# Simavita Limited interim financial statements and MD&A – 31 December 2013

**For Immediate Release** **February 28, 2014**

**Sydney, Australia** – Simavita Limited ("Simavita" or the "Company") (ASX: SVA; TSX-V: SV) advises that the attached condensed interim financial statements and management discussion and analysis for the six-month period ended 31 December 2013 was filed with the TSX Venture Exchange on 28 February 2014.

For further information, please visit our website (www.simavita.com) or contact the persons listed below.

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**About Simavita**

Simavita is a medical device company that has developed an innovative, world first solution for the management of urinary incontinence, with a focus on the elderly. The first product is the SIM™ platform technology which is an instrumented incontinence assessment application that provides evidence based incontinence management care plans to the residential aged care market.

**About SIM™**

SIM™ is a wireless sensor technology that delivers evidence-based instrument incontinence data on individuals. SIM™ provides user friendly tools and software to assess the incontinence condition and to help plan better outcomes. SIM™ is used to detect, record and report incontinence events during a compulsory or recommended assessment period in residential aged care facilities to develop an evidence-based incontinence care plan.

Conducting assessments is mandatory in many countries and the incontinence assessment creates an influential element of care of each individual. For more information on Simavita or SIM™, please visit www.simavita.com.

*The TSX Venture Exchange has in no way passed upon the merits of the transactions set out herein and has neither approved nor disapproved the contents of this press release. Neither TSX Venture Exchange not its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this Release.*

*Forward-Looking Information*

This document may contain "forward-looking information" within the meaning of Canadian securities laws ("forward-looking information"). This forward-looking information is given as of the date of this document.

Forward-looking information relates to future events or future performance and reflects Simavita management's expectations or beliefs regarding future events and includes, but is not limited to, information with respect to the successful completion of the listing of Simavita on the ASX and the closing of the prospectus offering. Assumptions upon which such forward-looking information is based include that Simavita will be able to successfully execute on its business plans. Many of these assumptions are based on factors and events that are not within the control of Simavita and there is no assurance they will prove to be correct.

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "potential", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or information that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By its very nature forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Simavita to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, risks related to actual results of current business activities; changes in business plans and strategy as plans continue to be refined; other risks of the medical devices and technology industry; delays in obtaining governmental approvals or financing or in the completion of development activities; as well as those factors detailed from time to time in Simavita's interim and annual financial statements and management's discussion and analysis of those statements. Although Simavita has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Simavita provides no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

# SIMAVITA LIMITED

## (formerly GTECH INTERNATIONAL RESOURCES LIMITED)

CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited)
(Expressed in Australian dollars)

FOR THE SIX MONTHS ENDED

DECEMBER 31, 2013 and DECEMBER 31, 2012

# NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the six month period ended December 31, 2013 have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# SIMAVITA LIMITED

**(formerly GTECH INTERNATIONAL RESOURCES LIMITED)**

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
## AS AT DECEMBER 31, 2013 AND JUNE 30, 2013

**(Unaudited)**
**(Expressed in Australian dollars)**

| | Notes | December 31, 2013 | June 30, 2013 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 7,916,072 | 737,978 |
| Trade and other receivables | 7 | 323,318 | 1,146,806 |
| Inventories | 8 | 522,041 | 331,873 |
| Other assets | 9 | 77,738 | 12,312 |
| Total Current Assets | | 8,839,169 | 2,228,969 |
| Non-Current Assets | | | |
| Property, plant and equipment | 10 | 121,439 | 183,803 |
| Intangible assets | 11 | 64,695 | 76,685 |
| Total Non-Current Assets | | 186,134 | 260,488 |
| Total Assets | | 9,025,303 | 2,489,457 |
| **Liabilities and Shareholders' Equity** | | | |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 804,535 | 742,777 |
| Interest-bearing liabilities | 13 | - | 6,777,465 |
| Provisions | 14 | 210,199 | 190,199 |
| Total Current Liabilities | | 1,014,734 | 7,710,441 |
| Non-Current Liabilities | | | |
| Interest-bearing liabilities | 13 | - | 3,369,678 |
| Total Non-Current Liabilities | | - | 3,369,678 |
| Total Liabilities | | 1,014,734 | 11,080,119 |
| **Shareholders' Equity** | | | |
| Authorised capital (unlimited number of common shares without par value) | | | |
| Share capital – 57,776,494 shares | 15 | 40,508,685 | 18,602,287 |
| Reserves | 16 | 1,471,630 | 1,469,980 |
| Deficit | | (33,969,746) | (28,662,929) |
| Total Shareholders' Equity | | 8,010,569 | (8,590,662) |
| Total Liabilities and Shareholders' Equity | | 9,025,303 | 2,489,457 |

The accompanying notes are an integral part of these condensed financial statements

# SIMAVITA LIMITED

## (formerly GTECH INTERNATIONAL RESOURCES LIMITED)

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
## AS AT DECEMBER 31, 2013 AND JUNE 30, 2013

**(Unaudited)**
**(Expressed in Australian dollars)**

Approved and authorized by the Board on February 28, 2014

| | |
|---|---|
| "*Peter C. Cook*" | "*Thomas G. Howitt*" |
| PETER C. COOK<br>*Chairman and Director* | THOMAS G. HOWITT<br>*Finance Director* |

The accompanying notes are an integral part of these condensed financial statements

