

CREDIBLE LABS INC.
ARBN 621 866 813
(ASX: CRD)

ASX ANNOUNCEMENT
28 February 2019

APPENDIX 4E

FOR THE YEAR ENDED 31 DECEMBER 2018

Company Information

Current Reporting Period: For the year ended 31 December 2018

Previous Corresponding Period: For the year ended 31 December 2017

This information should be read in conjunction with the attached Annual Financial Report for the year ended 31 December 2018 for Credible Labs Inc. (**Company**) and its controlled entity, any public announcements made in the period by Credible Labs Inc. in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

Additional Appendix 4E disclosure requirements can be found in the attached Annual Financial Report which includes the Directors' Report (predominantly the Operating and Financial Review section) and the consolidated financial statements for the year ended 31 December 2018.

This report is based on the consolidated financial statements for the year ended 31 December 2018 of Credible Labs Inc. and its controlled entity, which have been audited by BDO. The Independent Auditor's Report provided by BDO is included in the consolidated financial statements for the year ended 31 December 2018.

Shares refer to fully paid shares of common stock in the capital of the Company.

Securities refer to CHESS Depositary Interests (**CDIs**) over ordinary shares of the company that are publicly traded on the Australian Securities Exchange (**ASX**).

25 CDIs represent 1 fully paid share in the Company.

Results for announcement to the market

In accordance with the ASX Listing Rule 4.3, the board and management of Credible Labs Inc. has enclosed an Appendix 4E for the year ended 31 December 2018.

		31 Dec 2018	31 Dec 2017
		USD\$'000	USD\$'000
Revenue from ordinary activities	Up 34% to	26,386	19,760
Loss from ordinary activities after tax attributable to shareholders	Up 17% to	(13,048)	(11,181)
		USD\$	USD\$
Net loss for the period per ordinary share	Down 9% to	(1.35)	(1.49)
Net loss for the period per CDI	Down 17% to	(0.05)	(0.06)

Refer to the attached Director's Report and Operating and Financial Review for commentary and explanation of results.

Net Tangible Assets per Security	31 Dec 2018	31 Dec 2017
Net Tangible Asset per Security USD\$	0.13	0.19

Dividend Amount per Security

The Company did not pay any dividend for the fiscal years ended 31 December 2018 and 31 December 2017 and it is not proposed to pay any dividend.

Details of Entities Over Which Control Has Been Gained During the Period

On 14 September 2017 Credible Labs Inc. formed Credible Operations, Inc. (a Delaware registered US Corporation) and acquired 100% of the entity's ordinary shares for USD\$250,001. During the year ended 31 December 2018 and 2017, Credible Operations, Inc. had no revenue and incurred net loss of USD\$755,390 and \$99,352, respectively.

Accounting Standards

Credible Labs Inc. has prepared its financial statements in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Consolidated Financial Statements

For the financial year ended 31 December 2018

CONTENTS

	<u>Page</u>
Consolidated Financial Statements	
Directors' Report	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	38
Independent Auditor's Report	39

Credible Labs Inc. and Subsidiary

BAN 0487439

Directors' Report

For the financial year ended 31 December 2018

The Board of Directors of Credible Labs Inc. (the "Company") present their report, together with the financial statements on the consolidated entity (referred to hereafter as the "Consolidated Entity", "Credible" or "the Group") consisting of the Company and subsidiary for the financial year ended 31 December 2018.

1. General information

Directors

The names of the Directors in office at any time during the financial year and up to the date of this report are as follows:

Annabelle Chaplain
Stephen Dash
Dean Dorrell
Ron Suber
Ruirong Yang

Company Secretary

The Company Secretary from 1 January 2018 through 25 July 2018 was Jobe Danganan. On 25 July 2018, Jessica Rossman was appointed Company Secretary and was in this position up to the date of this report.

Principal Activities

Credible Labs Inc. was incorporated on 20 November 2012 as a corporation in the state of Delaware, United States of America ("USA"). The Company was formerly known as Stampede Labs Inc. and changed its name to Credible Labs Inc. in December 2013. The Company operates an online marketplace that allows consumers to receive financial product offers from financial institutions. No significant change in the nature of these activities occurred during the financial year.

Presentational currency

The functional and presentation currency of the Group is United States Dollars ("US dollars"). The financial report is presented in US Dollars, rounded to the nearest dollar. All references to dollars, cents or \$'s in these financial statements are in US currency, unless otherwise stated.

State of Incorporation

The Company is incorporated in the State of Delaware, United States of America. As a foreign company registered in Australia, the Company is subject to different reporting and regulatory regimes than Australian companies.

2. Business review

Operating results

The loss of the Group after providing for income tax amounted to \$13,048,442 (FY2017: \$11,181,127).

Credible Labs Inc. and Subsidiary

BAN 0487439

Directors' Report

For the financial year ended 31 December 2018

Review of operations

Revenue Model

Credible operates a marketplace that allows consumers to receive and accept financial product offers from financial institutions. Credible expanded its marketplace offering during the year to include mortgage loan refinancing in addition to student loan refinancing, private student loans, personal loans, and credit cards all of which were on offer in 2017. Credible derives fee revenue from financial institutions that offer financial products on its marketplace. Fee revenue is generally based on the aggregate volume of loans ("Closed Loan Volume") closed through Credible for student loan refinancing, private student loan origination, personal loans, and mortgage loan refinancing and for the number of credit cards originated through Credible.

Business Update

Revenue increased in FY 2018 relative to FY 2017 primarily due to increased Closed Loan Volume. Increased Closed Loan Volume in FY 2018 primarily reflects growth experienced during H2 2018 across Credible's student loan refinancing and personal loan marketplaces; seasonal impact of peak private student loan origination season during Q3 2018; and a successful shift toward scalable partnership channels. The growth in H2 2018 was in contrast to a lower H1 2018 relative to H1 2017 that was due to a reduction in Closed Loan Volume originated from digital paid channels as a result of actions taken by management to reduce spend in these channels during H1 2018 in response to a less favourable environment for digital paid advertising.

Gross profit reflects the impact of higher revenue offset by a decrease in gross profit margin relative to FY 2017. Gross profit margin decreased relative to FY 2017 due to initiatives to develop new distribution channels, which led to increased cost of sales as a proportion of revenue. New distribution channels typically exhibit lower margins during the early stage of their development. During 2018 the Company began the development of new marketing channels (primarily TV) and invested in marketing to drive growth in less mature marketplaces such as personal loans. The gross margin reduction during FY 2018 as compared with FY 2017 was also impacted by a less favourable environment for paid digital advertising during the year.

Employee benefit expenses predominantly consists of wages and salaries. Increases in FY 2018 over FY 2017 were driven primarily by the growth in the number of employees (excluding capitalised employee costs related to engineering, product and design employees). This increase is reflective of increased headcount in the client success, business intelligence, and partnerships functions as well as hiring related to the launch of Credible's new mortgage marketplace which included hiring of licensed mortgage loan officers as well as other related supporting staff located predominantly in Durham, North Carolina. Excluding engineering, product and design employees, there were 64 full time employees as at 31 December 2017 and this number increased to 76 employees as at 31 December 2018. Total headcount including engineering, product and design employees (for which costs are capitalised and not included in Employee benefit expenses) was 100 as at 31 December 2017 relative to 122 as at 31 December 2018.

Administrative Expenses predominantly consist of rent, data integrations with credit bureaus and office-related expenses. Rent expense increased in FY 2018 as compared to FY 2017, as a result of costs associated with the opening of a new office in Durham, North Carolina for the purposes of (i) supporting the launch of Credible's mortgage marketplace; and (ii) providing additional client success support to complement Credible's existing client success team in San Francisco. Administrative Expenses also reflect the relocation costs associated with the transfer of Credible's San Francisco operations to a new office location in San Francisco. The costs associated with data integration with credit bureaus, which enable Credible to provide pre-qualified rates to consumers, increased due to the growth in the number of users requesting pre-qualified rates on the Credible Marketplace. The increase in office-related expenses was primarily driven by the increase in headcount.

