEC certification should increase demand from existing and new customers serving the Japanese market.

R&D program with Israel Ministry of Defense & Israel Innovation Authority

The Israel Ministry of Defense and the Israel Innovation Authority approved a $1.8 million research and development (R&D) program for Mobilicom. This is a two and a half-year program, officially launched in December 2018, for the development of cybersecurity using Artificial Intelligence (AI) for drones and robotics platforms. This reinforces Mobilicom as a holistic provider of solutions for drones and robotics and strengthens the Company's long-term financial position and cash flow performance.

3. 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.

Mobilicom has a large solution portfolio with deployments worldwide. It is comprised of two business entities:

- **Mobilicom** – Government & Enterprise sector.

  Mobilicom offers holistic solutions and equipment that cater to mission-critical communication, with applications in Unmanned Platforms; Disaster Relief & Public Safety; and Offshore & Remote Areas.

- **SkyHopper** – Commercial & Industrial Drone & Robotics market.

  SkyHopper is a global provider of holistic end-to-end hardware & software solutions as well as integration and support services for commercial and industrial drones and robotics manufacturers.

*Income consists of Revenue, Grants and Interest.

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 2019.

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)

Principal activities
The consolidated entity's principal activities are to further commercialise solutions for mission critical and remote mobile private communications networks without the need to rely upon or utilise existing infrastructure and end-to-end hardware & software solutions as well as integration and support services for commercial and industrial drones and robotics manufacturers. The Company's product portfolio is fully designed and developed in-house and relies on extensive know how and experience gained by developing mission- critical communication systems worldwide.

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $3,641,406 (31 December 2018: $3,176,686).

Revenues

Revenue from sales increased to $3,435,361 from the prior period (31 December 2018: $2,640,006). 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 repeat orders; and
- Release of new products to the market.

Other income for the year includes government grants for $729,167, which are up 98.3% (31 December 2018: $367,695).

Expenses
The financial year saw higher production expenses, required to fulfil certain purchase.

At year end 2019 the company has backlog of sales orders exceeding $1.7 million, which is up 415% (31 December 2018: $0.3 million).

Other expenses have increased by 25.94% to $6,987,145 (31 December 2018: $5,548,104).

The expenses during the year were according to the company's budget to enable the execution of company’s future growth and to satisfy an increase in orders forecast. On the business side, expenses were incurred to build the Company's market position and sales for the coming years as well as to drive continued sales momentum of its full system solution. New R&D activities in Europe to focus on software development, as well as the release of new products under Mobilicom and SkyHopper, additional development of the commercial drone upgrade solution, necessitated an increase in research and development expenditure and an increase in the company's workforce.

Statement of financial position
Cash reserves at the end of the year were $4,710,261 (31 December 2018: $4,959,245), with Mobilicom maintaining a strong financial position. At 31 December 2019 net assets amounted to $4,445,765.

The Company raised $4 million during the financial year to progress with its goals and objectives.

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
During the financial year the Company successfully raised $4,006,000 through the issue of 40,060,000 new fully paid ordinary shares at an issue price of $0.10 (10 cents) per share.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 31 December 2019 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 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. 1,000,000 unlisted options to acquire fully paid ordinary shares exercisable at $0.15 and expiring 27 June 2021.

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
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
Interests in options:	1,000,000 unlisted options to acquire fully paid ordinary shares exercisable at $0.15 and expiring 27 June 2021.

Name:	Mr Jonathan Brett
Title:	Non-executive Director
Qualifications:	BCom (Legal), BAcc, MCom (Financial Management), Dip 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:	Corporate Travel Management Limited
Former directorships (last 3 years):	Vocus Group Ltd, The Pas Group Limited, Godfreys Group Limited and Indoor Skydive Australia Limited
Special responsibilities:	Chairman of the Remuneration and Nomination Committee
Interests in shares:	1,250,000 Fully paid ordinary shares held in the name of Dalesam Pty Ltd (Jon Brett Super Fund A/C) - Director 250,000 Fully paid ordinary shares held in the name of Dalesam Pty Ltd (The Dalesam Trust) - Director
Interests in options:	1,000,000 unlisted options to acquire fully paid ordinary shares exercisable at $0.15 and expiring 27 June 2021.

