



LAG FOUNDATION LTD ABN: 32 624 664 204

Financial Statements
For the period ended 30 June 2019

Message from the Chairperson

Privacy is the most important issue facing the future of tech. With the development of our privacy technologies and digital rights activism, we are paving the way for the long term growth and success of the foundation.

Serving our community

We are devoted to our community, and maintaining transparency, engagement, and dedication to the people who are involved with the project is core to our values. With decentralisation being integral to the architecture of our foundation, our community plays an especially important role in governance and decision-making.

The ongoing development of our network is supported directly by you — our community. Everything created by the foundation is open-source, and we benefit enormously from the open-source community, with people checking and contributing to our code to ensure it remains secure, current, and cutting-edge. We've also continued utilising Loki Improvement Proposals (LIPs) to publicly consult the community on major network decisions, such as the addition of [Checkpointing](#) and [Blink](#) to the blockchain. This consultation gives our community a unique stake in our project, and through these discussions we ensure the direction of our foundation is always in the best interest of those our foundation serves.

Connecting with the global community

This year we have engaged more directly with the human rights initiatives and principles that have guided our foundation since its inception. We established a digital rights engagement arm to begin consulting, collaborating, and contributing to the digital rights causes like privacy.

Technology is an important part of our global future; our foundation has a part to play in ensuring technology is helping to protect and uphold the human rights we hold dear. The technology we design and develop has these rights at its core, but our new engagement arm is tasked with putting that technology in the hands of the people who need it most: activists, journalists, and other vulnerable groups.

Engaging new people

The release of Session is perhaps our foundation's biggest achievement in its short history. Session represents a whole new world of potential for the Foundation and the network it is developing. Our decentralised network has always been designed to support privacy-preserving applications and services that can be used by the wider community.

Messengers have become a commonplace technology used by virtually every person with a mobile phone. The grim reality is that the majority of messenger offerings compromise the privacy and security of the people who use them. Session is the first application of its kind, and offers a level of privacy and security which is unmatched by existing messengers.

Session can be used not only by people involved in blockchain and distributed technologies, but by anyone. It's the first installment in our vision for a wide-ranging stack of privacy-preserving technologies which rise in popularity over the coming years.

Executing our strategy

The foundation is committed to the continued creation and popularisation of open-source privacy software. Currently, our focus is squarely on developing and marketing Session as a mainstream messenger. We intend to leverage Session to prove privacy need not be sacrificed to create convenient, sleek, mainstream software.

The widespread adoption of Session will bring further attention to our foundation, blockchain, token, and the network as a whole. We envision a future where our network supports a range of privacy technologies — and Session is the trailblazer which will pave the way.

A handwritten signature in black ink, appearing to read "Simon Harman".

Simon Harman

DECLARATION OF INDEPENDENCE BY GEOFF ROONEY TO THE DIRECTORS OF LAG FOUNDATION LTD

As lead auditor of LAG Foundation Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of section 60-40 of the *Australian Charities and Not-for-profit Commission Act 2012* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of LAG Foundation Ltd during the period.



Geoff Rooney
Director

BDO Audit Pty Ltd

Sydney

20 May 2021

LAG Foundation Ltd

ABN: 32 624 664 204

Financial Statements For the Period Ended 30 June 2019

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LAG FOUNDATION LTD
ABN: 32 624 664 204
STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Income	2	4,382,104	7,251,913
Other Income	2	72,705	5,327
Gains on sale of Cryptocurrency		192,697	(874,650)
Management Fees – Rangeproof Pty Ltd	9	(1,891,850)	(538,406)
Listing Fees		(430,952)	-
ICO Costs		-	(373,313)
Consulting and Accounting expenses		(169,977)	(30,175)
Cryptocurrency written off due to Cryptopia Liquidation		(96,364)	-
Legal expenses		(37,584)	(54,941)
Rental expenses		(70,000)	(16,707)
Wages and Salaries		(17,654)	-
Auditor Remuneration		(12,000)	(30,000)
Other expenses		(51,931)	(94)
Profit for the year		1,869,194	5,338,954
Other comprehensive income for the year		-	-
Total profit and other comprehensive income for the year		1,869,194	5,338,954

The accompanying notes form part of these financial statements.

