

Air Volution Limited

ABN: 96 119 964 000

Financial report

For the year ended 31 December 2022

TABLE OF CONTENTS

Directors' report	1 - 4
Auditor's independence declaration	5
Financial report	
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to financial statements	10 - 18
Directors' declaration	19
Independent auditor's report	20 - 23

AIR VOLUTION LIMITED

ABN: 96 119 964 000

DIRECTORS' REPORT

The directors present their report together with the financial report of Air Volution Limited, "the Company" for the year ended 31 December 2022 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the year are:

George Michael Kain

Francis De Neefe

Jan Mennega

Russell Fitts

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The loss of the company for the year after providing for income tax amounted to \$703,691 (2021: \$457,190).

Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

The financial statements have been prepared on the basis of realising the assets and liabilities, as opposed to a going concern basis. The Company is reliant on ongoing support of creditors and future capital raising to provide funding for the continuing market development ambitions. As the timing and success of any future capital raising is not certain, the financial statements have been prepared on a realisation basis.

In the interim the Company has made arrangements with creditors and other suppliers as to payment terms. Creditors continue to support the business through this period.

AIR VOLUTION LIMITED

ABN: 96 119 964 000

DIRECTORS' REPORT

Principal activities

The principal activity of the company during the year was commercialisation and development of compressed air based transport products.

No significant change in the nature of these activities occurred during the year.

After balance date events

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

Likely developments

The likely developments in the operations of the Company and the expected results of those operations in subsequent financial years are as follows:

The Company's aim continues to be the manufacture of compressed air based transport products. The Company is awaiting delivery of the chosen MDI SA compressed air engine technology and products to fulfil this aim.

MDI SA's current activity is centered around the development of the Green'Air compressed air buggies and golf cart range, being a small versatile vehicle suitable for golf courses, resorts and industrial spaces. MDI SA has informed the Company that MDI is seeking capital to finalise the production line prior to manufacturing.

The Company continues to be reliant on capital raising to meet ongoing obligations. When more certainty on the MDI SA delivery timetable is obtained these capital raising activities will be increased.

Environmental regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

AIR VOLUTION LIMITED**ABN: 96 119 964 000****DIRECTORS' REPORT****Information on directors**

George Michael Kain	Appointed 30 June 2006
Experience	Private investor. Responsible for securing funding and corporate development of the entity.
Special responsibilities	Director
Francis De Neefe	Appointed 27 June 2008
Experience	Significant previous experience in the marketing and promoting of innovative technologies. Large private investor in Air Volution Limited.
Special responsibilities	Non-executive Director
Jan Mennega	Appointed 16 October 2015
Experience	Significant previous executive experience in corporate advisory and in the development of early stage and growth businesses.
Special responsibilities	Director
Russell Fitts	Appointed 31 May 2006
Qualifications	Diploma in Valuation and Farm Management
Experience	Past executive of the Regional Federated Farmers. Past Associate Member of the New Zealand Institute of Valuers and a retired Senior Member of the Property Institute of New Zealand. Chairman of Air Future Group.
Special responsibilities	Director

Options

Options over unissued ordinary shares granted by Air Volution Limited during or since the financial year, including options granted to the directors and any of the 5 most highly remunerated officers of the company (other than the directors) were as follows:

Directors	Options granted
George Michael Kain	5,000,000
Jan Maarten Mennega	5,000,000
Russell Hamilton Fitts	5,000,000
Francis Xavier DeNeefe	1,500,000

Shares issued on exercise of options

No shares were issued during the year or up to the date of this report on exercise of options.

DIRECTORS' REPORT

Indemnification of officers

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the company.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.


Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the Board of Directors.

Director: 

Russell Fitts

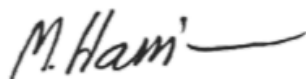
Dated this *twenty sixth* day of April 2023

AIR VOLUTION LIMITED
ABN: 96 119 964 000

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AIR VOLUTION LIMITED - AUD 2022

In relation to the independent audit for the year ended 31 December 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.