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

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

Company secretary
Kate Goland

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') and of each Board committee held during the year ended 31 December 2019, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee	
	Attended	Held*	Attended	Held
Mr O Elkayam	7	7	-	-
Mr Y Segal	6	7	-	-
Mr C McComb	7	7	1	1
Mr M Licciardo	6	7	1	1
Mr J Brett	7	7	1	1

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

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 information
- 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)

2019	Short-term benefits Cash salary and fees $	 Cash bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	 Total $
Non-Executive Directors:							
Mr C McComb*	40,000	-	-	-	-	29,476	69,476
Mr M Licciardo**	39,997	-	-	-	-	29,476	69,473
Mr J Brett***	20,000	-	-	-	-	49,476	69,476
Executive Directors:							
Mr O Elkayam	390,156	111,278	15,995	119,702	-	-	637,131
Mr Y Segal	390,156	111,278	15,995	119,702	-	-	637,131
	880,309	222,556	31,990	239,404	-	108,428	1,482,687

* 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).
*** As at the date of this report, $20,000 was owing to Mr Brett.

During the financial year, a bonus was awarded to Messers Elkayam and Segal following completion of the capital raising.

2018	Short-term benefits Cash salary and fees $	 Cash bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	 Total $
Non-Executive Directors:							
Mr C McComb*	39,996	-	-	-	-	-	39,996
Mr M Licciardo**	39,996	-	-	-	-	-	39,996
Mr J Brett	-	-	-	-	-	20,000	20,000
Executive Directors:							
Mr O Elkayam	358,660	-	14,966	110,680	-	-	484,306
Mr Y Segal	358,660	-	14,966	110,680	-	-	484,306
	797,312	-	29,932	221,360	-	20,000	1,068,604

* 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).

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

Name	Fixed remuneration 2019	 2018	At risk - STI 2019	 2018	At risk - LTI 2019	 2018
Non-Executive Directors:						
Mr C McComb	58%	100%	-	-	42%	-
Mr M Licciardo	58%	100%	-	-	42%	-
Mr J Brett	58%	100%	-	-	42%	-
Executive Directors:						
Mr O Elkayam	83%	100%	17%	-	-	-
Mr Y Segal	83%	100%	17%	-	-	-

Service agreements

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

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

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

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

Share-based compensation

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
30/05/2019	30/05/2020	25/06/2025	$0.15	$0.0505

Options granted carry no dividend or voting rights.

Additional information

The earnings of the consolidated entity for the three years to 31 December 2019 are summarised below:

	2019 $	2018 $	2017 $
Sales revenue	3,435,361	2,640,006	1,519,719
Profit/(Loss) after income tax	(3,641,406)	(3,176,686)	(6,089,936)

	2019	2018	2017*
Share price at start of financial year ($)	0.093	0.105	0.20
Share price at financial year end ($)	0.13	0.093	0.105
Basic earnings/(loss) per share (cents per share)	(1.49)	(1.46)	(4.12)
Diluted earnings/(loss) per share (cents per share)	(1.49)	(1.46)	(4.12)

* The Company's listed on ASX on 2 May 2017.

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
*Ordinary shares**					
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	1,000,000	-	1,500,000
	71,171,932	250,000	1,000,000	-	72,421,932

* The above disclosures are in relation to the listed entity

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

	Balance at the start of the year	Granted as remuneration	Granted as part of the Advisor and Director offer	Expired/ forfeited/ other	Balance at the end of the year
*Options over ordinary shares**					
Mr O Elkayam	925,000	-	-	-	925,000
Mr Y Segal	925,000	-	-	-	925,000
Mr C McComb	2,500,000	1,000,000	-	-	3,500,000
Mr M Licciardo	-	1,000,000	-	-	1,000,000
Mr J Brett	-	1,000,000	-	-	1,000,000
	4,350,000	3,000,000	-	-	7,350,000

* The above disclosures are in relation to the listed entity

Other transactions with key management personnel and their related parties
A total of $57,977 was paid to Mertons Corporate Services Pty Ltd (an entity related to Mr Licciardo) for provision of corporate secretarial services.