# SIMAVITA LIMITED

## (formerly GTECH INTERNATIONAL RESOURCES LIMITED)

## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

**(Unaudited)**
**(Expressed in Australian dollars)**

| | Share capital | | Reserves | Deficits | |
|---|---|---|---|---|---|
| | **Number of shares** | **Amount $** | **Contributed surplus $** | **$** | **Totals $** |
| Balance at July 1, 2012 | 5,168,167 | 18,764,144 | 1,474,025 | (21,277,118) | (1,038,949) |
| Net loss for the period | - | - | - | (3,826,374) | (3,826,374) |
| Balance at December 31, 2012 | 5,168,167 | 18,764,144 | 1,474,025 | (25,103,492) | (4,865,323) |
| Balance at July 1, 2013 | 5,168,167 | 18,602,287 | 1,469,980 | (28,662,929) | (8,590,662) |
| Share consolidation (1 for 3) | (3,445,445) | - | - | - | - |
| Issue of ordinary shares to owners of Simavita Holdings | 22,151,434 | 9,686,357 | - | (88,741) | 9,597,616 |
| Issue of common shares for cash | 33,902,338 | 13,899,963 | - | - | 13,899,963 |
| Equity transaction costs | - | (1,679,922) | - | - | (1,679,922) |
| Foreign currency | - | - | 1,650 | - | 1,650 |
| Net loss for the period | - | - | - | (5,218,076) | (5,218,076) |
| Balance at December 31, 2013 | 57,776,494 | 40,508,685 | 1,471,630 | (33,969,746) | 8,010,569 |

The accompanying notes are an integral part of these condensed financial statements

# SIMAVITA LIMITED

## (formerly GTECH INTERNATIONAL RESOURCES LIMITED)

## CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
## FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012

**(Unaudited)**
**(Expressed in Australian dollars)**

| | Three-month period ended December 31, | | Six-month period ended December 31, | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **$** | **$** | **$** | **$** |
| Revenue | 75,957 | 72,743 | 151,283 | 178,976 |
| Cost of sales | (11,135) | (36,449) | (32,407) | (91,204) |
| Gross profit | 64,822 | 36,294 | 118,876 | 87,772 |
| Other income / (losses) | (45,046) | 21,064 | (88,178) | 32,887 |
| Expenses | | | | |
| Employee benefits | (322,033) | (325,515) | (542,436) | (658,824) |
| Finance costs | (58,683) | (292,265) | (320,694) | (426,649) |
| General and administration | (1,479,695) | (827,327) | (2,317,094) | (1,094,543) |
| Occupancy costs | (92,499) | (69,122) | (175,533) | (151,430) |
| Research and development | (497,599) | (449,976) | (1,031,344) | (737,183) |
| Sales, marketing and distribution | (435,154) | (454,474) | (861,673) | (878,404) |
| Total expenses | (2,885,663) | (2,418,679) | (5,248,774) | (3,947,033) |
| Loss before income tax | (2,865,887) | (2,361,321) | (5,218,076) | (3,826,374) |
| Income tax benefit | - | - | - | - |
| Loss for the period | (2,865,887) | (2,361,321) | (5,218,076) | (3,826,374) |
| Deficit at the beginning of the period | (31,015,118) | (22,742,171) | (28,662,929) | (21,277,118) |
| Deficit at the end of the period | (33,881,005) | (25,103,492) | (33,881,005) | (25,103,492) |
| Basic and diluted loss per common share | (0.12) | (0.30) | (0.35) | (0.48) |
| Weighted average number of common shares outstanding | 24,310,771 | 7,945,423 | 14,739,469 | 7,945,423 |

The accompanying notes are an integral part of these condensed financial statements

# SIMAVITA LIMITED

## (formerly GTECH INTERNATIONAL RESOURCES LIMITED)

## CONDENSED INTERIM STATEMENTS OF CASH FLOWS
## FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012

**(Unaudited)**
**(Expressed in Australian dollars)**

| | Six-month period ended December 31, | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| **Cash flows used in operating activities** | | |
| Loss for the period | (5,218,076) | (3,826,374) |
| *Non-cash items* | | |
| Depreciation and amortisation | 102,187 | 108,956 |
| Accrued interest | (20,344) | - |
| Net foreign exchange gains | 1,650 | - |
| *Changes in assets and liabilities* | | |
| (Increase)/decrease in receivables | 823,488 | 1,185,518 |
| (Increase)/decrease in inventories | (190,168) | (18,140) |
| (Increase)/decrease in other assets | (65,426) | 11,585 |
| Increase/(decrease) in payables | (190,050) | (238,144) |
| Increase/(decrease) in provisions | 20,000 | 27,146 |
| Net cash flows used in operating activities | (4,736,739) | (2,749,453) |
| **Cash flows used in investing activities** | | |
| Purchases of plant and equipment | (13,579) | (50,716) |
| Purchases of intangible assets | (14,254) | (6,544) |
| Cash received on reverse takeover | 181,786 | - |
| Net cash flows used in investing activities | 153,953 | (57,260) |
| **Cash flows used in financing activities** | | |
| Proceeds from the issue of shares by parent | 13,899,963 | - |
| Proceeds from the issue of shares by Simavita Holdings | 2,000,000 | - |
| Equity transaction costs | (1,679,922) | - |
| Net movement in borrowings | (2,460,786) | 3,515,671 |
| Net cash flows used in financing activities | 11,759,255 | 3,515,671 |
| Net increase/(decrease) in cash and cash equivalents held | 7,176,469 | 708,958 |
| Cash and cash equivalents at the beginning of period | 737,978 | 1,484,049 |
| Net foreign exchange differences | 1,625 | - |
| **Cash and cash equivalents at the end of period** | 7,916,072 | 2,193,007 |

The accompanying notes are an integral part of these condensed financial statements

## 1. Nature and continuance of operations

Simavita Limited (formerly Gtech International Resources Limited, the "Company") was incorporated under the laws of the Yukon Territory on May 28, 1968 and continued under the laws of the Province of British Columbia, Canada on November 20, 2013.