M J HARRISON
Partner



PITCHER PARTNERS
Melbourne

Date: 28 April 2023

AIR VOLUTION LIMITED

ABN: 96 119 964 000

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Revenue and other income			
Other income		<u>2,476</u>	<u>4,527</u>
		<u>2,476</u>	<u>4,527</u>
Less: expenses			
Director fees		(455,000)	(448,000)
Other expenses		<u>(251,167)</u>	<u>(13,717)</u>
		<u>(706,167)</u>	<u>(461,717)</u>
Loss before income tax expense		(703,691)	(457,190)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Share based payments expensed		<u>228,004</u>	<u>-</u>
		<u>228,004</u>	<u>-</u>
Other comprehensive income for the year		<u>228,004</u>	<u>-</u>
Total comprehensive income		<u><u>(475,687)</u></u>	<u><u>(457,190)</u></u>

The accompanying notes form part of these financial statements.

AIR VOLUTION LIMITED
ABN: 96 119 964 000

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	3	105	262
Receivables	4	<u>2,414</u>	<u>1,088</u>
Total current assets		<u>2,519</u>	<u>1,350</u>
Non-current assets			
Receivables	4	<u>3</u>	<u>3</u>
Total non-current assets		<u>3</u>	<u>3</u>
Total assets		<u>2,522</u>	<u>1,353</u>
Current liabilities			
Payables	5	<u>3,578,239</u>	<u>3,109,236</u>
Total current liabilities		<u>3,578,239</u>	<u>3,109,236</u>
Total liabilities		<u>3,578,239</u>	<u>3,109,236</u>
Net assets		<u>(3,575,717)</u>	<u>(3,107,883)</u>
Equity			
Share capital	6	4,248,824	4,248,824
Reserves	7	528,540	292,683
Accumulated losses	8	<u>(8,353,081)</u>	<u>(7,649,390)</u>
Total equity		<u>(3,575,717)</u>	<u>(3,107,883)</u>

The accompanying notes form part of these financial statements.

AIR VOLUTION LIMITED

ABN: 96 119 964 000

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Contributed equity	Reserves	Accumulatd losses	Total equity
	\$	\$	\$	\$
Balance as at 1 January 2021	4,248,824	292,683	(7,192,200)	(2,650,693)
Loss for the year	<u>-</u>	<u>-</u>	<u>(457,190)</u>	<u>(457,190)</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>(457,190)</u>	<u>(457,190)</u>
Balance as at 31 December 2021	<u>4,248,824</u>	<u>292,683</u>	<u>(7,649,390)</u>	<u>(3,107,883)</u>
Balance as at 1 January 2022	4,248,824	292,683	(7,649,390)	(3,107,883)
Loss for the year	-	-	(703,691)	(703,691)
Other comprehensive income for the year	<u>-</u>	<u>228,004</u>	<u>-</u>	<u>228,004</u>
Total comprehensive income for the year	<u>-</u>	<u>228,004</u>	<u>(703,691)</u>	<u>(475,687)</u>
Balance as at 31 December 2022	<u>4,248,824</u>	<u>520,687</u>	<u>(8,353,081)</u>	<u>(3,583,570)</u>

The accompanying notes form part of these financial statements.

AIR VOLUTION LIMITED

ABN: 96 119 964 000

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Cash flow from operating activities			
Payments to suppliers and employees		<u>(15,153)</u>	<u>(39,442)</u>
Net cash used in operating activities		<u>(15,153)</u>	<u>(39,442)</u>
Cash flow from investing activities			
Proceeds from related party loans		<u>15,153</u>	<u>37,713</u>
Net cash provided by investing activities		<u>15,153</u>	<u>37,713</u>
Reconciliation of cash			
Cash at beginning of the financial year		262	1,991
Net increase / (decrease) in cash held		-	(1,729)
Foreign exchange differences on case holdings		<u>(157)</u>	<u>-</u>
Cash at end of financial year	11(a)	<u><u>105</u></u>	<u><u>262</u></u>

The accompanying notes form part of these financial statements.