A total of $38,400 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 2019, the Company had director fees and corporate secretarial service fees payable to Mertons Corporate Services Pty Ltd (an entity related to Mr Licciardo) of $8,230.

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
20/05/2019	20/05/2024	$0.15	300,000
25/06/2019	25/06/2025	$0.15	3,000,000
05/08/2019	05/08/2022	$0.15	1,500,000
			21,162,717

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

Shares issued on the exercise of options
There were no ordinary shares of Mobilicom Limited issued on the exercise of options during the year ended 31 December 2019 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 26 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 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

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

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

On behalf of the directors

Oren Elkayam
Chairman and Managing Director

21 February 2020
Tel Aviv

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Australia

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

As lead auditor of Mobilicom Limited for the year ended 31 December 2019, 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, 21 February 2020

Mobilicom Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Revenue	5	3,435,361	2,640,006
Cost of sales	6	(1,013,941)	(758,798)
Government grants		729,167	367,695
Interest received		37,325	53,954
Foreign exchange gains		157,827	68,561
Other income		924,319	490,210
Expenses			
Selling and marketing expenses	7	(1,605,060)	(1,448,328)
Research and development	8	(3,409,315)	(2,699,341)
General and administration expenses	9	(1,678,966)	(1,308,744)
Share based payments		(246,823)	(91,691)
Finance costs		(46,981)	-
Loss before income tax expense		(3,641,406)	(3,176,686)
Income tax expense	10	-	-
Loss after income tax expense for the year attributable to the owners of Mobilicom Limited		(3,641,406)	(3,176,686)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of defined benefit plans		(124,861)	30,557
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(138,664)	11,017
Other comprehensive income for the year, net of tax		(263,525)	41,574
Total comprehensive income for the year attributable to the owners of Mobilicom Limited		(3,904,931)	(3,135,112)
		Cents	**Cents**
Basic earnings per share	34	(1.49)	(1.46)
Diluted earnings per share	34	(1.49)	(1.46)

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

	Note	Consolidated 2019 $	Consolidated 2018 $
Assets			
Current assets			
Cash and cash equivalents	11	4,710,261	4,959,245
Trade and other receivables	12	1,273,118	490,144
Inventories	13	525,047	437,483
Total current assets		6,508,426	5,886,872
Non-current assets			
Property, plant and equipment	14	180,008	39,111
Right-of-use assets	15	946,342	-
Total non-current assets		1,126,350	39,111
Total assets		7,634,776	5,925,983
Liabilities			
Current liabilities			
Trade and other payables	16	1,431,742	986,512
Lease liabilities	17	218,754	-
Total current liabilities		1,650,496	986,512
Non-current liabilities			
Lease liabilities	18	727,253	-
Employee benefits	19	661,331	476,798
Governmental liabilities on grants received	20	149,931	167,680
Total non-current liabilities		1,538,515	644,478
Total liabilities		3,189,011	1,630,990
Net assets		4,445,765	4,294,993
Equity			
Issued capital	21	22,884,795	19,075,915
Reserves	22	859,975	876,677
Accumulated losses		(19,299,005)	(15,657,599)
Total equity		4,445,765	4,294,993

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 2019

Consolidated	Issued capital $	Share based payments reserve $	Foreign currency translation reserves $	Re-measurement reserves $	Accumulated losses $	Total equity $
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)
Transactions with owners in their capacity as owners:						
Share-based payments (note 35)	20,000	71,691	-	-	-	91,691
Balance at 31 December 2018	19,075,915	1,072,030	160,988	(356,341)	(15,657,599)	4,294,993