These condensed consolidated interim financial statements of the Company as at and for the period ended December 31, 2013 comprise Simavita Limited and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Simavita Limited is the ultimate parent entity of the Group.

On December 3, 2013, Company completed the acquisition of Simavita Holdings Limited ("Simavita Holdings") (refer Note 17). The Group's continuing operations will initially focus on the sale and distribution of a range of innovative products derived from its proprietary incontinence management technology, with an initial emphasis on the US marketplace through an existing distribution arrangement. Simavita Holdings is located in Sydney, Australia.

## 2. Qualifying transaction and reverse takeover

On December 3, 2013, the Company completed a qualifying transaction ("QT") in accordance with TSX Venture Exchange Inc. ("TSX-V") Policy 2.4 whereby the Company acquired all the issued shares of Simavita Holdings Limited on the basis of one share in the Company for one share in Simavita Holdings. Under the terms of the transaction, the Company issued a total of 22,151,434 common shares as consideration for the acquisition of 100% of the issued and outstanding shares of Simavita Holdings. Immediately prior to the issue of the above new shares, as part of the QT, the Company consolidated its share capital on the basis of three old shares for each new share. On December 3, 2013, being the date on which the QT was completed, the fair value of the net liability (cash and accounts payable) of the Company was $88,741.

Legally, the Company is the parent of Simavita Holdings. However, as a result of the above share exchange, control of the Group passed to the former shareholders of Simavita Holdings which, for accounting purposes, is deemed to be the acquirer. For financial reporting purposes, the transaction has been treated as a reverse takeover and therefore these condensed consolidated interim financial statements have been prepared as a continuation of Simavita Holdings. The following accounting principles have been employed:

(a) the assets and liabilities of Simavita Holdings were recognized and measured at their pre-combination carrying amounts;

(b) the deficit and other equity balances are the retained deficit and other equity balances of Simavita Holdings immediately prior to the share exchange transaction;

(c) the amount recognized as issued equity instruments is determined by adding the fair value attributable to the net assets of the Company (accounting acquiree) to the issued equity of Simavita Holdings (accounting acquirer) immediately prior to the share exchange transaction. In the Company's case, the net liabilities are changed to deficit. However, the equity structure appearing in these condensed consolidated interim financial statements (the number and type of equity instruments issued) reflect the equity structure of the Company, including the equity instruments issued by the Company to effect the combination; and

(d) comparative information presented in these condensed consolidated interim financial statements is that of Simavita Holdings.

## 2. Qualifying transaction and reverse takeover (cont.)

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2013.

## 3. Summary of significant accounting policies

**(a) Basis of preparation**

These condensed interim financial statements have been prepared under the historical cost convention, as modified by the measurement of the available-for-sale investments at fair value, where applicable.

The preparation of these condensed interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**(b) Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and entities controlled by the Company (its subsidiaries), being Simavita Holdings Limited, Simavita (Aust.) Pty. Ltd., Simavita US, Inc. and Fred Bergman Healthcare Pty. Ltd. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These condensed consolidated interim financial statements are prepared using the principles of reverse takeover accounting as described in Note 2. Intracompany balances and transactions, including any unrealized income and expenses arising from any intracompany transactions, are eliminated in preparing the condensed consolidated interim financial statements.

The functional and presentation currency of the Company and its subsidiaries is the Australian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 3. Summary of significant accounting policies (cont.)

### (c) Changes in accounting policies

During the period ended December 31, 2013, the Company changed some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on July 1, 2013. The affected policies are IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements.*

Other new standards that are applicable for the first time for the period ended December 31, 2013 are IFRS 13 *Fair Value Measurement*, IFRS *(2009-2011 Project Cycle)*. These standards have introduced new disclosures for the interim report but did not affect the Group’s accounting policies or any of the amounts recognized in the financial statements.

### (d) Impact of standards issued but not yet applied by the entity

- *IFRS 9 Financial Instruments* (effective January 1, 2017)

  IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2017 but is available for early adoption. When adopted, the standard will affect in particular the Group’s accounting for its available-for-sale financial assets, since IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

  The standard is not expected to have an impact on the Group’s accounting for financial instruments. All available-for-sale financial assets have been designated as not held for trading, such that fair value gains and losses are recognised in other comprehensive income. The derecognition rules have been transferred from IFRS *139 Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt IFRS 9.

- *Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycle (effective July 1, 2014)*

  In December 2013, the IASB approved a number of amendments to International Financial Reporting Standards as a result of the annual improvements project. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

### (e) Foreign currency translation

The functional and presentation currency of Simavita Limited and its Australian subsidiaries is the Australian dollar (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

## 3. Summary of significant accounting policies (cont.)

### (e) Foreign currency translation (cont.)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined.

As at the reporting date, where appropriate, the assets and liabilities of these subsidiaries are translated into the presentation currency of Simavita Limited at the rate of exchange ruling at the balance sheet date and the statement of comprehensive income is translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

### (f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. All costs relating to acquisitions are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## 3. Summary of significant accounting policies (cont.)

### (g) Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than common shares, by the weighted average number of common shares outstanding during the financial year. Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential common shares and the weighted average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

### (h) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

*Sale of goods*

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Rendering of services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period; and
- Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold.

*Interest revenue*

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## 3. Summary of significant accounting policies (cont.)

### (i) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the group. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the group other than the requirement to operate in certain regions or industry sectors.

### (j) Share-based payments

The Company provides benefits to employees in the form of share-based payment transactions, whereby officers and employees render services and receive rights over shares ("equity-settled transactions"). The cost of these transactions is measured by reference to the fair value at the date they are granted. The fair value of options granted is determined using a Black-Scholes option pricing model.