AIR VOLUTION LIMITED

ABN: 96 119 964 000

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards - Simplified Disclosures. This includes compliance with the recognition and measurement requirements of all Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the disclosure requirements of AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The financial report covers Air Volution Limited as an individual entity. Air Volution Limited is a company limited by shares, incorporated and domiciled in Australia. Air Volution Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors at the date of the directors' report.

The following are the significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the company's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the financial statements.

Presentation of Statement of financial position

The statement of financial position has been presented on a liquidity basis in line with the requirements of Realisation Basis of Accounting outlined in Note 1(b).

(b) Realisation Basis of Accounting

The financial statements have been prepared on the basis of realising the assets and liabilities, as opposed to a going concern basis. The Company is reliant on ongoing support of creditors and future capital raising to provide funding for the continuing market development ambitions. As the timing and success of any future capital raising is not certain, the financial statements have been prepared on a realisation basis.

In the interim the Company has made arrangements with creditors and other suppliers as to payment terms. Creditors continue to support the business through this period.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets

Options to Licence

The MDI Enterprise SA Option has, subject to periodic extensions, an indefinite life and is carried at cost less impairment losses.

Other intangible assets other than those acquired in a business combination are initially recorded at cost. Other intangible assets are amortised on a straight-line basis over the period of 20 years. The balances are reviewed annually and amounts are written off to the extent the realisable future benefits are considered to be no longer probable.

(d) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use (where 'value in use' is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measured at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income, except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

AIR VOLUTION LIMITED

ABN: 96 119 964 000

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Foreign currency transactions and balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the company's functional and presentation currency.

Transactions and Balances

Transactions undertaken in foreign currencies are recognised in the company's functional currency, using the spot rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities classified as held-for-trading, contingent consideration payable by the company for the acquisition of a business, and financial liabilities designated at fair value through profit or loss (FVtPL), are subsequently measured at fair value.

All other financial liabilities recognised by the company are subsequently measured at amortised cost.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-Company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other receivables arise from the company's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

(h) Share based payments

The company measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity settled share-based payments will have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

AIR VOLUTION LIMITED

ABN: 96 119 964 000

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(j) Other revenue and other income

All revenue is measured net of the amount of goods and services tax (GST).

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the company's accounting policies, management makes various judgements that can significantly affect the amounts recognised in the financial statements. In addition, the determination of carrying amounts of some assets and liabilities require estimation of the effects of uncertain future events. Outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amounts of those assets and liabilities affected by the assumption.

The following outlines the major judgements made by management in applying the company's accounting policies and/or the major sources of estimation uncertainty, that have the most significant effect on the amounts recognised in the financial statements and/or have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(a) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment and future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a minimum period of 1 year (maximum of five years). Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future.

NOTE 3: CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at bank	<u>105</u>	<u>262</u>

AIR VOLUTION LIMITED
ABN: 96 119 964 000

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	\$	\$
NOTE 4: RECEIVABLES		
CURRENT		
Other receivables		
- GST Input Credits	<u>2,414</u>	<u>1,088</u>
NON-CURRENT		
Amounts receivable from:		
- Associated companies	<u>3</u>	<u>3</u>

AIR VOLUTION LIMITED

ABN: 96 119 964 000

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	\$	\$
NOTE 5: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	2,630	4,899
Amounts payable to:		
- Air Future Ltd	369,077	330,078
- Directors	3,205,484	2,774,259
Sundry creditors and accruals	<u>1,048</u>	<u>-</u>
	<u><u>3,578,239</u></u>	<u><u>3,109,236</u></u>
NOTE 6: SHARE CAPITAL		
Issued and paid-up capital		
174,620,652 (2021: 174,620,652) Ordinary shares	(a) <u><u>4,248,824</u></u>	<u><u>4,248,824</u></u>
	2022	
	Number	\$
(a) Ordinary shares		
Opening balance	<u>174,620,652</u>	<u>4,248,824</u>
At reporting date	<u><u>174,620,652</u></u>	<u><u>4,248,824</u></u>
NOTE 7: RESERVES		
Share based payments reserve	<u>528,540</u>	<u>292,683</u>
	<u><u>528,540</u></u>	<u><u>292,683</u></u>
NOTE 8: ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(7,649,390)	(7,192,200)
Net loss	<u>(703,691)</u>	<u>(457,190)</u>
	<u><u>(8,353,081)</u></u>	<u><u>(7,649,390)</u></u>