The increase in non-direct marketing expenses during FY 2018 over FY 2017 was driven primarily by the increase in the use of marketing consultants and external third-party services associated with continued investment in sales and marketing activities which are expected to drive brand value and Closed Loan Volume growth in future periods.

Depreciation is a non-cash item that relates to the depreciation of computers and office equipment. Amortisation is a non-cash item that relates to the amortisation of capitalised development costs, domain names, trademarks and other intellectual property.

Credible Labs Inc. and Subsidiary

BAN 0487439

Directors' Report

For the financial year ended 31 December 2018

The amortisation expense recognized in FY 2018 primarily reflects continued amortisation of investment in technology and development related to Credible's platform. Depreciation and amortisation were higher FY 2018 in line with continued increases in technology investment into Credible's platform over time during FY 2017 and FY 2018. As previously disclosed, the comparability of depreciation and amortization in FY 2018 relative to FY 2017 is also impacted by the re-evaluation of the estimated useful life of certain assets (the adjustment of which took effect during H2 2017).

There were no Finance expenses in FY 2018. Finance expenses in FY 2017 related to interest accrued with respect to outstanding convertible note instruments. The convertible notes had a conversion feature, which is classified as an embedded derivative and is measured at fair value. Movements in the fair value of the derivative are reflected in the statement of profit and loss and other comprehensive income. Shortly before completion of Credible's IPO in December 2017, the convertible notes, along with accrued interest and the derivative liability, were converted into ordinary shares and the fair value loss associated with that conversion recorded in the Statement of Profit or Loss and Other Comprehensive Income.

During the year, Credible continued to grow its user base and customers. Cumulative unique registered users totalled 1,254,875 and cumulative closed through the Credible platform totalled 60,739 as of 31 December 2018. This reflects an increase from 909,969 and 38,949 as of 30 June 2018 and 707,776 and 29,218, respectively, as of 31 December 2017.

Initial Public Offering

During the financial year ended 31 December 2017 ("FY2017"), Credible successfully completed its Initial Public Offering of securities (IPO) and was admitted to the official list of the Australian Securities Exchange ("ASX") on 8 December 2017 AEST. The Company issued 42,881,650 new CHESS Depository Interests ("CDIs") over shares of common stock (ordinary shares) at an issue price of AUD\$1.21 per CDI (with the ratio of CDIs per Share being 25 CDIs to every 1 Share) to raise AUD\$51.9 million. The IPO proceeds (net of listing related costs) are being invested in supporting the Company's growth.

Credible Labs Inc. and Subsidiary

BAN 0487439

Directors' Report

For the financial year ended 31 December 2018

Dividends paid or recommended

The Company has not declared or distributed any dividends during the financial year (FY2017: \$Nil).

Operating performance

For the year ended 31 December 2018, the Group recognised an underlying loss balance of \$11,691,716, as compared to \$5,496,017 recorded in 2017. The Group's statutory loss recorded for the period is (\$13,048,442) (2017: \$11,181,127).

The following table summarises key reconciling items between the Group's underlying profit and statutory profit after tax:

	FY2018 US\$	FY2017 US\$
Underlying loss before tax	(11,691,716)	(5,496,017)
Share-based payment expense	(1,356,726)	(380,680)
Fair value loss on derivative	-	(3,427,403)
Interest expense on convertible notes	-	(283,521)
Initial public offering expenses	-	(1,593,506)
Loss attributable to shareholders before tax	<u>(1,356,725)</u>	<u>(11,181,127)</u>
Income tax expense	-	-
Loss attributable to shareholders after tax	<u>(13,048,442)</u>	<u>(11,181,127)</u>

3. Other items

Significant changes in state of affairs

There were no significant changes to the Group's state of affairs during the year to 31 December 2018.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group 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 Group.

Corporate governance statement

Please see the following URL of the company's website where the corporate governance policies are located.

<https://www.credible.com/investors/>

Credible Labs Inc. and Subsidiary

BAN 0487439

Directors' Report

For the financial year ended 31 December 2018

Environmental regulations

The Directors do not consider that there are any significant environmental regulations which apply to the Group.

Share Options

Credible has a share-based compensation plan under which share options are granted to employees and Key Management Personnel ("KMP's") with exercise prices equal to market prices of the underlying shares on the date of grant. Grants are approved by the Board of Directors. Details of the outstanding share options granted under the employee share option plan are disclosed in Note 19.

Securities on issue

The company had the following securities on issue as at 31 December 2018:

Category	Common Stock	CDI Equivalent
Ordinary Shares	9,649,553	241,238,825
Restricted shares	489,076	12,226,900
Options	881,635	22,040,875

The company had the following securities on issue as at 31 December 2017:

Category	Common Stock	CDI Equivalent
Ordinary Shares	9,633,368	240,834,200
Restricted shares	489,505	12,237,625
Options	696,182	17,404,550

Substantial Shareholders

Substantial shareholders as of 31 December 2018 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Stephen Dash	4,408,798	45.7%

Indemnifying Officers or Auditors

No indemnification has been requested or triggered during or since the end of the financial years, for any person who is or has been an officer or auditor of the Company.

Proceedings on Behalf of Company

No material legal claims have been brought against the Company or by the Company during the relevant time period.

Non-audit services

The following fees for non-audit services were paid to the external auditors, BDO East Coast Partnership, and their affiliated entities during the year ended 31 December 2018 by the Group:

Service	FY2018 US\$	FY2017 US\$
Due diligence services related to initial public offering	-	103,610
Total	-	103,610

Credible Labs Inc. and Subsidiary

BAN 0487439

Directors' Report

For the financial year ended 31 December 2018

Signed in accordance with a resolution of the Board of Directors:



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Stephen Dash
Founder and CEO
San Francisco, 27 February 2019 PST (28 February 2019 AEST)

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018

	Notes	FY2018 US\$	FY2017 US\$
Revenue		26,386,279	19,760,454
Cost of sales		(19,509,552)	(14,006,852)
Gross profit		6,876,727	5,753,602
Other income	2(a)	561,084	69,428
Employee benefit expenses	2(b)	(12,002,355)	(6,588,205)
Administrative expenses		(6,223,879)	(3,324,988)
Marketing expenses		(1,192,680)	(974,900)
Depreciation and amortisation	2(a)	(1,001,070)	(796,604)
Other expenses	2(a)	(66,269)	(1,608,536)
Finance costs	2(a)	-	(283,521)
Fair value loss on derivative	12	-	(3,427,403)
Loss before income tax		(13,048,442)	(11,181,127)
Income tax expense		-	-
Loss for the year		(13,048,442)	(11,181,127)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Debt instruments at FVOCI – net change in fair value		(25,027)	-
Total comprehensive loss for the year		(13,073,469)	(11,181,127)
		US\$	US\$
Earnings / (loss) per share attributable to the owners of Credible Labs Inc.			
Basic and diluted earnings / (loss) per share	13	(1.35)	(1.49)
Basic and diluted earnings / (loss) per CDI	13	(0.05)	(0.06)

The accompanying notes form part of the financial statements.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	FY2018 US\$	FY2017 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	8,075,069	43,916,298
Trade receivables	4	4,220,263	2,881,143
Financial assets	24	21,563,173	-
Prepayments and other assets	5	707,539	752,075
TOTAL CURRENT ASSETS		34,566,044	47,549,516
NON-CURRENT ASSETS			
Other assets	5	135,280	132,719
Plant and equipment	6	293,471	131,003
Financial assets	23	579,945	-
Intangible assets	7	6,729,289	3,535,113
TOTAL NON-CURRENT ASSETS		7,737,985	3,798,835
TOTAL ASSETS		42,304,029	51,348,351
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	4,220,462	1,743,761
TOTAL CURRENT LIABILITIES		4,220,462	1,743,761
NON-CURRENT LIABILITIES			
Other liabilities		174,130	-
TOTAL NON-CURRENT LIABILITIES		174,130	-
TOTAL LIABILITIES		4,394,592	1,743,761
NET ASSETS		37,909,437	49,604,590
EQUITY			
Issued capital	12	64,608,233	64,586,643
Reserves	14	1,720,866	389,167
Accumulated losses		(28,419,662)	(15,371,220)
TOTAL EQUITY		37,909,437	49,604,590