In valuing equity-settled transactions, no account is taken of any non-market performance conditions. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the relevant vesting conditions are fulfilled, ending on the date that the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best information available at balance date.

No expense is recognized for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The Company's policy is to treat the share options of terminated employees as forfeitures.

### (k) 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 taxable 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 is it unpaid (or refundable).

*Deferred tax*

Deferred tax is accounted for in respect of temporary differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

## 3. Summary of significant accounting policies (cont.)

### (k) Income tax (cont.)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset 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 as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

*Tax consolidation*

Simavita Holdings Limited (the “head entity”) and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. As at December 31, 2013, the Group had not yet generated a profit from the commercialisation of its intellectual property. Accordingly, no deferred tax assets from carried forward tax losses and temporary differences have yet been recognised.

### (l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the Company’s immediate cash requirements, and earn interest at the respective short-term deposit rates.

## 3. Summary of significant accounting policies (cont.)

### (m) Trade and other receivables

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. Such evidence includes an assessment of the debtor's ability and willingness to pay the amount due. The amount of the allowance/impairment loss is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

### (n) Inventories

Inventories principally comprise finished goods and raw materials and are valued at the lower of cost and net realisable value. Inventory costs are recognised as the purchase price of items from suppliers plus freight inwards and any applicable landing charges. Costs are assigned on the basis of weighted average cost.

### (o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the respective asset as follows:

Office equipment – 2.5 years
Equipment under lease – 3 years
Testing equipment – 3.33 years
Motor vehicles – 3.33 years
Furniture and fittings – 5 years

Costs relating to day-to-day servicing of any item of property, plant and equipment are recognised in profit or loss as incurred. The cost of replacing larger parts of some items of property, plant and equipment are capitalised when incurred and depreciated over the period until their next scheduled replacement, with the replacement parts being subsequently written off.

### (p) Intangible assets

*Patents*

Patents held by the Group, which are used in the manufacture of its incontinence system and electronic device components, are carried at cost and amortized on a straight-line basis over their useful lives, being from 5 to 10 years. External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

## 3. Summary of significant accounting policies (cont.)

### (p) Intangible assets (cont.)

*Research and development costs*

Costs relating to research and development activities are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured.

### (q) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset’s value-in-use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at its revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless it reverses a decrement previously charged to equity, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (r) Trade and other payables

Trade payables and other payables are carried at amortised cost and 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 these goods and services. Trade payables and other payables generally have terms of between 30 and 60 days.

## 3. Summary of significant accounting policies (cont.)

### (s) Leases

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the financed item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease and hire purchase payments are apportioned between finance charges and a reduction of the associated liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. Capitalised leased assets and assets under hire purchase are depreciated over the shorter of the estimated useful life of the asset or the term of the agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

### (t) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expenses for non-accumulating sick leave are recognised when the leave is taken during the year and are measured at rates paid or payable.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits are recognised against profits on a net basis in their respective categories.

### (u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## 3. Summary of significant accounting policies (cont.)

**(v) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of common shares are recognised directly in equity as a deduction, net of tax, of the proceeds received.

**(w) Reclassifications**

Certain reclassifications have been made in the financial statements to ensure that prior period comparatives conform to current year presentations.

**(x) Mineral properties and deferred costs**

The Company has written-off all of its mineral property interests and retains a residual royalty entitlement in respect of its Aurex exploration property.

## 4. Critical accounting estimates and judgments

Estimates and judgements are evaluated and based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of certain assets and liabilities within the next annual reporting period are set out below.

*Impairment of intangible assets*

The Group determines whether intangible assets are impaired on at least a bi-annual basis, in accordance with the accounting policies stated in Notes 2(p) and 2(q). This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated.

*Share-based payments transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using a Black-Scholes options pricing model.

*Useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leased equipment) and patent terms (for patents). In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life and adjustments to useful lives are made when considered necessary.

**(Expressed in Australian dollars)**

## 4. Critical accounting estimates and judgments (cont.)

**(b) Critical judgements in applying the Group's accounting policies**

*Research and development costs*

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured. In addition to the costs incurred by the Company's research and development group are also included. The costs of research and development are expensed in full in the period in which they are incurred. The Group will only capitalise its development expenses when specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

## 5. Exploration agreements

CANADA; YUKON TERRITORY

*Aurex Property* - *Mayo Mining District*

The Company previously had a 100% interest in this property, which consisted of 155 mineral claims. On August 16, 2001, the Company agreed with Yukon Zinc Corp. ("Yukon Zinc") to accept CAD 84,000, to be paid by the issue of 600,000 common shares in Yukon Zinc, as final settlement for the sale of the property. The property was subsequently sold to StrataGold Corporation which was purchased by Victorian Gold Corp. in June 2009. Simavita retains a 1.5% royalty on the project which Victorian Gold Corp. may purchase from the Company for CAD 1,000,000.

*Revenue Creek Area* - *Whitehorse Mining District*

The Company previously owned 69 mineral claims which it sold to ATAC Resources Limited ("ATAC"), a Canadian public company, on January 16, 2002. The Company agreed to accept 200,000 common shares in ATAC and a cash payment of CAD 5,000 in final settlement for the transfer of the project. Simavita retains a 1.5% net smelter royalty which ATAC may purchase from the Company for CAD 600,000.