AIR VOLUTION LIMITED
ABN: 96 119 964 000

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 9: RELATED PARTY TRANSACTIONS

(a) Director options

In the 2017 financial year, each director was granted share options in the company as outlined below. During the 2020 financial year, an additional 500,000 options were granted to Francis DeNeefe. Options were granted with an exercise price of \$0.06 and may be exercised at any time up until their expiry date of 31 December 2026. In 2022 Financial Year an additional 5,000,000 was issued to Jan Maarten Mennega, George Michael Kain, Russell Hamilton Fitts and 1,500,000 to Francis Xavier DeNeefe and may be exercised at any time up until their expiry date of 31 December 2029. None of the option holders exercised their options in the current financial year.

Russell Fitts	10,670,000	5,670,000
Jan Mennega	14,180,000	9,180,000
George Michael Kain	10,670,000	5,670,000
Francis DeNeefe	<u>2,000,000</u>	<u>500,000</u>
	<u>37,520,000</u>	<u>21,020,000</u>

(b) Related party balances

Closing balance of loans owed to Air Future Ltd	<u>371,542</u>	<u>330,067</u>
---	----------------	----------------

NOTE 10: KEY MANAGEMENT PERSONNEL COMPENSATION

Directors are remunerated as key management personal, no amounts were paid in the year. Amounts outstanding are identified in Note 5 and options issued and outstanding are identified at Note 9. Remuneration accrued and value attributed to options was:

<u>683,004</u>	<u>448,000</u>
----------------	----------------

AIR VOLUTION LIMITED
ABN: 96 119 964 000

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2022	2021
\$	\$

NOTE 11: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank	<u>105</u>	<u>262</u>
	<u>105</u>	<u>262</u>

NOTE 12: COMPANY DETAILS

The registered office of the company is:

Air Volution Limited
C/- Walker Partners
Level 1, Suites 9-11
40 Burgundy Street
Heidelberg VIC 3084

AIR VOLUTION LIMITED
ABN: 96 119 964 000

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 6 - 18, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards - Simplified Disclosures and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position as at 31 December 2022 and performance for the year ended on that date of the Company.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director: 

Russell Fitts

Dated this *twenty sixth* day of April 2023

AIR VOLUTION LIMITED
ABN: 96 119 964 000

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIR VOLUTION LIMITED - AUD 2022

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Air Volution Limited, "the Company", which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards - Simplified Disclosures and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Emphasis of Matter - Realisation basis of preparation

Without qualifying our opinion, we draw attention to Note 1 (b) in the financial report which indicates that the financial statements have been prepared on the basis of realising the assets and the liabilities, as opposed to a going concern basis. The Company is reliant on ongoing support of creditors and future capital raising to provide funding for the continuing market development ambitions. As the timing and success of

AIR VOLUTION LIMITED
ABN: 96 119 964 000

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIR VOLUTION LIMITED - AUD 2022

any future capital raising is not certain, the financial statements have been prepared on a realisation basis. In the interim the Company has made arrangements with creditors and other suppliers as to payment terms. Creditors continue to support the business through this period.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

AIR VOLUTION LIMITED
ABN: 96 119 964 000

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIR VOLUTION LIMITED - AUD 2022**

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.

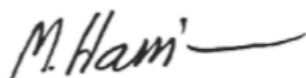
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AIR VOLUTION LIMITED
ABN: 96 119 964 000

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIR VOLUTION LIMITED - AUD 2022



M J HARRISON

Partner



PITCHER PARTNERS

Melbourne

Date 28 April 2023