The accompanying notes form part of the financial statements.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

Note	Issued Capital US\$	Share-based payments reserve US\$	Investment revaluation reserve US\$	Accumulated Losses US\$	Total US\$
Balance at 1 January 2017	12,611,016	8,487	-	(4,190,093)	8,429,410
Loss for the year	-	-	-	(11,181,127)	(11,181,127)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(11,181,127)	(11,181,127)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares during the year	52,839,298	-	-	-	52,839,298
Repurchase of shares during the year 12	(18)	-	-	-	(18)
Share-based payments	-	380,680	-	-	380,680
Capital raising costs	(863,653)	-	-	-	(863,653)
Balance at 31 December 2017	64,586,643	389,167		(15,371,220)	49,604,590
Loss for the year	-	-	-	(13,048,442)	(13,048,442)
Other comprehensive loss for the year, net of tax	-	-	(25,027)	-	(25,027)
Total comprehensive loss for the year	-	-	(25,027)	(13,048,442)	(13,073,469)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares during the year 12	21,599	-	-	-	21,599
Repurchase of shares during the year 12	(9)	-	-	-	(9)
Share-based payments	-	1,356,726	-	-	1,356,726
Balance at 31 December 2018	64,608,233	1,745,893	(25,027)	(28,419,662)	37,909,437

The accompanying notes form part of the financial statements.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	FY2018 US\$	FY2017 US\$
Cash from operating activities:			
Receipts from customers		24,968,691	19,523,659
Payments to suppliers and employees		(35,200,370)	(24,067,078)
Interest and other income received		647,125	22,596
Net cash used in operating activities	18	<u>(9,584,554)</u>	<u>(4,520,823)</u>
Cash flows from investing activities:			
Purchase of plant and equipment		(235,327)	(104,887)
Payments for intangible assets		(4,122,387)	(2,253,721)
Purchase of investments, net		(21,484,304)	-
Refund of security deposit		239,659	41,902
Payment of security deposit		(579,945)	-
Net cash used in investing activities		<u>(26,182,304)</u>	<u>(2,316,706)</u>
Cash flows from financing activities:			
Proceeds from borrowings		-	100,000
Proceeds from issue of shares		21,599	38,995,655
Transaction costs on issue of shares		(95,961)	(2,457,159)
Repurchase of shares		(9)	(18)
Net cash (used in) / provided by financing activities		<u>(74,371)</u>	<u>36,638,478</u>
Net (decrease) / increase in cash and cash equivalents		(35,841,229)	29,800,949
Cash and cash equivalents at beginning of year		<u>43,916,298</u>	<u>14,115,349</u>
Cash and cash equivalents at end of year	3	<u>8,075,069</u>	<u>43,916,298</u>
Breakdown of cash and financial assets:			
Cash and cash equivalents		8,075,069	43,916,298
Financial assets – current		21,563,173	-
Financial assets (restricted cash) – non-current		579,945	-
Total cash and financial assets		<u>30,218,187</u>	<u>43,916,298</u>

The accompanying notes form part of the financial statements.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

1. Summary of significant accounting policies

(i) General Information

Credible Labs Inc. is a Company incorporated and domiciled in the United States of America. Credible Operations, Inc. is a Company incorporated and domiciled in the United States of America and is a wholly owned subsidiary of Credible Labs Inc. The functional and presentation currency of Credible Labs Inc. and Subsidiary is US dollars. The consolidated financial statements were authorised for issue on 27 February 2019 PST (28 February 2019 AEST).

The registered office and principal place of business of the Group is:

22 4th Street, 8th Floor
San Francisco, CA 94103
United States of America

(ii) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"), as appropriate for-profit oriented entities. Material accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities. All amounts are presented in US dollars, unless otherwise noted.

(iii) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent company Credible Labs Inc. and its subsidiary. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiary is Credible Operations, Inc.

The assets, liabilities and results of the subsidiary are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(iv) Going Concern

The 31 December 2018 financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is notwithstanding that the Group generated a loss from continuing activities of \$13,048,442 (2017: loss of \$11,181,127).

Despite the losses incurred, as at 31 December 2018, the Group's current assets exceeded current liabilities by \$30,345,582 (2017: \$45,805,755) which included cash equivalents and short term investments of \$29,638,242 (2017: \$43,916,298).

In consideration of the above, the Directors are of the view that the Group will be able to pay its debts as and when they fall due. As a result, the Group's financial report has been prepared on a going concern basis.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

(v) Accounting Policies

Other than the implementation of the two new accounting standards noted below, the accounting policies adopted are consistent with the previous year.

New accounting standards and interpretations

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 January 2018. Further information is detailed below.

A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

i. Revenue

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 11 Construction Contracts and related interpretations. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has adopted AASB 15 using the cumulative effect method (by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 January 2018). The transition exercise on adopting AASB 15 did not result in an adjustment to the opening balance of equity at 1 January 2018 due to the Group's revenue solely being derived from revenue arising from the disbursement of loans from the lender to the borrower. Revenue from these activities is recognized only once a lender has approved a loan and disbursed the funds to the borrower. As this reflects the underlying performance obligation under AASB 15, the application of AASB 15 has not had a material impact on the Group's financial statements. Comparative information has not been restated and continues to be reported under AASB 118.

ii. Financial Instruments

AASB 9: Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. As a result, the Group has changed its accounting policy for certain financial instruments as detailed below.

The Group has elected to apply AASB 9 on a retrospective basis, however elected not to restate comparative information. This means AASB 9 is applied retrospectively, however the valuation of impacted financial instruments is reflected in opening equity on the initial application date, as opposed to the previous accounting period. The transition exercise on adopting AASB 9 did not result in an adjustment to the opening balance of equity at 1 January 2018.

During the year to December 31, 2018, the Group invested in various short term debt instruments with maturity dates of less than one year (refer note 24). These assets have been classified as financial assets held at Fair Value Through Other Comprehensive Income ('FVOCI') under a hold to collect and sell business model. Other than these short term debt instruments, the adoption of AASB 9 has not had a significant impact on the accounting policies applied to the Group's financial instruments.

Details of accounting policies in respect to the Group's financial instruments are disclosed below.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

The Group's financial instruments are subsequently classified and measured as follows:

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

(i) Financial assets at fair value through Other Comprehensive Income (OCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

(ii) Loans and receivables

Loans and receivable assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Trade receivables represent amounts due from the Group's financial institution partners' from the disbursement of loans performed in the ordinary course of business. They are generally due for settlement within 45 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the group's impairment policies and the calculation of the loss allowance are disclosed below and in the respective notes to the financial statements.

(iii) Financial assets at fair value through Profit or Loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises. The Group does not currently recognise any assets at FVTPL.

(iv) Financial liabilities

Non-derivative financial liabilities are initially measured at fair value and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Other than the conversion feature on the Group's convertible notes which was extinguished in the prior period (refer note 12), the Group does not currently recognise any financial liabilities at FVTPL.

(v) Amortised cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

(vi) Impairment

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' ('ECL') model. The new impairment model is applied to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group has adopted a simplified approach for trade receivables on the initial transition date (1 January 2018) and as there hasn't been a significant increase in credit risk since initial recognition of these assets an amount equal to 12-month ECL is to be recognised. As the ECL assessment has resulted in an immaterial credit loss no impairment allowance has been recognised by the Group (refer note 4).