## 6. Cash and cash equivalents

| | **December 31, 2013** | **June 30, 2013** |
|---|---|---|
| | **$** | **$** |
| Cash at bank and on hand | 2,916,072 | 737,978 |
| Short-term deposits | 5,000,000 | - |
| Total cash and cash equivalents | 7,916,072 | 737,978 |

**(Expressed in Australian dollars)**

| | December 31, 2013 | June 30, 2013 |
|---|---|---|
| | $ | $ |

## 7. Trade and other receivables

| | December 31, 2013 $ | June 30, 2013 $ |
|---|---|---|
| Trade receivables | 43,211 | 19,700 |
| GST receivable | 280,107 | 89,190 |
| R&D tax concession receivable | - | 1,037,916 |
| Total trade and other receivables | 323,318 | 1,146,806 |

## 8. Inventories

| | December 31, 2013 $ | June 30, 2013 $ |
|---|---|---|
| Finished goods and raw materials | 522,041 | 331,873 |
| Total inventories | 522,041 | 331,873 |

## 9. Other assets

| | December 31, 2013 $ | June 30, 2013 $ |
|---|---|---|
| Prepayments and deposits | 77,738 | 12,312 |
| Total other assets | 77,738 | 12,312 |

## 10. Property, plant and equipment

| | December 31, 2013 $ | June 30, 2013 $ |
|---|---|---|
| Office equipment, at cost | 154,911 | 164,970 |
| Less: accumulated depreciation | (135,248) | (134,966) |
| Net office equipment | 19,663 | 30,004 |
| Furniture and fittings, at cost | 130,745 | 130,745 |
| Less: accumulated depreciation | (98,323) | (89,179) |
| Net furniture and fittings | 32,422 | 41,566 |
| Testing equipment, at cost | 14,168 | 16,888 |
| Less: accumulated depreciation | (14,168) | (12,440) |
| Net testing equipment | - | 4,448 |
| Motor vehicles, at cost | 42,599 | 43,082 |
| Less: accumulated depreciation | (41,936) | (35,305) |
| Net motor vehicles | 663 | 7,777 |
| Rental assets, at cost | 175,799 | 175,799 |
| Less: accumulated depreciation | (107,108) | (75,791) |
| Net rental assets | 68,691 | 100,008 |
| Total property, plant and equipment | 121,439 | 183,803 |

**(Expressed in Australian dollars)**

| | December 31, 2013 | June 30, 2013 |
|---|---|---|
| | $ | $ |

## 11. Intangible assets

| | | |
|---|---|---|
| Patents, at cost | 144,803 | 145,415 |
| Less: accumulated amortization | (80,108) | (68,730) |
| Total intangible assets | 64,695 | 76,685 |

## 12. Trade and other payables

| | | |
|---|---|---|
| Trade payables | 397,708 | 447,907 |
| GST payable | 7,969 | 4,317 |
| Other payable | 398,858 | 290,553 |
| Total trade and other payables | 804,535 | 742,777 |

## 13. Interest-bearing liabilities

| | | |
|---|---|---|
| Balance at the beginning of the period | 10,147,143 | 6,631,472 |
| Net repayments of loans in cash | (2,460,786) | 3,515,671 |
| Conversion of loans into equity | (7,686,357) | - |
| Balance at the end of the period | - | 10,147,143 |
| *Reconciled as follows:* | | |
| Current interest-bearing liabilities | - | 6,777,465 |
| Non-current interest-bearing liabilities | - | 3,369,678 |
| Total interest-bearing liabilities | - | 10,147,143 |

## 14. Provisions

| | | |
|---|---|---|
| Annual leave | 210,199 | 190,199 |
| Total provisions | 210,199 | 190,199 |

**(Expressed in Australian dollars)**

## 15. Share capital

**Authorized**

Unlimited number of common shares without nominal or par value.

**Summary of shares issued and outstanding**

| | Number of shares | Amount $ |
|---|---|---|
| Balance at July 1, 2013 | 5,168,167 | 18,602,287 |
| Share consolidation (1 for 3) | (3,445,445) | - |
| Issue of common shares to owners of Simavita Holdings | 22,151,434 | 9,686,357 |
| Issue of common shares for cash | 33,902,338 | 13,899,963 |
| Equity transaction costs | - | (1,679,922) |
| Balance at December 31, 2013 | 57,776,494 | 40,508,685 |

**Summary of warrants outstanding**

As at the date of this Report, the following warrants had been granted as part of the Company's capital raisings:

| Number of warrants | Exercise price | Grant date | Expiry date |
|---|---|---|---|
| 634,835 | $0.41 | January 31, 2014 | December 3, 2016 |
| 519,410 | $0.41 | January 31, 2014 | December 3, 2016 |

As at the date of this Report, the following warrants had been granted to Medline Industries, Inc. ("Medline") as part of the Company's distribution arrangements with that company (refer notes below the table for further details):

| Tranche number | Number of warrants | Exercise price | Grant date | Expiry date |
|---|---|---|---|---|
| Tranche One | 1,155,298 | CAD$0.42 | January 31, 2014 | December 6, 2018 |
| Tranche Two | 1,444,412 | (refer note 1) | January 1, 2015 | January 1, 2018 |
| Tranche Three | 1,444,412 | (refer note 2) | January 1, 2016 | January 1, 2018 |

Notes:

1. Tranche Two has an exercise price equal to the greater of (i) CAD$0.504, as may be adjusted; or (ii) the volume-weighted average closing price of the common shares on the Toronto Stock Exchange and each other stock exchange upon which the Company's common shares are traded for the 30 days prior to the date of exercise.

2. Tranche Three has an exercise price equal to the greater of: (i) CAD$0.604, as may be adjusted; or (ii) the volume-weighted average closing price of the common shares on the Toronto Stock Exchange and each other stock exchange upon which the Company's common shares are traded for the 30 days prior to the date.