Consolidated	Issued capital $	Share based payments reserve $	Foreign currency translation reserves $	Re-measurement reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2019	19,075,915	1,072,030	160,988	(356,341)	(15,657,599)	4,294,993
Loss after income tax expense for the year	-	-	-	-	(3,641,406)	(3,641,406)
Other comprehensive income for the year, net of tax	-	-	(138,664)	(124,861)	-	(263,525)
Total comprehensive income for the year	-	-	(138,664)	(124,861)	(3,641,406)	(3,904,931)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 21)	3,808,880	-	-	-	-	3,808,880
Share-based payments (note 35)	-	246,823	-	-	-	246,823
Balance at 31 December 2019	22,884,795	1,318,853	22,324	(481,202)	(19,299,005)	4,445,765

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

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,042,000	2,566,605
Interest received		37,325	53,954
Payments to suppliers and employees (inclusive of GST)		(7,429,289)	(5,955,165)
Government grants received		729,167	367,695
Net cash used in operating activities	33	(3,620,797)	(2,966,911)
Cash flows from investing activities			
Payments for property, plant and equipment		(176,804)	(7,462)
Payments for lease liabilities		(259,425)	-
Net cash used in investing activities		(436,229)	(7,462)
Cash flows from financing activities			
Proceeds from issue of shares	21	4,006,000	-
Share issue transaction costs		(217,120)	-
Net cash from financing activities		3,788,880	-
Net decrease in cash and cash equivalents		(268,146)	(2,974,373)
Cash and cash equivalents at the beginning of the financial year		4,959,245	8,077,472
Effects of exchange rate changes on cash and cash equivalents		19,162	(143,854)
Cash and cash equivalents at the end of the financial year	11	4,710,261	4,959,245

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	**Principal place of business**
C/- Mertons Corporate Services Pty Ltd Level 7, 330 Collins Street Melbourne, Victoria, 3000 Australia	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 directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2020. 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 consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 and other comprehensive income.

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.

Note 2. Significant accounting policies (continued)

Going concern
The consolidated entity incurred a net loss after tax for the year ended 31 December 2019 of $3,641,406 and had net cash outflows from operating of $3,890,924. 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 2019 the consolidated entity had cash and cash equivalents of $4,710,261, total assets of $7,634,776 and net assets of $4,445,765.
- The company has recently been awarded significant customer contracts which will be implemented subsequent to 31 December 2019 which will increase revenues during FY20.
- 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.
- As at 31 December 2019 the backlog to be delivered and invoiced exceeded $1.7 million;
- As at the end of the financial year, the Company had a trade and other receivables balance amounting to $1,273,118.

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 30.

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 2019 and the results of all subsidiaries for the year then ended. Mobilicom Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

Impairment of non-financial assets
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.

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

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

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

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

Note 2. Significant accounting policies (continued)

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 adopted
AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity has adopted this standard from 1 January 2019, and the effect of AASB 16 on its consolidated financial statements is noted below.

Impact on application
AASB 16
On 25 October 2018, the Company entered into a new agreement for leasing offices and an R&D center in Shoham ("The Agreement") which replaced the old lease agreement according to Note 28 of the financial statements for Dec 31, 2018.

The initial contract period began on 1 February 2019 and ends on 31 January 2024. According to the Agreement, the Company may either end the Agreement 12 months early or exercise one or more of three options for extending the Agreement for an additional 2 years each. On 17 February 2019, the Company relocated its offices and R&D center to Shoham. The Company has adopted AASB 16 from this point in time.

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption of this standard during the financial year was as follows:

	Consolidated 31 December 2019 $
Assets	
Right of use assets (AASB 16)	946,342
Liabilities	
Lease Liabilities - current (AASB 16)	218,754
Lease Liabilities - non-current (AASB 16)	727,253
	946,007

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

	Consolidated	
	2019	**2018**
	$	**$**
Sale of goods	3,435,361	2,640,006

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.

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.

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.