As the initial recognition date of the short term debt instruments classified as financial assets occurred during the year, no ECL assessment was required on the initial transition date (1 January 2018). The Group has subsequently performed an ECL assessment on the financial assets and no impairment allowance has been recognised due to the credit loss being immaterial (refer note 24).

iii. **Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. All assets are depreciated over their expected useful lives. Plant and equipment are depreciated on a straight-line basis over the asset's expected useful life commencing from the time the asset is ready for use. Depreciation is recognised so as to write off the cost less their residual values over their useful lives, using the straight-line method or the reducing balance method for assets likely to incur accelerated use or obsolescence. The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives used for each class of depreciable assets are:

Office Equipment	5 years
Computer Equipment	3 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

iv. **Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred, unless such expenditure results in an internally-generated intangible asset, in which case it is recognised as a capital expenditure.

An internally-generated intangible asset arising from software development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation starts when the asset is complete and ready for use.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Expected useful life of 3-5 years is used for internally generated intangible assets and the expected useful life of 15 years is used for domain names, trademarks and IP transactions.

v. Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

vi. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

vii. Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, and annual leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

viii. Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences cannot be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

ix. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held-at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

x. Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial period where required by accounting standards or as a result of a change in accounting policy.

xi. Foreign Currency Transactions and Balances

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates i.e., US dollars (functional currency).

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

xii. Revenue from contracts with customers

The Group operates an online marketplace that allows consumers to receive financial product offers from financial institutions. In return for providing these services entered into by consumers through the online marketplace, the financial institutions pay the Group a fee. The fee is payable to the Group based upon the successful disbursement of the loan to the consumer. Revenue from these activities are therefore recognised upon the disbursement of the loan, which occurs at a point in time as this is when the performance obligation is satisfied.

xiii. Critical Accounting Judgements and Estimates

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Group. Significant judgements, estimates and assumptions made by the Group in the preparation of these financial statements are outlined below.

(i) Estimation of useful lives

The estimation of useful lives of assets has been based on historical experience for plant and equipment. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life.

(ii) Impairment of Intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets in the Statement of Financial Position at the end of the respective financial years for the Company is detailed in Note 7 with no impairment loss being recognised.

(iii) Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled transactions are set out in Note 19.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any change in fair value recognised in the profit or loss for the period.

(iv) Fair value measurement

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors of the Group and the Chief Executive Officer determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market – observable data to the extent it is available.

The Chief Executive Officer reports the findings to the board of Directors of the Group to explain the cause of fluctuations in the fair value of the assets and liabilities.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

xiv. New Accounting Standards and Interpretations not yet mandatory or early adopted

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet mandatory and have not been early adopted by the Group for the annual reporting period ended 31 December 2018. This list is not complete, however, it represents the key standards applicable to the Group.

AASB 16: Leases	<p>This standard is applicable to annual reporting years beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.</p> <p>The main changes introduced by the new Standard are as follows:</p> <ol style="list-style-type: none">1. recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);2. depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;3. inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;4. application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and5. inclusion of additional disclosure requirements. <p>The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.</p> <p>The Group will adopt this standard from 1 January 2019 with the impact on the statement of profit or loss and other comprehensive income resulting in operating lease expenditure decreasing and depreciation and finance charges increasing. Management's initial assessment has concluded that the quantum of the impact is not expected to be material to the net assets of the Group when the current operating leases are capitalised in the Group's statement of financial position.</p>
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Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

FY2018
US\$

FY2017
US\$

2. Loss for the Year

The loss for the year includes the following income:

Interest income	438,566	22,596
Other income	122,518	46,832
	<u>561,084</u>	<u>69,428</u>

The loss for the year includes the following specific expenses:

(a) Expenses

Amortisation expense	928,211	710,369
Depreciation	72,859	86,235
	<u>1,001,070</u>	<u>796,604</u>
Rental expense on operating leases	1,198,248	749,835
Finance costs	-	283,521
Other expenses:		
IPO transaction costs	-	1,593,506
Other	66,269	15,030
	<u>66,269</u>	<u>1,608,536</u>

In FY2017, the total transaction costs incurred as part of the IPO were \$2,457,159. The costs directly attributable to issuing of ordinary shares as part of the IPO of \$863,653 have been deducted from equity as disclosed in Note 12.

(b) Employee benefit expenses

Share-based payment expense	1,356,726	380,680
Salaries and wages	8,710,587	5,032,646
Payroll taxes	767,713	455,709
Recruiting	447,045	316,042
Other employee benefits	720,284	403,128
Total employee benefits expense	<u>12,002,355</u>	<u>6,588,205</u>

In addition to the above, total employee costs capitalized to software development intangible asset were \$4,122,387 (2017: \$1,713,596).

3. Cash and Cash Equivalents

Cash at bank	8,075,069	43,916,298
Total cash and cash equivalents	<u>8,075,069</u>	<u>43,916,298</u>

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

FY2018
US\$

FY2017
US\$

4. Trade receivables

CURRENT

Trade receivables	4,220,263	2,881,143
Total trade receivables	<u>4,220,263</u>	<u>2,881,143</u>

Collectability of trade receivables is reviewed on an ongoing basis in accordance with the expected credit loss ("ECL") model. The ECL assessment completed by the Group as at 31 December 2018 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group (2017: \$Nil).

The Group's financial institution partners represent its trade receivables at 31 December 2018. A majority of balances are within their terms of trade. There are no guarantees against these receivables but management closely monitors credit worthiness of its partners as well as the receivable balances and collections on a monthly basis to mitigate any risk.

On a geographical basis, the Group has significant credit risk exposures in the United States of America given the substantial operations in this country. The Group's exposure to credit risk in this region at the end of the reporting period is \$4,220,263 (2017: \$2,881,143). For further details regarding the Group's credit risk, refer to note 23.

5. Other assets

CURRENT

Prepaid expenses	677,045	503,238
Other	11,194	(530)
Security deposits	19,300	249,367
Total other assets	<u>707,539</u>	<u>752,075</u>

NON-CURRENT

Note receivable from KMP (refer to Note 22)	135,280	132,719
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6. Plant and equipment

Computer equipment – at cost	369,939	160,851
Less: Accumulated depreciation	(156,470)	(72,107)
	<u>213,469</u>	<u>88,744</u>
Office equipment – at cost	114,385	88,146
Less: accumulated depreciation	(34,383)	(45,887)
	<u>80,002</u>	<u>42,259</u>
Total plant and equipment	<u><u>293,471</u></u>	<u><u>131,003</u></u>

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

Movements in the carrying amounts for each class of plant and equipment between the beginning and end of the financial year:

	Computer Equipment US\$	Office Equipment US\$	Total US\$
At January 2017, net of accumulated depreciation	56,928	55,423	112,351
Additions	95,756	9,131	104,887
Disposals	-	-	-
Depreciation expense	(63,940)	(22,295)	(86,235)
At December 2017, net of accumulated depreciation	88,744	42,259	131,003
Additions	209,087	26,240	235,327
Disposals	-	-	-
Depreciation expense	(84,362)	11,503	(72,859)
At December 2018, net of accumulated depreciation	213,469	80,002	293,471

7. Intangible assets

All of the Group's intangible assets have finite useful lives. The current amortisation charges for intangibles assets are included under depreciation and amortisation expense per the statement of profit or loss and other comprehensive income.

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

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

Software development costs that meet the above criteria are capitalised. Other development expenditure that does not meet the above criteria is recognised as an expense as incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Software development costs recognised as assets are amortised over their estimated useful lives.

Other intangible assets acquired are initially measured at cost. Internally generated assets, excluding capitalised software development costs, are not capitalised and are recognised in the Income Statement when the expenditure is incurred.