**(Expressed in Australian dollars)**

## 15. Share capital (cont.)

**Summary of warrants outstanding (cont.)**

The right to purchase common shares in Tranches Two and Three are subject to the condition precedent that Medline meets the Extended Sales Volumes for the Contract Year (each, as defined in that certain Distribution Agreement by and between Medline and the Group dated October 10, 2013, as amended by that certain Deed of Affirmation and Variation dated November 11, 2013 (the "Distribution Agreement").

**Summary of options outstanding**

As at the date of this Report, the following options were outstanding:

| Number of options | Exercise price | Grant date | Expiry date |
|---|---|---|---|
| 1,469,166<br>1,469,166<br>1,469,166<br>1,469,166 | \$0.41<br>\$0.52<br>\$0.65<br>\$0.82 | January 31, 2014<br>January 31, 2014<br>January 31, 2014<br>January 31, 2014 | December 3, 2016<br>December 3, 2016<br>December 3, 2016<br>December 3, 2016 |
| 500,000 | \$0.52 | January 31, 2014 | December 3, 2016 |
| 500,000 | \$0.52 | January 31, 2014 | December 3, 2016 |

## 16. Reserves

| | | |
|---|---|---|
| Share-based payments reserve | 974,580 | 974,580 |
| Share capital reserve | 497,050 | 499,445 |
| Foreign currency reserve | - | (4,045) |
| Total reserves | 1,471,630 | 1,469,980 |

## 17. Related party transactions

Up until December 3, 2014, the Company was a subsidiary of Genetic Technologies Limited ("GTG"), a public company listed on both the ASX (code: GTG) and NASDAQ (ticker: GENE). During the period under review, there were minor expenses incurred by GTG on the Company's behalf that were subsequently reimbursed.

During the period ended December 31, 2013, certain cash amounts were paid by the Company to the following related parties or to parties related to them:

| Related party | Relationship | Nature of payment | Amount |
|---|---|---|---|
| Philippa M. Lewis | Chief Executive Officer | Commission | \$285,378 |
| Maxwell C. Lloyd-Jones | Former Chairman | Loan repayment | \$74,103 |
| Phillip Johnstone | Former Director | Loan repayment | \$59,499 |

## 18. Acquisition of Simavita Holdings Limited

On July 29, 2013, the Company announced that it had executed a Scheme Merger Agreement (the "Agreement") with Simavita Holdings Limited ("Simavita Holdings"). Pursuant to the Agreement, a meeting of the Company's shareholders (the "Meeting") was held on November 20, 2013 to approve the issue of new shares by the Company to the Simavita Holdings shareholders to acquire 100% of the issued capital of Simavita Holdings (the "Merger"). The Merger was implemented by way of a scheme of arrangement under the Australian Corporations Act.

At the Meeting held on November 20, 2013, a number of resolutions were passed by the shareholders pursuant to which:

1. The Company completed a consolidation of its share capital on the basis on one post-consolidation share for every three pre-consolidation shares such that the number of shares on issue was reduced from 5,168,167 to 1,722,722.
2. The Company changed its business as a result of it issuing a total of 56,053,772 post-consolidation shares to the shareholders of Simavita, following which Simavita became a wholly-owned subsidiary of the Company. The transaction was accounted for as a reverse takeover.
3. The Company changed its name from Gtech International Resources Limited to Simavita Limited.
4. The Company continued into British Columbia under the *British Columbia Corporations Act* and adopted constating documents that comply with the BCBCA.
5. The Company adopted certain changes to its Stock Option Plan and subsequently issued certain options and warrants (refer Note 15).
6. Dr. Malcolm R. Brandon and Alison J. Mew were not re-elected as Directors of the Company.
7. Maxwell C. Lloyd-Jones, Philippa M. Lewis, Ari B. Bergman, Peter C. Cook and Damien M. Haakman were all appointed as Directors of the Company, with Mr. Lloyd-Jones being appointed as Chairman and Ms. Lewis being appointed as CEO. Subsequently, Mr. Lloyd-Jones resigned and Mr. Cook was appointed as Chairman.
8. The Company resumed trading on the TSX Venture Exchange under the symbol "SV".

## 19. Fair value measurements

### (a) Classification of financial instruments

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(Expressed in Australian dollars)**

## 19. Fair value measurements (cont.)

### (a) Classification of financial instruments (cont.)

The Company's financial assets as at December 31, 2013, measured at their respective fair values by level within the fair value hierarchy, are set out in the table below:

| | $ |
|---|---|
| Cash and cash equivalents | 7,916,072 |
| Trade and other receivables | 323,318 |
| Other assets | 77,738 |
| Total financial assets | 8,317,128 |

The fair values of the Company's accounts payable approximate their carrying values due to the short term nature of these instruments. The fair value of accounts payable as at December 31, 2013 was $804,535.

### (b) Financial risk management

The Company is exposed to a number of different financial risks arising from normal course business exposures as well as the Company's use of financial instruments. These risks are as follows:

***Market risk***

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows include:

(i) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument, or cash flows associated with the instrument, will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk through the floating interest rate payable in respect of its cash at bank. Given that no interest is currently payable on cash deposits, Management believes the Company is not exposed to significant interest rate risk.

(ii) Foreign exchange risk

As at December 31, 2013, the Company does not have any material assets or liabilities or significant revenue and operating expenses that are denominated in foreign currencies. As a result, Management believes the Company is not exposed to significant foreign exchange risk.

***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial obligations as and when they fall due. As at December 31, 2013, the Company had working capital of $8,010,569. As such, the Company believes that it has sufficient funds to meet its current working capital requirements.