Note 6. Cost of sales

	Consolidated 2019 $	Consolidated 2018 $
Salaries and benefits	310,609	214,642
Cost of materials	652,495	523,584
Rental and office expenses	22,933	9,555
Other	4,936	11,017
Depreciation	22,968	-
	1,013,941	758,798

Note 7. Selling and marketing expenses

	Consolidated 2019 $	Consolidated 2018 $
Salaries and benefits	1,035,234	944,144
Marketing services	287,156	313,414
Travel expenses	103,137	91,699
Depreciation	68,905	-
Rental and office expenses	35,967	16,509
Other	74,661	82,562
	1,605,060	1,448,328

Note 8. Research and development

	Consolidated 2019 $	Consolidated 2018 $
Salaries and benefits	2,380,688	1,988,562
Materials	125,550	20,471
Royalties to the OCS	(13,290)	11,102
Subcontractors	629,667	502,618
Depreciation	133,510	10,791
Other	153,190	165,797
	3,409,315	2,699,341

Note 9. General and administration expenses

	Consolidated 2019 $	Consolidated 2018 $
Salaries and benefits	927,441	555,550
Professional fees	379,047	163,993
Insurance	76,239	49,792
Travel expenses	47,384	53,022
Depreciation	22,968	9,946
Rental and office expenses	34,924	27,380
Other	190,963	449,061
	1,678,966	1,308,744

Note 10. Income tax expense

	Consolidated 2019 $	Consolidated 2018 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,641,406)	(3,176,686)
Tax at the statutory tax rate of 27.5%	(1,001,387)	(873,589)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	77,040	19,715
Other temporary differences not recognised	924,347	853,874
Income tax expense	-	-

Note 11. Current assets - cash and cash equivalents

	Consolidated 2019 $	Consolidated 2018 $
Cash at bank	2,249,937	3,616,381
Cash on deposit	2,460,324	1,342,864
	4,710,261	4,959,245

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

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

Note 12. Current assets - trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $
Trade receivables	1,131,500	270,666
Other receivables	141,618	219,478
	1,273,118	490,144

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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

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

No allowance for expected credit losses or overdue balances are accounted for in the financial statements.

Note 13. Current assets - inventories

	Consolidated 2019 $	Consolidated 2018 $
Finished goods - at cost	525,047	437,483

Accounting policy for inventories
Inventories are recognised at the lower of cost and net realisable value.

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2019 $	Consolidated 2018 $
Computer equipment - at cost	223,070	196,939
Less: Accumulated depreciation	(194,996)	(175,620)
	28,074	21,319
Office furniture & equipment - at cost	129,095	9,123
Less: Accumulated depreciation	(11,421)	(3,058)
	117,674	6,065
Machinery & equipment - at cost	81,681	50,980
Less: Accumulated depreciation	(47,421)	(39,253)
	34,260	11,727
	180,008	39,111

Note 14. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Computer equipment $	Office furniture & equipment $	Machinery & equipment $	Total $
Balance at 1 January 2018	11,899	6,704	25,271	43,874
Additions	6,536	-	11,731	18,267
Depreciation expense	(6,708)	(639)	(15,683)	(23,030)
Balance at 31 December 2018	11,727	6,065	21,319	39,111
Additions	30,701	119,972	26,131	176,804
Depreciation expense	(8,168)	(8,363)	(19,376)	(35,907)
Balance at 31 December 2019	34,260	117,674	28,074	180,008

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

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

Computer equipment	3 years
Machinery and equipment	6-7 years
Office furniture and equipment	10-14 years

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

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

Note 15. Non-current assets - right-of-use assets

	Consolidated 2019 $	Consolidated 2018 $
Land and buildings - right-of-use	946,342	-

Additions to the right-of-use assets during the year were $1,158,786.

The consolidated entity leases land and buildings for its offices in Israel under agreements for 5 years and in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

During the financial year the consolidated entity incurred finance charges amounting to $46,981 following the adoption of AASB16.