LAG FOUNDATION LTD
ABN: 32 624 664 204
STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	5,214,434	7,315,543
Other receivables	4	53,242	36,333
Prepayments	5	-	70,000
TOTAL CURRENT ASSETS		5,267,676	7,421,876
NON-CURRENT ASSETS			
Intangible assets	6	1,969,081	2,235,981
TOTAL NON-CURRENT ASSETS		1,969,081	2,235,981
TOTAL ASSETS		7,236,757	9,657,857
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	5,156	16,171
Accrued liabilities		23,453	30,997
Provisions	8	-	4,271,735
TOTAL CURRENT LIABILITIES		28,609	4,318,903
TOTAL LIABILITIES		28,609	4,318,903
NET ASSETS		7,208,148	5,338,954
EQUITY			
Retained earnings		7,208,148	5,338,954
TOTAL EQUITY		7,208,148	5,338,954

The accompanying notes form part of these financial statements.

LAG FOUNDATION LTD
ABN: 32 624 664 204
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019

Note	Retained Earnings \$	Total \$
Balance at 30 June 2018	5,338,954	5,338,954
Comprehensive Income		
Profit for the period	1,869,194	1,869,194
Total comprehensive income attributable to members of the entity	1,869,194	1,869,194
Balance at 30 June 2019	7,208,148	7,208,148

The accompanying notes form part of these financial statement

LAG FOUNDATION LTD
ABN: 32 624 664 204
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(2,173,814)	(407,284)
Interest received		72,705	5,327
Net cash flows from operating activities		(2,101,109)	(401,957)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of Cryptocurrency		-	7,717,500
Net cash flows from investing activities		(2,101,109)	7,717,500
Net increase in cash and cash equivalents		(2,101,109)	7,315,543
Cash and cash equivalents at beginning of the financial period		7,315,543	-
Cash and cash equivalents at end of the financial period	3	5,214,134	7,315,543

The accompanying notes form part of these financial statements.

LAG FOUNDATION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

The financial statements cover LAG Foundation Ltd (the “Company” or the “Foundation”), incorporated 26 February 2018 and domiciled in Australia. LAG Foundation Ltd is a Company limited by guarantee.

The financial statements were authorised for issue on 20 May 2021 by the directors of the Company.

Corporate information

The Foundation has been established to be a charity for purposes beneficial to the community generally and for the advancement of education. It will achieve these purposes through the following activities:

- a) facilitating the development of an open source, highly secure, decentralised data transmission network that allows individuals, business and government to freely transact and communicate without the threat of malicious third-party interference;
- b) ensuring the continuing development of the secure network by funding independent development projects;
- c) providing education and support to developers seeking to build apps utilising the secure network;
- d) ensuring the open source network is developed as a genuinely decentralised system absent any external control or influence to ensure the independence, security and longevity of the network;
- e) raising moneys to fund the activities and charitable objectives of the Foundation, including through the offering of the Loki cryptocurrency; and
- f) all other such activities as are ancillary or incidental to the above purposes

The Foundation has developed Loki which provides users with tools to interact online in an anonymous, decentralised, secure, and private way. By combining a private transaction network, the \$LOKI cryptocurrency, and economically incentivised Service Nodes, Loki has created a trustless, quorum-based onion router called Lokinet. Built into Lokinet is Session — a decentralised, anonymous, and private messaging service. Front end applications, known as Service Node Apps (SNApps), operate on Lokinet, and will allow browser integration and contribution from our open-source community.

The Foundation’s ability to continue as a going concern

The Foundation is of the opinion that it is appropriate for the financials to be prepared using the going concern assumption as its basis, despite the existence of conditions which cast uncertainty on the assumption. The conditions being:

- The Foundation conducted its token sale during the 2018 financial year which has been the primary source of funds for the project. During the 2019 financial year the provision for the Initial Coin Offering (ICO) was fully released to revenue and the project continues without a significant source of revenue.
- The cash outflow paid to Rangeproof Pty Ltd (“Rangeproof”) for the development of the project is significant relative to the cash funds available.
- The current market and depth of volume is unlikely to support the consistent sale of the Foundation’s tokens received from the block reward.