## 19. Fair value measurements (cont.)

### (b) Financial risk management (cont.)

***Credit risk***

Credit risk relates to the risk that one party to a financial instrument will not fulfil some or its entire obligation, thereby causing the Company to sustain a financial loss. The Company may be exposed to credit risk from its cash. The carrying amount of the assets on the balance sheet represents the maximum credit exposure. The Company’s cash is maintained in reputable banks which are considered to have high creditability. It is Management’s opinion that the credit risk with respect to cash and cash equivalents is therefore limited.

## 20. Subsequent events

On January 31, 2014, the Company granted a total of 6,876,664 options and 1,155,298 warrants over common shares in the Company, as disclosed in Note 15.

On February 19, 2014, the Company issued a total of 990,159 common shares at an issue price of $0.41 per share which raised a total of $405,965, before the payment of associated costs.

On February 20, 2014, the Company achieved the listing of its CHESS Depositary Receipts (“CDIs”) on the Australian Securities Exchange (“ASX”). The applicable ASX code for the CDIs is SVA.

On February 28, 2014, the Company announced that Thomas G. Howitt had resigned as a Director of the Company (effective as from April 14, 2014) and that he would take up the executive position of Chief Financial Officer. Mr. Howitt will also continue in the position of Company Secretary.

# SIMAVITA LIMITED

## (formerly GTECH INTERNATIONAL RESOURCES LIMITED)

(the "Company")

## Management Discussion and Analysis

(Form 51-102F1)

For the six-month period ended December 31, 2013

The following Management Discussion and Analysis ("MD&A") of the results and financial position of the Company for the six-month period ended December 31, 2013 should be read in conjunction with the information provided in the Company's Condensed Interim Financial Statements for the six-month period ended December 31, 2013 ("Financial Statements") and the material contained herein.

Unless otherwise noted, all currency amounts contained in this MD&A and in the Financial Statements are stated in Australian dollars. The information presented in the Financial Statements is prepared in accordance with International Financial Reporting Standards ("IFRS").

### DATE

This MD&A is dated February 28, 2014.

### OVERALL PERFORMANCE

#### Acquisition of Simavita Holdings

On July 29, 2013, the Company announced that it had executed a Scheme Merger Agreement ("Agreement") with Sydney-based company Simavita Holdings Limited ("Simavita Holdings"). Pursuant to the Agreement, a meeting of the Company's shareholders (the "Meeting") was held on November 20, 2013 to approve the issue of new shares by the Company to the Simavita Holdings shareholders to acquire 100% of the issued capital of Simavita Holdings (the "Merger"). The Merger was subsequently implemented by way of a scheme of arrangement under the Australian Corporations Act.

At the Meeting held on November 20, 2013, a number of resolutions were passed by the Company's shareholders pursuant to which:

1. The Company undertook a consolidation of its share capital on the basis of one post-consolidation share for every three pre-consolidation shares such that the number of shares on issue was reduced from 5,168,167 to 1,722,722.

2. The Company changed its business as a result of it issuing a total of 56,053,772 post-consolidation shares to the shareholders of Simavita Holdings, following which Simavita Holdings became a wholly-owned subsidiary of the Company. The transaction was accounted for as a reverse takeover.

3. The Company changed its name from Gtech International Resources Limited to Simavita Limited.

4. The Company continued into British Columbia under the *British Columbia Corporations Act* and adopted constating documents that comply with the BCBCA.

5. The Company adopted certain changes to its Stock Option Plan.

6. Dr. Malcolm R. Brandon and Alison J. Mew were not re-elected as Directors of the Company.

## OVERALL PERFORMANCE (cont.)

### Acquisition of Simavita Holdings (cont.)

7. Maxwell C. Lloyd-Jones, Philippa M. Lewis, Ari B. Bergman, Peter C. Cook and Damien M. Haakman were all appointed as Directors of the Company, with Mr. Lloyd-Jones being appointed as Chairman and Ms. Lewis being appointed as CEO. Thomas G. Howitt continued in his role as Director and Secretary.

8. The Company resumed trading on the TSX Venture Exchange under the symbol "SV".

9. On January 31, 2014, the Company granted a total of 6,876,664 stock options to certain Directors under its Stock Option Plan. Each option vested immediately and is exercisable at any time up to, and including, December 3, 2016. The exercise prices of the options that were granted are as follows: 1,469,166 options have an exercise price of $0.41 each; 2,469,166 options have an exercise price of $0.52 each; 1,469,166 options have an exercise price of $0.65 each; and 1,469,166 options have an exercise price of $0.82 each.

10. Also on January 31, 2014, the Company also issued a total of 1,154,245 common share purchase warrants (the "Broker Warrants") to Lodge Corporate Pty. Ltd., which are exercisable at a price of $0.41 per share until December 3, 2016. These Broker Warrants were issued in connection with: (a) the completion of the prospectus offering by Simavita Holdings (the company which was acquired by the Company) pursuant to which approximately $13.9 million was raised; and (b) the completion of the prospectus offering by Simavita Limited pursuant to which approximately $406,000 was raised.

11. The Company also issued on January 31, 2014 a total of 1,155,298 non-transferable common share purchase warrants (the "Medline Warrants") to Medline Industries, Inc. ("Medline") in connection with a U.S. exclusive distribution agreement between Simavita Holdings and Medline dated October 10, 2012. The first tranche of 1,155,298 Medline Warrants vested immediately at an exercise price of CAD$0.42 per share. The Company also agreed to grant two further tranches of options to Medline. A second tranche comprises 1,444,412 Medline Warrants which will vest, subject to the satisfaction of certain performance requirements, on January 1, 2015. These Medline Warrants will have an exercise price of the greater of CAD$0.504 per share or the 30-day VWAP. A third tranche comprises 1,444,412 Medline Warrants which will vest, subject to the satisfaction of certain performance requirements, on January 1, 2016. These Medline Warrants will have an exercise price of the greater of CAD$0.604 per share or the 30-day VWAP.