Note 15. Non-current assets - right-of-use assets (continued)

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

Consolidated	$	Total $
Balance at 1 January 2018	-	-
Balance at 31 December 2018	-	-
Upon initial adoption of AASB16 Leases	1,158,786	1,158,786
Depreciation expense	(212,444)	(212,444)
Balance at 31 December 2019	946,342	946,342

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

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

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

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2019	**2018**
	$	**$**
Trade payables	580,301	256,710
Other payables	851,441	729,802
	1,431,742	986,512

Refer to note 24 for further information on financial instruments.

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

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

Note 17. Current liabilities - lease liabilities

	Consolidated 2019 $	2018 $
Lease liability	218,754	-

Refer to note 24 for further information on financial instruments.

Note 18. Non-current liabilities - lease liabilities

	Consolidated 2019 $	2018 $
Lease liability	727,253	-

Refer to note 24 for further information on financial instruments.

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

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

Note 19. Non-current liabilities - employee benefits

	Consolidated 2019 $	2018 $
Employee benefits	661,331	476,798

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

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

Note 19. Non-current liabilities - employee benefits (continued)

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

	Consolidated 2019 $'000	Consolidated 2018 $'000
Present value of the defined benefit obligation	811,629	596,281
Fair value of defined benefit plan assets	(150,297)	(119,483)
Net liability in the statement of financial position	661,331	476,798

Movement in plan assets:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Balance at the beginning of the year	119,483	95,600
Interest income	4,845	1,486
Contributions	20,626	18,581
Re measurements gain/(loss)		
Return on plan assets (excluding interest)	(5,562)	1,115
Foreign exchanges differences	10,905	2,701
Balance at the end of the year	150,297	119,483

Reconciliations

	Consolidated 2019 $'000	Consolidated 2018 $'000
Reconciliation of the present value of the defined benefit obligation		
Balance at the beginning of the year	596,281	552,559
Interest cost	23,817	17,015
Current service cost	54,131	52,554
Actuarial loss/(gains) from financial assumptions	82,792	(25,094)
Adjustments	55	(756)
Foreign exchanges differences	54,553	-
Balance at the end of the year	811,629	596,281

Note 20. Non-current liabilities - Governmental liabilities on grants received

	Consolidated 2019 $	Consolidated 2018 $
Governmental liabilities on grants received	149,931	167,680

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.

Note 20. Non-current liabilities - Governmental liabilities on grants received (continued)

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 21. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	257,936,715	217,626,715	22,884,795	19,075,915

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2018	217,376,715		19,055,915
Issue of shares to Directors	24 October 2018	250,000	$0.08	20,000
Balance	31 December 2018	217,626,715		19,075,915
Issue of shares to Directors	26 April 2019	250,000	$0.08	20,000
Placement	26 April 2019	26,975,000	$0.10	2,697,500
Placement	29 April 2019	12,085,000	$0.10	1,208,500
Placement	27 June 2019	1,000,000	$0.10	100,000
Capital raising costs		-	-	(217,120)
Balance	31 December 2019	257,936,715		22,884,795

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.

Note 21. Equity - issued capital (continued)

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 22. Equity - reserves

	Consolidated	
	2019	2018
	$	$
Foreign currency reserve	22,324	160,988
Share-based payments reserve	1,318,853	1,072,030
Re-measurements reserve	(481,202)	(356,341)
	859,975	876,677

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.

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

Note 22. Equity - reserves (continued)

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 2018	(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	(356,341)	1,072,030	160,988	876,677
Foreign currency translation	-	-	(138,664)	(138,664)
Share based payments	-	246,823	-	246,823
Re-measurement of defined benefit plans	(124,861)	-	-	(124,861)
Balance at 31 December 2019	(481,202)	1,318,853	22,324	859,975

Note 23. Equity - dividends

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

Note 24. Financial instruments

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

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

Market risk

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

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

Note 24. Financial instruments (continued)

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):

	Assets		Liabilities	
	2019	**2018**	**2019**	**2018**
Consolidated	**$**	**$**	**$**	**$**
US dollars	224,800	1,121,000	25,000	52,000
Euros	7,000	33,000	16,500	20,000
Israeli New Shekel	1,967,500	1,078,000	-	797,000
	2,199,300	2,232,000	41,500	869,000

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

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.