The Foundation has implemented the following plans to mitigate the uncertainties caused by the above conditions:

- The decision to enter the decentralised finance (DeFi) space with the Chainflip project. As at the issue date the Foundation has started receiving a management fee from the Chainflip project.
- The sale of a portion of the Foundation’s Bitcoin holdings into AUD to support the ongoing operational costs.

The Foundation has also made the following significant judgment in their going concern assessment:

- The current AUD value of the Foundation’s Bitcoin holdings will support the Foundations operations until a time at which the market can support the ongoing sale of tokens received from the block reward.

Note 1 Significant Accounting Policies

Accounting Policies

The directors have prepared the financial statements on the basis that the Foundation is a reporting entity. These financial statements are general purpose financial statements prepared under the reduced disclosure requirements of the Australian Accounting Standards (AAS).

The Foundation is in the business of digital currencies and is required to make judgments as to the application of AAS and the selection of its accounting policies. The Foundation has disclosed its presentation, recognition and derecognition, and measurement of digital currencies, and the recognition of income as well as significant assumptions and judgments, however, if specific guidance is enacted by the AASB in the future, the impact may result in changes to the Foundation’s earnings and financial position as presented.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

Accounting Policies (continued)

The financial statements have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* including complying with the Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-Profits Commission Regulation 2013. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Income

In applying the accounting treatment of the ICO the Foundation has exercised significant judgment in determining the appropriate accounting treatment for the recognition of income relating to the ICO funds. In the event any future authoritative guidance is enacted by the AASB, the Foundation may be required to change its policies which could result in a change in the Company's financial position and earnings.

Income from the ICO funds has been recognised on a straight-line basis over a period of time associated with the delivery of key milestones that have been determined as constructive obligations, as described further below.

(i) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of reporting period.

The directors have determined that the below milestones represent a constructive obligation that the company has to the token holders:

Milestones / Constructive Obligations		
Number	Constructive Obligation	Date of Delivery
Milestone 1	Launch of Mainnet	3-May-18
Milestone 2	Early Marketing Drive	31-Jul-18
Milestone 3	Service Nodes go live on Mainnet	1-Sep-18
Milestone 4	Loki Messenger goes live on Mainnet	1-Jul-19

As the Foundation delivers on these milestones the funds raised from the ICO will be recognised as income. Income associated with the three milestones delivered in this reporting period are recognised in the statement of profit and loss.

(ii) Ongoing Token Sales

Following the ICO, the Foundation has since sold a portion of the tokens held to interested parties. These amounts have also been included as income and are reported at market value in AUD at the date of sale.

(b) Fair value measurement

The Foundation measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Foundation would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques.

These valuation techniques maximise, to the extent possible, the use of observable market data.

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To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at-call with banks.

(d) Current and non-current classification

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

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

(e) Income tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

(f) Intangible assets

Digital assets consist of Bitcoin and Loki. Digital assets meet the definition of intangible assets in AAAS 138 - *Intangible Assets* as they are identifiable non-monetary assets without physical substance. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an exchange of digital currencies is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The Foundation considers digital assets to be intangible assets with indefinite useful lives. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually.

An impairment describes a permanent reduction in the value of an asset. When testing an asset for impairment the total profit, cash flow, or other benefit expected to be generated by that specific asset is periodically compared with its recorded value. If it is determined that the recorded value of the asset exceeds the future cash flow or benefit of the asset, the difference between the two is written off.

The Foundation considers that for Bitcoin and holdings an active market exists that allows for a reasonable quoted price as the basis of fair value calculations. For Loki holdings, the Foundation considers that markets are not active to the extent that a reasonable fair value calculation may be made.

The Foundation's determination to classify its holding of digital assets as non-current assets is based on management's assessment that it is not the intention to sell the holding in the short term.

Where the Foundation is settling a liability for the purchase of goods and services where the price was established in the functional currency, the difference between the liability settled and the fair value of the digital assets transferred is recognised as a gain or loss on sale. Otherwise, the transaction is measured based on the fair value of the digital assets exchanged. Any difference between the fair value of the digital assets exchanged and the carrying amount of the digital assets is recognised in profit and loss.

(g) Leases

At the end of the reporting period the Foundation had no significant lease agreements.