The Group's intangible assets are assessed to be finite. Assets with finite lives are amortised over their useful lives and tested for impairment whenever there are indications that the assets may be impaired.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the greater of fair value less costs to sell or the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recorded if its recoverable amount is less than its carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful life of the intangible asset, from the date it is available for use. The estimated useful lives are as follows:

Capitalised software costs	3-5 years
Intellectual property	15 years
Patents, domains and trademark costs	15 years

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

	FY2018 US\$	FY2017 US\$
Domain name		
At cost	45,000	45,000
Accumulated amortisation	(15,000)	(15,000)
Total Domain name	<u>30,000</u>	<u>30,000</u>
Software development		
At cost	8,955,616	4,857,048
Accumulated amortisation	(2,266,987)	(1,362,595)
Total software development	<u>6,688,629</u>	<u>3,494,453</u>
Trademarks		
At cost	3,840	3,840
Accumulated amortisation	(1,169)	(1,169)
Total trademarks	<u>2,671</u>	<u>2,671</u>
Intellectual property		
At cost	10,664	10,664
Accumulated amortisation	(2,675)	(2,675)
Total Intellectual property	<u>7,989</u>	<u>7,989</u>
Total intangible assets	<u>6,729,289</u>	<u>3,535,113</u>

Movements in the carrying amounts for each class of intangible between the beginning and end of the financial year:

	Software Development US\$	Domain Name US\$	Trademark US\$	Intellectual Property US\$	Total US\$
At January 2017, net of accumulated amortisation	1,947,134	33,000	2,927	8,700	1,991,761
Additions	2,253,721	-	-	-	2,253,721
Disposals	-	-	-	-	-
Amortisation expense	(706,402)	(3,000)	(256)	(711)	(710,369)
At December 2017, net of accumulated amortisation	<u>3,494,453</u>	<u>30,000</u>	<u>2,671</u>	<u>7,989</u>	<u>3,535,113</u>
Additions	4,122,387	-	-	-	4,122,387
Disposals	-	-	-	-	-
Amortisation expense	(928,211)	-	-	-	(928,211)
At December 2018, net of accumulated amortisation	<u>6,688,629</u>	<u>30,000</u>	<u>2,671</u>	<u>7,989</u>	<u>6,729,289</u>

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

	FY2018 US\$	FY2017 US\$
8. Trade and other payables		
CURRENT		
Trade payables	1,854,231	1,288,168
Other payables	2,366,231	455,593
	<u>4,220,462</u>	<u>1,743,761</u>

Refer to Note 23 for information on the Group's financial instruments.

9. Interest in Subsidiary

On 14 September 2017 the Company formed Credible Operations, Inc. and purchased 100% of the share capital consisting solely of ordinary shares for \$250,001. The Subsidiary's principal place of business is in the United States.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Company's financial statement.

There are no significant restrictions over the Company's ability to access or use assets, and settle liabilities, of the Group.

Credible Operations, Inc. has no revenues in 2018 (2017: \$nil). Net Loss of Credible Operations, Inc. included in consolidated profit (loss) of the Group was \$755,390 in 2018. (2017: \$99,352). Out of the \$755,390 loss reported in 2018, it included \$175,000 expense reimbursement to Credible Labs Inc. in accordance with an expense sharing agreement signed between the two entities. This amount was eliminated in the Consolidated Statement of Profit & Loss and Other Comprehensive Income.

10. Tax

	FY2018 US\$	FY2017 US\$
CURRENT		
Income tax payable	-	-
Total	<u>-</u>	<u>-</u>

Numerical reconciliation of income tax expense and tax at the statutory rate

Loss before income tax expense	(13,048,442)	(11,181,127)
At the statutory income tax rate of 28.00% (2017: 42.84%)	(3,653,564)	(4,789,995)
Non-deductible / (non-assessable) items	(6,525)	(167,525)
Total tax losses not recognised	<u>3,660,089</u>	<u>4,957,520</u>
Income tax expense	<u>-</u>	<u>-</u>

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

	FY2018 US\$	FY2017 US\$
The Company's deferred tax assets and liabilities consist of the following:		
Capitalised software development costs	(1,737,676)	(640,050)
Fixed assets	44,595	(7,862)
Net operating losses carried forward	8,332,526	4,347,635
Accruals	165,551	-
Stock based compensation	373,596	108,903
Contribution deduction carryover	2,295	616
Unrealised exchange gain / losses	5,557	(129,242)
Unrecognised deferred tax asset	(7,186,444)	(3,680,000)
	<u>-</u>	<u>-</u>

NON-CURRENT

The amount of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account:

- Temporary differences \$2,112,835 (2017: \$391,139)
- Tax losses: operating losses \$29,774,527 (2017: \$15,534,435)
- Tax losses: capital losses \$nil (2017: \$nil)

The benefits of the above temporary differences and unused tax losses will only be realised if the conditions for deductibility set out in Note 1 occur. Operating losses expire on the following dates if not used:

- 31 December 2033 - \$170,999
- 31 December 2034 - \$860,442
- 31 December 2035 - \$2,885,410
- 31 December 2036 - \$4,194,049
- 31 December 2037 - \$7,423,535
- No expiration date - \$14,240,092
- Total tax operating loss - \$29,774,527

The amount of taxable temporary differences for which no deferred tax liability has been brought forward to account due to the existence of deferred tax assets: \$1,737,676 (2017: \$640,050).

New Legislation

On December 22, 2017, US President Trump signed into law the Tax Cuts and Jobs Act (H.R. 1) (the "Act"). The Act includes a number of changes in existing tax law impacting businesses including, among other things, a permanent reduction in the corporate income tax rate from 34% to 21%. The rate reduction took effect on January 1, 2018. The Company's statutory tax rate for 2018 is 28%, which includes the State of California income tax rate net of Federal tax benefit of 7%.

As the Group is not currently in a tax paying position and based on the historical losses incurred, no deferred tax assets have been recognised by the Group.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

11. Dividends

The Company has not declared or distributed any dividends during the financial year (FY2017: \$Nil).

12. Issued Capital

	FY2018 US\$	FY2017 US\$
9,649,553 Ordinary shares (FY2017: 9,633,368)	65,325,481	65,303,882
489,076 Restricted shares (FY2017: 489,505)	146,405	146,414
Capital raising costs	(863,653)	(863,653)
	<u>64,608,233</u>	<u>64,586,643</u>

Movement in issued capital

	FY2018		FY2017	
	Number of shares	Value \$USD	Number of shares	Value \$USD
Fully paid ordinary shares				
Balance at beginning of the financial year	9,633,368	65,303,882	4,797,883	1,503,565
Issue of new shares	16,185	21,599	1,715,266	38,986,442
Conversion of convertible notes	-	-	587,947	13,710,924
Repurchase of shares	-	-	-	-
Conversion of preference shares	-	-	2,532,272	11,102,951
Balance at the end of the year	<u>9,649,553</u>	<u>65,325,481</u>	<u>9,633,368</u>	<u>65,303,882</u>
Preference shares				
Balance at beginning of the financial year	-	-	2,532,272	11,102,951
Conversion of preference shares	-	-	(2,532,272)	(11,102,951)
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted shares				
Balance at beginning of the financial year	489,505	146,414	421,717	4,500
Issue of new shares	-	-	67,972	141,932
Repurchase of shares	(429)	(9)	(184)	(18)
Balance at the end of the year	<u>489,076</u>	<u>146,405</u>	<u>489,505</u>	<u>146,414</u>

Convertible notes

In December 2016, the Company issued \$10,000,000 convertible notes to 32 investors. The convertible notes paid a coupon of 3% per annum and were convertible to preference shares at maturity of 31 December 2018 or, at a prior date if the Company undertook a transaction that would result in earlier conversion based on the terms of the convertible note.

The number of preference shares to be issued at settlement were variable based on maturity or, on the market price of applicable equity securities on conversion.

The convertible notes were classified as financial liabilities, which comprised a host loan and a conversion feature classified as an embedded derivative. The host loan was initially recognized at fair value of \$10,000,000. Subsequent to initial recognition the host loan was carried at amortise cost using the effective interest method.