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.

Note 24. Financial instruments (continued)

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	580,301	-	-	-	580,301
Other payables	-	851,441	-	-	-	851,441
Government liabilities	-	149,931	-	-	-	149,931
Total non-derivatives		1,581,673	-	-	-	1,581,673

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

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 25. 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 Jon Brett (Non-executive director)

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

	Consolidated 2019 $	**Consolidated 2018 $**
Short-term employee benefits	1,134,855	827,244
Post-employment benefits	239,404	221,360
Share-based payments	108,428	20,000
	1,482,687	1,068,604

Note 26. Remuneration of auditors

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

	Consolidated	
	2019	2018
	$	$
Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	53,000	48,000
Other services – BDO East Coast Partnership		
Preparation of tax return and other tax consulting	12,200	8,050
	65,200	56,050
Audit services - BDO Israel		
Audit or review of the financial statements	52,650	53,871
Other services - BDO Israel		
Other	6,100	1,934
	58,750	55,805

Note 27. Contingent liabilities

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

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

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

Note 28. Commitments

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

	Consolidated	
	2019	2018
	$	$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	32,500

Note 29. Related party transactions

Parent entity
Mobilicom Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2019	**2018**
	$	**$**
Payment for other expenses:		
Corporate secretarial fees paid to Mertons Corporate Services Pty Ltd (an entity related to Mark Licciardo)	57,977	40,608
Consulting fees paid to Camac Investments Pty Ltd (an entity related to Campbell McComb)	38,400	17,002

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

	Consolidated	
	2019	**2018**
	$	**$**
Current payables:		
Payables to related parties	8,230	21,518

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

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019	**2018**
	$	**$**
Loss after income tax	(6,830,526)	(5,731,613)
Total comprehensive income	(6,830,526)	(5,731,613)

Note 30. Parent entity information (continued)

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	2,589,430	1,415,089
Total assets	2,589,430	1,415,089
Total current liabilities	84,699	68,676
Total liabilities	84,699	68,676
Equity		
Issued capital	16,921,147	13,112,267
Share-based payments reserve	907,074	723,220
Accumulated losses	(15,323,490)	(8,492,964)
Total equity	2,504,731	5,342,523

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 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2019.

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 31. 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 2019 %	Ownership interest 2018 %
Mobilicom Ltd ("Mobilicom Israel")	Israel	100.00%	100.00%

Note 32. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 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 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019 $	2018 $
Loss after income tax expense for the year	(3,641,406)	(3,176,686)
Adjustments for:		
Depreciation and amortisation	248,351	10,791
Share-based payments	266,823	91,691
Foreign exchange differences	(157,827)	143,854
Lease interest	46,981	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(727,477)	(73,400)
Increase in inventories	(87,564)	(133,546)
Decrease/(increase) in prepayments	(55,830)	6,900
Increase in trade and other payables	445,230	139,353
Increase in employee benefits	59,671	19,839
Increase in Government liabilities	(17,749)	4,293
Net cash used in operating activities	(3,620,797)	(2,966,911)

Note 34. Earnings per share

	Consolidated	
	2019 $	2018 $
Loss after income tax attributable to the owners of Mobilicom Limited	(3,641,406)	(3,176,686)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	244,856,674	217,423,290
Weighted average number of ordinary shares used in calculating diluted earnings per share	244,856,674	217,423,290
	Cents	Cents
Basic earnings per share	(1.49)	(1.46)
Diluted earnings per share	(1.49)	(1.46)

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

Accounting policy for earnings per share

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

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

Note 35. Share-based payments

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

2019

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
21/05/2019	21/05/2024	$0.15	-	300,000	-	-	300,000
30/05/2019	25/06/2025	$0.15	-	3,000,000	-	-	3,000,000
05/08/2019	05/08/2022	$0.15	-	1,500,000	-	-	1,500,000
			16,362,717	4,800,000	-	-	21,162,717

During the year, the company granted the following options:
- 300,000 options to a consultant of the Company;
- 3,000,000 options granted to the Company's Non-executive Directors; and
- 1,500,000 options in relation to corporate advisory services provided to the Company.