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(h) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Foundation during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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

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

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

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

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

(j) Critical accounting estimates and judgements

The preparation of the Foundation's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Foundation has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Foundation. The following are the estimates and assumptions that have been made in applying the Foundation's accounting policies that have the most significant effect on the amounts in the financial statements:

Provisions and related Income from ICO Funds

The Foundation has exercised significant estimates and judgements surrounding the provision for funding. The milestones have been determined after careful consideration of the constructive obligations and estimates surrounding their delivery dates are based on information available at the time this report was prepared.

ICO Costs

The Foundation has exercised significant judgements surrounding the treatment of the ICO costs in expensing them in the period that they were paid. There was consideration of the how costs related to the funding and whether there were alternative methods of recognition, however, it was determined recording these costs as an expense was reflective of the underlying nature of the costs.

(k) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the entity. The directors have decided not to early adopt any of the new and amended pronouncements. Their assessment of the pronouncements that are relevant to the entity but applicable in future reporting periods is set out below:

The significant accounting requirements of *AASB 1058 – Income of Not-for-Profit Entities* are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.
- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be

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controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.

A private sector not-for-profit entity may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services should be measured at fair value and any excess over the related amounts (such as contributions by owners or revenue) immediately recognised as income in profit or loss.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. For this purpose, a completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with

AASB 1004: Contributions

Although the directors anticipate that the adoption of AASB 1058 may have an impact on the entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

		2019	2018
		\$	\$
Note 2	Income		
Income			
Income recognised from release of Provision for Funding		4,271,734	7,251,913
Income from Sale of Tokens		101,370	-
Total Income		7,251,913	7,251,913
Other Income			
Interest received		72,705	5,327
Total Other Income		72,705	5,327
Total Income		4,454,809	7,257,240
Note 3	Cash and cash equivalents		
Cash and cash equivalents			
Cash at Bank		7,315,543	5,214,434
Total Cash and cash equivalents		7,315,543	5,214,434
Note 4	Other receivables	2019	2018
		\$	\$
Other Receivables			
GST		53,242	36,333
Total Other Receivables		53,242	36,333

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FOR THE PERIOD ENDED 30 JUNE 2019

Note 5 Prepayments

Prepaid Expenses

Prepaid Rent in Advance	-	70,000
Total Prepayments	-	70,000

Note 6 Intangible Assets

Intangible Assets

Bitcoin Holdings	1,476,348	2,220,848
Loki Holdings	424,126	15,133
BNB Holdings	68,607	-
Total Intangible Assets	1,969,081	2,235,981

Note 7 Trade and Other Payables

Accounts Payable

Trade Creditors	-	16,171
PAYG Withholdings Payable	4,170	-
Superannuation Payable	855	-
Wages Payable	131	-
Total Accounts Payable	5,156	16,171

Note 8 Provisions

Provision For Funding

Opening Balance	4,271,735	-
Arising during the period	-	4,271,735
Released to income (Note 2)	(4,271,735)	-
Closing Balance	-	4,271,735

Note 9 Related Party Transactions

a. Key Management Personnel

The key management personnel of the Foundation are individuals and associated entities that have control or significant influence over the Foundation.

Short term employee benefits	17,654	-
Payments to Founders and Advisers (AUD value of tokens)	18,288	-
35,942	-	

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b. Rangeproof Pty Ltd Management Fee

Rangeproof has a general service agreement with the Foundation to provide services on an ongoing basis, payments are separately requested and approved by the Foundation on a bi-monthly basis.

The service agreement was awarded to Rangeproof following an invitation by the Foundation to public individuals and companies to submit proposals to carry out the software development and project management in accordance with the Loki Project's goals.

The total management fee paid to Rangeproof during the period for ongoing Software Development, Marketing, Research and Development, Data Analytics, Administration, Bookkeeping, Documentation services, Public Relations and Network Performance Testing was:

	2019	2018
	\$	\$
Rangeproof Pty Ltd – Management Fees – AUD	1,891,850	216,254
Rangeproof Pty Ltd – Initial Seed Funding received prior to incorporation of LAG Foundation – AUD value of Ethereum	-	322,152
Total Management Fee Paid	1,891,850	538,406

The Foundation acquired 100% of shareholding of Rangeproof Pty Ltd subsequent to year-end, for further detail, refer to Note 15(5).