The notes were converted on 7 December 2017 at the time of the Company's Initial Public Offering. The value of the conversion feature (embedded derivative) on that date was \$3,427,403. The conversion feature was measured at fair value at each reporting date, with subsequent changes in fair value being reflected in the statement of profit and loss and other comprehensive income.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

12. Issued Capital (continued)

On conversion, the convertible notes were converted into 587,947 ordinary shares of the Company. The total value of \$13,710,924 was contributed to equity, which is comprised of the face value of the convertible notes, \$10,000,000; accrued interest, \$283,521; and derivative liability, \$3,427,403.

Securities on issue

The company had the following securities on issue as at 31 December 2018:

Category	Common Stock	CDI Equivalent
Ordinary shares	9,649,553	241,238,825
Restricted shares	489,076	12,226,900
Options	881,635	22,040,875

The company had the following securities on issue as at 31 December 2017:

Category	Common Stock	CDI Equivalent
Ordinary shares	9,633,368	240,834,200
Restricted shares	489,505	12,237,625
Options	696,182	17,404,550

Ordinary Shares – Common Stock:

Ordinary shares participate in dividends, but not before the full payment of dividends to all Preference shareholders, and the proceeds on winding up in proportion to the number of shares held. At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. 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.

Restricted shares – restricted units of Common Stock:

Restricted Share Units (RSU) relate to shares issued to employees, directors, consultants and advisors of the Company. These were issued at a share price based on the discretion of the Board of Directors at the time of issuance. The RSU's were issued in exchange for services provided by such employees, directors, consultants and advisors and were issued as restricted units of Common Stock of the Company.

Capital Risk Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

Refer to Note 23 for information on the Group's financial instruments.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

13. Earnings per share

Basic earnings / (loss) per share ("EPS") amounts are calculated by dividing the profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary outstanding shares during the year.

Diluted EPS amounts are calculated by dividing the profit / (loss) attributable to ordinary equity holders of the parent by the sum of the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, which include options and restricted stock units granted to employees and directors. These potentially dilutive ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease EPS or increase the loss per share.

The following reflects the income and share data used in the basic and diluted EPS computation:

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

	FY2018 US\$	FY2017 US\$
Loss attributable to ordinary equity holders of the Parent	(13,048,442)	(11,181,127)
	Number	Number
Weighted average number of issued ordinary shares	9,642,461	7,481,599
	US\$	US\$
Basic and diluted loss per share	(1.35)	(1.49)
Basic and diluted loss per CDI	(0.05)	(0.06)

Options over ordinary shares that would be dilutive if the Company was generating a profit have been excluded from the weighted average number of issued ordinary shares as the Company is generating a loss.

14. Reserves

Reserves of the Group consist of the investment revaluation reserve which consists of the movements in fair value of financial assets and the share based payment reserve the purpose of which is to recognise the fair value of the options issued to employees, and other parties for services rendered.

	FY2018 US\$	FY2017 US\$
Investment revaluation reserve	(25,027)	-
Share based payment reserve	1,745,893	389,167
	1,720,866	389,167

The movement in the share based payment reserve during the year amounted to \$1,356,726 (2017: \$380,680).

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

15. Lease commitments

(i) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	FY2018 US\$	FY2017 US\$
Payable – minimum lease payments:		
- not later than 12 months	1,325,817	408,917
- between 12 months and 5 years	2,119,162	-
	<u>3,444,979</u>	<u>408,917</u>

Operating leases represent rental on premises used by the Group. Rental amounts are subject to increases upon the anniversary date of each lease.

16. Events After the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

17. Contingent Liabilities and Contingent Assets

The Company has no material contingent liabilities or contingent assets as at 31 December 2018 (FY2017: \$NIL).

18. Cash flow statement

Reconciliation of Cash Flow used in Operations with Loss after Income Tax

	FY2018 US\$	FY2017 US\$
Loss for the year	(13,048,442)	(11,181,127)
Non-cash flows in loss		
Depreciation and amortisation expense	1,001,070	796,604
Finance costs	-	283,521
Share based payment expense	1,356,726	380,680
Fair value loss on derivative	-	3,427,403
Transaction costs on issue of shares	-	1,593,506
Unrealized loss on foreign exchange	(20,088)	-
Changes in assets and liabilities		
<i>(Increase) / decrease in assets:</i>		
Trade and other receivables	(1,350,844)	(238,470)
Prepaid expenses	(173,807)	(413,899)
<i>Increase/(decrease) in liabilities:</i>		
Trade payables, accruals and other liabilities	2,650,831	830,959
Net cash used in operating activities	<u>(9,584,554)</u>	<u>(4,520,823)</u>

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

18. Cash flow statement (continued)

In FY2017, the total transaction costs incurred as part of the IPO were \$2,457,159. The costs directly attributable to issuing of ordinary shares as part of the IPO of \$863,653 was deducted from equity with the remaining \$1,593,506 recognised in the statement of profit or loss and other comprehensive income.

19. Share-based payments

Credible Labs Inc. has a Stock Incentive Plan for the grant of incentive stock options to employees, consultants and Key Management Personnel of the Company for stock options and restricted shares ("stock options"). Under the Plan share options are granted with exercise prices equal to market prices of the underlying shares on the date of grant. Grants of equity awards are required to be approved by the Board of Directors. Typically stock options are granted with a 4-year vesting schedule where 25% of the stock options vest after 12 months of continuous employment, and the remaining stock options vest either quarterly or monthly over the remainder of the 4-year period (subject to continuous employment).

The maximum aggregate number of Shares that have been reserved for the issuance under the Stock Incentive Plan is 1,850,321. The options carry no entitlements to voting rights or dividends of the Company.

The following table reconciles the outstanding share options granted under the employee share option plan related to options issued prior to the IPO at the beginning and end of the year:

	FY2018		FY2017	
	Number of options	Weighted average exercise price \$USD	Number of options	Weighted average exercise price \$USD
Balance at the beginning of the year	149,806	1.92	54,173	1.25
Granted during the year	-	-	108,306	2.20
Forfeited during the year	(10,741)	1.77	(11,451)	1.52
Exercised during the year	(15,910)	1.34	(947)	1.25
Canceled during the year	(659)	1.61	(275)	1.25
Balance at the end of the year	122,496	1.95	149,806	1.92
Exercisable at the end of the year	62,957	1.93	31,913	1.40

(i) 15,910 options were exercised during the year FY2018 (FY2017: 947)

(ii) Balance at the end of the financial year: The share options outstanding at the end of FY2018 and FY2017 had an weighted average exercise price of US \$1.95 and \$1.92, respectively. The share options had a weighted average remaining contractual life of 8.1 and 8.8 years, respectively.