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
21/05/2019	21/05/2024	$0.09	$0.15	82.12%	-	1.27%	$0.0505
30/05/2019	27/06/2024	$0.09	$0.15	71.01%	-	1.27%	$0.0477
05/08/2019	05/08/2022	$0.08	$0.15	69.36%	-	0.91%	$0.0262

Accounting policy for share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

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

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

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

Note 35. Share-based payments (continued)

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

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

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

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

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

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

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 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 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Oren Elkayam
Chairman and Managing Director

21 February 2020
Tel Aviv

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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 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 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.

Key audit matter	*How the matter was addressed in our audit*
Significant Overseas Operations 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.	Our procedures included but were not limited to: • 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 • Engaging component auditors in Israel. As part of this matter we evaluated: • Their understanding of the ethical requirements and their professional competence to ensure they were competent and independent; • The business activities of the component that were significant to the Group audit through regular teleconferences throughout the audit process; • The susceptibility of the component's financial information to material misstatement from fraud and error; and • Review of the component auditor's working papers and deliverables, in particular the areas that were key to the Group audit.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor’s responsibilities for the audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor’s report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors’ report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Mobilicom Limited, for the year ended 31 December 2019, 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

BDO

Tim Fairclough

Tim Fairclough
Partner

Melbourne, 21 February 2020

The shareholder information set out below was applicable as at 28 January 2020.

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

	Number of holders of unlisted options	Number of options	% of unlisted options	Number of holders of ordinary shares	Number of ordinary shares	% ordinary shares
1 to 1,000	-	-	-	12	1,787	-
1,001 to 5,000	-	-	-	36	148,950	0.06
5,001 to 10,000	-	-	-	96	823,271	0.32
10,001 to 100,000	4	400,00	1.89	239	10,299,045	3.99
100,001 and over	34	20,762,717	98.11	160	246,663,663	95.63
	38	21,162,717	100.00	543	257,936,716	100.00
Holding less than a marketable parcel	-	-	-	36	93,906	-

Equity security holders

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

	Ordinary shares Number held	% of total shares issued
Ibi Trust Management	105,507,909	40.90
Zelwer Superannuation Pty Ltd (Zelwer Super Benefit Fnd A/C)	11,391,741	4.42
Hsbc Custody Nominees (Australia) Limited	8,791,191	3.41
Nabe Pty Ltd (The Glass A/C)	5,000,000	1.94
National Nominees Limited	4,823,941	1.87
Hershman Holdings Llc	4,074,370	1.58
MCR19 Holdings LLC	3,917,645	1.52
Mr Alan Hirmes	3,894,864	1.51
UBS Nominees Pty Ltd	3,750,000	1.45
Hsbc Custody Nominees (Australia) Limited - A/C 2	3,475,000	1.35
Bnp Paribas Nominees Pty Ltd (Ib Au Noms Retailclient Drp)	2,899,117	1.12
Lancing Liquid Relative Value Fund	2,742,713	1.06
Steven & Mali Shwartz Llc	2,530,587	0.98
Mrs Narelle Fay	2,500,000	0.97
Citicorp Nominees Pty Limited	2,285,386	0.89
Mr John Plummer	2,127,515	0.82
Carrier International Pty Limited (Super Fund A/C)	1,920,945	0.74
Mr Paul J Cozzi	1,654,320	0.64
Australian Executor Trustees Limited (No 1 Account)	1,585,277	0.61
Muhlbauer Investments Pty Ltd (Muhlbauer Family A/C)	1,579,034	0.61
	176,451,555	68.39

Unquoted equity securities

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Oren Elkayam	37,499,774	14.54
Yossi Segal	31,092,158	12.05
Zelwer Superannuation Pty Ltd and Manar Nominees Pty Ltd	12,987,842	5.04

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.