Note 10 Commitments

The Foundation has a service agreement with Rangeproof to provide services to the Foundation. This contract covers services until 1 July 2018. As of the date of issue the Foundation has renewed its contract with Rangeproof with the most recent contract due to expire 1 July 2020.

Note 11 Contingent Liabilities

The Company has no contingent liabilities at the conclusion of the reporting date.

Note 12 Cash Flow Information

Reconciliation of Cash Flows from Operating Activities with Net Current Year Surplus

Net current year profit	1,869,194
Adjustment for:	
<i>Change in operating assets and liabilities:</i>	
(Increase)/decrease in Other Receivables	(16,909)
Increase/(decrease) in Provisions	(4,271,734)
Increase/(decrease) in Accrued Liabilities	(7,544)
Increase/(decrease) in Trade and Other Payables	(11,015)
(Increase)/decrease in Prepayments	70,000
(Increase)/decrease in Intangible assets	266,900
Net Cash used during operating activities	(2,101,109)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

Note 13 Entity Details

LAG Foundation was incorporated on 26 February 2018

The registered office of the entity is:

Level 1 / 452 Flinders Street
Melbourne VIC 3000
Australia

The principal place of business is:

Level 4 / 460 Collins Street
Melbourne VIC 3000
Australia

Note 14 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the entity. At 30 June 2019 the number of members was 10.

Note 15 Events after the reporting period

The Foundation notes that the following events have occurred after the reporting period:

- 1) The cryptocurrency market has experienced significant volatility following the end of the reporting period and continues to be volatile. This has affected the value of the cryptocurrency holdings held by the Foundation. At the end of reporting period the market value for 1 Bitcoin was \$17,630 AUD which has increased to a market value of \$75,413 AUD as at 31 March 2021.
- 2) On 11 March 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 coronavirus to be a global pandemic. The identification of the COVID-19 coronavirus and its spread is considered to be a non-adjusting subsequent event. The impact of the COVID-19 pandemic is ongoing and while it has been financially positive for the Foundation up to 30 June 2019, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.
- 3) The team has rebranded the network, blockchain and accompanying token to Oxen and has begun the process to rename the LAG Foundation to OPT Foundation.
- 4) The Foundation has announced its entrance into the DeFi space with the Chainflip project. Chainflip is a decentralised, trustless protocol that enables cross chain swaps between different blockchains. Chainflip can support any L1 or any future L2 transaction types which allows users to swap between major blockchains without any wrapped tokens, special wallets, or specialised software. For regulatory reasons, the Chainflip project separated from the Foundation and will be developed in its own entity with its own team. Because the Foundation has already contributed to the Chainflip project through developer resources and expertise, it has negotiated with the Chainflip team to be reimbursed for its contributed resources.
- 5) The Foundation has acquired the full shareholding of Rangeproof Pty Ltd. As of 30 June 2020 the activities of Rangeproof will be included in the Foundation's reports as part of the consolidated group

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Foundation's operations, the results of those operations, or the Foundation's state of affairs in future financial years.

LAG FOUNDATION LTD
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DIRECTORS DECLARATION
FOR THE PERIOD ENDED 30 JUNE 2019

In the opinion of the directors of LAG Foundation Ltd (the "Foundation"):

- 1 The financial statements and notes of the Foundation are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (a) give a true and fair view of the financial position of the Foundation as at 30 June 2019 and of its performance for the period ended on that date; and
 - (b) comply with Australian Accounting Standards – Reduced Disclosure Requirements, and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- 2 There are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subs 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.

Director



Simon Harman

Dated

20 May 2021

Director



Chris McCabe

Dated

20 May 2021

INDEPENDENT AUDITOR'S REPORT

To the members of LAG Foundation Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of LAG Foundation Ltd (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of LAG Foundation Ltd, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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 *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of 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 - Reduced Disclosure Requirements and the ACNC Act, 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, 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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'Geoff Rooney'. Above the signature, the letters 'BDO' are written in a smaller, stylized font.

Geoff Rooney
Director

Sydney, 20 May 2021