The following table reconciles the outstanding share options granted under the employee share option plan related to options issued on or after the IPO:

	FY2018		FY2017	
	Number of options	Weighted average exercise price \$USD	Number of options	Weighted average exercise price \$USD
Balance at the beginning of the year	546,376	22.98	-	-
Granted during the year	270,803	20.28	546,376	22.98
Forfeited during the year	(57,284)	20.33	-	-
Exercised during the year	-	-	-	-
Canceled during the year	(756)	25.30	-	-
Balance at the end of the year	759,139	22.22	546,376	22.98
Exercisable at the end of the year	49,250	23.74	-	-

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

- (i) Nil options were exercised during the year FY2018 (FY2017 nil).
- (ii) Balance at the end of the financial year: The share options outstanding at the end of FY2018 had a weighted exercise price of US \$22.22 (FY2017 \$22.98). The share options had a weighted average remaining contractual life of 9.1 years (9.9 years for FY 2017).
- (iii) 380,000 stock options granted in 2017 have a performance-vesting schedule that provides for: a.) 50% vesting if more than \$1.25 billion in loan volume is originated in 2018, or a change of control takes place within nine years from January 1, 2019, b.) 50% vesting if the 20-day volume weighted average price of the CDIs is equal to or exceeds A\$2.42 during 2018 or 2019.
- (iv) For options granted during 2018 and the current financial year, a Black-Scholes methodology was applied. The valuation model inputs used to determine the fair value at the grant date, are as follows:

2018 Option Grants

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-fee interest rate
29 January 2018	28 January 2028	\$25.30	\$25.30	56.00%	0%	2.55%
23 February 2018	22 February 2028	\$21.56	\$21.56	55.98%	0%	2.70%
23 April 2018	22 April 2028	\$17.11	\$17.11	55.51%	0%	2.87%
25 July 2018	24 July 2028	\$17.05	\$17.05	55.28%	0%	2.84%
09 September 2018	08 September 2028	\$15.99	\$15.99	55.06%	0%	2.84%
15 October 2018	14 October 2028	\$17.47	\$17.47	51.59%	0%	3.03%

- (i) The fair value of the options granted is considered to represent the value of the services received over the vesting period and is therefore amortized over this period of time. The amount expensed in FY2018 is \$1,356,726. Of this amount, \$1,027,332 related to option grants for employees where the grants vest over time, and \$329,393 related to performance based options issued to the CEO with vesting subject to the achievement of certain milestones. (2017: \$380,680).

2017 Option Grants

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-fee interest rate
17 May 2017	16 May 2027	\$2.20	\$2.20	56.86%	0%	1.90%
25 July 2017	24 July 2027	\$2.20	\$2.20	57.08%	0%	2.02%
7 December 2017	6 December 2027	\$22.72	\$22.72	56.02%	0%	2.22%
24 December 2017	23 December 2027	\$23.85	\$23.85	56.01%	0%	2.32%

- (i) The fair value of the options granted is considered to represent the value of the services received over the vesting period and is therefore amortized over this period of time. The amount expensed in FY2017 is \$380,680 (2016: \$8,487).

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

20. Key management personnel disclosures

Key Management Personnel

The following persons were considered Key Management Personnel of the Consolidated Entity during the financial year:

Name	Position	Date appointed
Stephen Dash	CEO and Executive Director	November 2012
Dean Dorrell	Non-Executive Director	September 2015
Ruirong Yang	Non-Executive Director	April 2017
Ron Suber	Non-Executive Director	July 2017
Annabelle Chaplain	Non-Executive Director	December 2017
Colin Bowman	Vice President, and Head of Product & Design	June 2014
David Lewis	Vice President, and Head of Partnerships & Operations	September 2014
Jaideep Vijan	Vice President, and Head of Engineering	February 2017
Alan Gellman	Chief Marketing Officer	September 2017
Christopher Bishko	Chief Financial Officer	February 2018
Jessica Rossman	Vice President, Legal and Compliance	July 2018
Jereme Albin	Vice President, Marketplace Operations	July 2018

Compensation

The aggregate compensation made to Directors and Key Management Personnel ("KMP") of the consolidated entity is set below:

	FY2018 US\$	FY2017 US\$
Short-term employee benefits	2,126,032	1,080,103
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	1,146,377	362,571
Total KMP compensation	<u>3,272,409</u>	<u>1,442,674</u>

(i) Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

(ii) Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

(iii) Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

(iv) Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

21. Auditor's Remuneration

The following fees were paid or payable for audit services provided by BDO, Deloitte and other auditors:

	FY2018 US\$	FY2017 US\$
Audit services – BDO		
Auditing or reviewing the financial statements	88,432	60,726
Audit services – Deloitte Touche Tohmatsu – audit	-	71,460
Audit services – Squar Milner – audit	-	6,480
Other services – BDO		
Taxation services	-	-
Due diligence services related to initial public offering	-	103,610
Total remuneration	88,432	242,276

22. Related party transactions

Parent entity

Credible Labs Inc. is the parent entity.

Subsidiaries

Interest in subsidiary are set out in Note 9.

Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

Transactions with related parties

The following transactions occurred with related parties:

	FY2018 US\$	FY2017 US\$
Reimbursement of expenses from SaleCo (i)	-	396,876
Note receivable from KMP (ii)	135,280	132,719
<i>Note receivable from KMP</i>		
Beginning of the year	132,719	-
Note issued	-	132,000
Note repayment received	-	-
Interest charged	2,561	719
Interest received	-	-
End of the year	135,280	132,719
<i>Provision for impairment:</i>		
Beginning of the year	-	-
Doubtful debt expense	-	-
End of the year	-	-
Expense sharing agreement with its wholly owned subsidiary	175,000	-

- (i) As part of the IPO, 12,479,625 CDIs were sold to raise AUD\$15.1 million (equivalent to US\$11.3 million at the time of the IPO) for certain existing shareholders of Credible to realise part of their equity in the Company. The Directors formed a special purpose vehicle, SaleCo, that was established to facilitate the sale of CDIs for selling shareholders. The above transaction represents expenses reimbursed by SaleCo.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

22. Related party transactions (continued)

- (ii) The note receivable was issued to Key Management Personnel in 2017 for the purchase of restricted shares. The note accrues interest at the rate of 1.94% per annum and is due and payable, including interest in 2022. The note is secured 50% by the assets of Key Management Personnel and is also secured by a pledge of certain shares of the Company's restricted shares.
- (iii) The Company signed an expense sharing agreement with its wholly owned subsidiary, Credible Operations Inc. in 2018, in which, Credible Operations Inc. agrees to reimburse the Company for office rental, certain management and technology services in pre-determined rates. Such amounts were \$175,000 in 2018 and it is being eliminated in the Company's consolidated financial statements.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

23. Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short term investments (local money market instruments), accounts receivable and payable.

The Group holds the following financial instruments:

	FY2018 US\$	FY2017 US\$
Financial assets held at fair value through OCI (note 24)		
Short term investments	21,563,173	-
Current financial assets held at amortised cost		
Cash and cash equivalents	8,075,069	43,916,298
Trade receivables	4,220,263	2,881,143
Other assets - Security deposits	19,300	249,367
Non-Current financial assets held at amortised cost		
Financial assets – Restricted cash	579,945	-
Other assets - Note receivable	135,280	132,719
Total financial assets	<u>34,593,030</u>	<u>47,179,527</u>
Financial liabilities held at amortised cost		
Trade and other payables	4,220,462	1,743,761
	<u>4,220,462</u>	<u>1,743,761</u>

The major financial risks that the Group is exposed to through its financial instruments are interest rate, liquidity, credit and currency risk. The Group manages its exposure to key financial risks with the Group's financial risk management policy. The objective of which is to support the delivery of the Group's financial targets, whilst protecting future financial security.

Cash flows expected to be realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

23. Financial Risk Management (continued)

(i) Interest rate risk

The Consolidated Entity's exposure to interest rate risk occurs through its deposits with banks which are exposed to variable interest rates. The Group's short term investments consist mainly of fixed interest rates. In the prior period, the Consolidated Entity held convertible notes of \$10,000,000 which paid a coupon of 3% interest per annum. The convertible notes were converted into 587,947 ordinary shares of the Company on 7 December 2017. Refer Note 12 for further details.

The average interest rate on cash at bank is 2.15% (2017: 1.11%). The average rate of return on the Group's short-term investment is 1.99% (2017: Nil).

The consolidated entity has no bank loans and other borrowings outstanding at 31 December 2018 (2017: Nil).

(ii) Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid cash balances are maintained.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining year at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2018

Consolidated At 31 December 2018	Weighted average interest rate %	Less than 6 months US\$	6 to 12 months US\$	Between 1 and 2 years US\$	Total contractual cash flows US\$
Trade and other payables	-	4,220,462	-	-	4,220,462
Total financial liabilities	-	4,220,462	-	-	4,220,462

2017

Consolidated At 31 December 2017	Weighted average interest rate %	Less than 6 months US\$	6 to 12 months US\$	Between 1 and 2 years US\$	Total contractual cash flows US\$
Trade and other payables	-	1,743,761	-	-	1,743,761
Total financial liabilities	-	1,743,761	-	-	1,743,761

(iii) Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and short term investments.

The Group's financial institution partners represent its trade receivables at 31 December 2018. A majority of balances are within their terms of trade. There are no guarantees against these receivables but management closely monitors credit worthiness of its partners as well as the receivable balances and collections on a monthly basis to mitigate any risk. The class of assets described as "trade receivables" is considered to be the main source of credit risk related to the Group.

The maximum exposure to credit risk at 31 December 2018 is the carrying value of financial assets recorded in the financial statements, net of any allowances for losses.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

23. Financial Risk Management (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables.

	Gross	FY18 US\$ Provision	Gross	FY17 US\$ Provision
Ageing of debtors				
Not past due	4,188,039	-	2,734,854	-
Past due 0 - 90 days	22,274	-	65,725	-
Past due 90 – 180 days	9,950	-	80,564	-
Past due 180+ days	-	-	-	-
	<u>4,220,263</u>	<u>-</u>	<u>2,881,143</u>	<u>-</u>

The majority of balances are within the Group's terms of trade. Whilst an immaterial amount of the balance is outside of these terms of trade, none of the balances are considered uncollectable. Based on the Group's history of recovering all debts and in accordance with the Group's credit assessment, no expected credit loss has been recognised in relation to the above receivables.

The Group's exposure to credit risk on its short term investments is considered low. All these investments are rated BBB+ or higher and have maturity dates within 9 months. Collectability of these short term investments is reviewed on an ongoing basis in accordance with the Group's expected credit loss ("ECL") model. The ECL assessment completed by the Group as at 31 December 2018 has resulted in an immaterial credit loss and no impairment allowance has been recognised by the Group.

24. Fair value measurement

The Group has carried out a fair value assessment of its short term financial assets and liabilities at 31 December 2018 in accordance with AASB 13 Fair Value Measurement. Due to the short term of these financial assets and liabilities, the carrying value did not materially differ from fair value as of this date. Further details in respect to the fair value of the Group's hold to collect and sell investments are disclosed below.

a. Valuation Techniques

These financial assets represent the Group's hold to collect and sell investments.

These assets are measured at Fair Value Through Other Comprehensive Income. They are measured or disclosed in the financial assets categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – the fair value is calculated using quoted prices in active markets
- Level 2 – the fair value is estimated using inputs other than quoted prices. These have been disclosed in (b) below.
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The financial assets are classified as level 1 and level 2 as noted below.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

24. Fair value measurement (continued)

b. Financial Instruments

The following table represents a comparison between the cost and fair values of financial assets and liabilities and recurring and non-recurring fair value measurement amounts and the level of the fair value hierarchy within which the fair value measurements are categorised at 31 December 2018:

	Level 1	Level 2			Total US\$
	US Government Treasuries	Corporate Bonds	Commercial Paper	Asset Backed	
	US\$	US\$	US\$	US\$	
Balance at 31 December 2017	-	-	-	-	-
Investment during the period	3,985,389	9,499,033	3,354,502	4,645,380	21,484,304
Change in fair value	(5,369)	(13,663)	-	(5,995)	(25,027)
Return	17,323	73,981	-	12,592	103,896
Balance at 31 December 2018	3,997,343	9,559,351	3,354,502	4,651,977	21,563,173
Current	3,997,343	9,559,351	3,354,502	4,651,977	21,563,173
Non-Current	-	-	-	-	-
Total:	3,997,343	9,559,351	3,354,502	4,651,977	21,563,173

As noted above, the carrying values of the Group's other financial assets and liabilities approximate fair due to their short term nature. As a result, these balances have not been included in the above table.

c. Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 31 December 2018 US\$	Valuation Techniques	Inputs Used
Level 2			
Corporate bonds	9,559,351	Various market and industry inputs	Bloomberg, Standard & Poors
Commercial paper	3,354,502	Matrix pricing	Bloomberg
Asset backed securities	4,651,977	Various market and industry inputs	Bloomberg, Standard & Poors

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2018

25. Reliance on key financial institutions

The vast majority of the Company's revenue is derived from its top three financial institution partners. This is mostly a result of these financial institutions providing either broader or more competitive products on the Marketplace. Based on revenue for the year ended 31 December 2018, the revenue-weighted average expiry (including automatic renewals) on agreements with these financial institutions is two years. If a lender terminates its agreement with the Company or if the Company cannot maintain or renew the contracts with these key financial institutions, the share of the Company's revenue from other financial institution partners will likely increase and may result in a greater diversification of revenue across financial institution partners. However, the loss of one or more of these financial institution partners could have an adverse impact on the Company's business.

26. Operating segments

For the year ended 31 December 2018 the Group was domiciled in the United States of America and operated an online marketplace that allows consumers to receive financial product offers from financial institutions. As such, management's view is that there is only one operating and geographical segment.

Credible Labs Inc. and Subsidiary

BAN 0487439 (ARBN 621 866 813)

Directors Declaration

For the financial year ended 31 December 2018

In the Directors' opinion:

1. the attached financial statements and notes thereto comply with the Australian Accounting Standards;
2. the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year then ended; and
3. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Stephen Dash

Founder and CEO

San Francisco, 27 February 2019 PST (28 February 2019 AEST)

INDEPENDENT AUDITOR'S REPORT

To the members of Credible Labs Inc.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Credible Labs Inc. (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the Group's financial position as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 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 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.

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in the revenue recognition accounting policy in Note 1 xii, the Group's revenue is derived from contracts with lenders based on the disbursement of loans generated from the Group's online platform.</p> <p>The recognition of revenue was considered a key audit matter as it is a key performance indicator to the users of the financial statements and as such is of high interest to stakeholders.</p>	<p>To determine whether revenue was appropriately accounted for and disclosed within the financial report, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> • Evaluated the revenue recognition policies for all material sources of revenue and from our detailed testing performed below, ensured that revenue was being recognised appropriately, in line with Australian Accounting Standards and policies disclosed within the financial statements. This included ensuring that revenue was recognised in accordance with the requirements of AASB 15: Revenue from Contracts with Customers. • Obtained third party confirmations from the Group's largest financial services partners and agreed these balances to the revenue recognised by the Group during the financial year. • Tested a sample of revenue transactions generated from other financial services partners to evaluate whether they were appropriately recorded as revenue. This included checking the amounts recorded to supporting evidence and third party confirmation where appropriate. • Performed detailed cut-off testing to ensure that revenue transactions around the year end had been recorded in the correct period.

Capitalisation of software development costs

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 7, the Group had capitalised software development costs of \$6.69 million as at 31 December 2018, representing a net increase of \$3.2 million compared to the prior year. The software development costs relate to the directly</p>	<p>To determine whether the capitalised software development costs had been appropriately accounted for and disclosed, we undertook, amongst other, the following audit procedures:</p>

attributable costs incurred in developing the Group's online platform.

These capitalised software development costs were considered a key audit matter due to the relative size of the balance in the consolidated statement of financial position and the judgement involved in assessing whether the criteria for capitalisation is in accordance with the requirements of Australian Accounting Standard AASB 138: Intangible Assets.

- Discussed the capitalisation policy / methodology with management and assessed its reasonableness in line with AASB 138.
- Performed recalculations of Group's capitalisation methodology to verify the additions capitalised during the year.
- Performed substantive testing of employee benefits expenses to validate the reasonableness of the underlying expenses capitalised during the financial year.
- Reviewed the amortisation policy applied by the Group in comparison with other software development companies.
- Reviewed management's impairment assessment and the expected useful life of the capitalised software development costs.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders which is expected to be made available to us after that date.

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.

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the

directors determine is necessary to enable the preparation of the financial report that 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.

BDO East Coast Partnership



Martin Coyle
Partner

Sydney, 28 February 2019