12. On January 31, 2014, Maxwell Lloyd-Jones resigned as Chairman and a Director of the Company. In his place, Peter Cook was appointed as the Company's new Chairman. As previously announced, Mr. Cook was elected to the Board of the Company at the annual and special meeting of shareholders of the Company held on November 20, 2013.

13. The Company received conditional approval from the Australian Securities Exchange ("ASX") on February 11, 2014 for quotation of its CHESS Depositary receipts ("CDIs") on the ASX Official list. The Company received final approval from ASX on February 18, 2014, with trading of its CDIs commencing under the code SVA at 10:30 am (Sydney time) on February 20, 2014.

14. On February 28, 2014, the Company announced that Thomas G. Howitt had resigned as a Director of the Company (effective as from April 14, 2014) and that he would take up the executive position of Chief Financial Officer. Mr. Howitt will also continue in the position of Company Secretary.

Copies of the Press Releases made by the Company regarding the acquisition of Simavita Holdings are available on the Company's website at www.simavita.com

## OVERALL PERFORMANCE (cont.)

### Previous activities

Previously, the Company was a junior resource company engaged in the acquisition and exploration of mineral properties in British Columbia and the Yukon Territory. The Company still retains a 1.5% net smelter royalty on the Aurex Property which Stratagold Corporation may purchase at any time for $1,000,000. The Company also owned 69 mineral claims, which it sold on January 16, 2002 to ATAC Resources Limited ("ATAC"). The Company agreed to accept 200,000 common shares in ATAC and a cash payment of $5,000 in final settlement for the transfer of the project. These shares were then subsequently sold by the Company during the fiscal year ended April 30, 2004. The Company retains a 1.5% net smelter royalty which ATAC may purchase from the Company for $600,000.

### Results from operations

The Company received clearance from the U.S. Food and Drug Administration in August 2013, allowing it to commence marketing of its incontinence SIM™ product in the United States of America. The Company has subsequently carried out trials of the product at sites in the U.S.A. Market entry planning has now started with the Company's exclusive U.S. distribution partner, Medline Industries, Inc.

During the period under review, the Company completed its fourth generation platform development, including regulatory testing, and released it for live site trials. This latest version eliminates costly bespoke network infrastructure and embraces a rapid deployment approach leveraging WiFi technology. Based on the information received from the live trials, the Company is now preparing to roll out fourth generation SIM™ technology in both the U.S. and Australian markets.

The Group reported a net loss for the six-month period ended December 31, 2013 of $5,218,076, compared to a net loss of $3,826,374 for the six-month period ended December 31, 2012. Total expenses incurred for the six-month period ended December 31, 2013 were $5,248,774, compared to the six-month period ended December 31, 2012 of $3,947,033. Total equity transaction costs incurred were $1,679,922 with further expenses in relation to the Simavita acquisition being incurred by the Company subsequent to balance date.

Revenue generated by the Group during the six-month period ended December 31, 2013 was $151,283. Revenue for the six-month period ended December 31, 2012 was $178,976. This fall in revenue was due to a focus on the completion of the Generation 4 product for launch in the U.S. market rather than on further sales of earlier generation products in Australia.

## SUMMARY OF QUARTERLY RESULTS

The following is a comparison of revenue and earnings for the previous two quarters ending December 31, 2013, being the information contained in the first set of condensed interim financial statements prepared by the Company since its reverse takeover of Simavita Holdings Limited.

Financial information is prepared in accordance with International Financial Reporting Standards and is reported in Australian dollars.

| Quarter ended | Total revenues<br>$ | Net profit/(loss)<br>$ | Net profit/(loss) per share<br>$ |
|---|---|---|---|
| December 31, 2013 | 75,957 | (2,865,887) | (0.12) |
| September 30, 2013 | 75,326 | (2,352,189) | (0.16) |

## LIQUIDITY

The Group incurred total expenses of $5,248,774 during the six-month period ended December 31, 2013. As at December 31, 2013, the Company had working capital of $8,010,569. In addition, subsequent to balance date, the Company raised a further $405,965 via the issue of new shares pursuant to a Prospectus dated December 17, 2013. As such, the Company believes that it has sufficient funds to meet its current working capital requirements.

## TRANSACTIONS WITH RELATED PARTIES

Up until December 3, 2014, the Company was a subsidiary of Genetic Technologies Limited ("GTG"), a public company listed on both the Australian Securities Exchange (code: GTG) and NASDAQ Capital Market (ticker: GENE). During the period under review, there were minor expenses incurred by GTG on the Company's behalf that were subsequently reimbursed.

During the period ended December 31, 2013, certain cash amounts were paid by the Company to the following related parties or to parties related to them:

| Related party | Relationship | Nature of payment | Amount |
|---|---|---|---|
| Philippa M. Lewis | Chief Executive Officer | Commission | $285,378 |
| Maxwell C. Lloyd-Jones | Former Chairman | Loan repayment | $74,103 |
| Phillip Johnstone | Former Director | Loan repayment | $59,499 |

## CAPITAL RESOURCES

As detailed previously, the Company believes that it has sufficient financial resources to pay its ongoing administrative expenses and to meet its liabilities for the ensuing year.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements in place as of December 31, 2013.

## CHANGES IN ACCOUNTING POLICIES

During the period ended December 31, 2013, the Company changed some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on July 1, 2013. The affected policies are IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements.*

Other new standards that are applicable for the first time for the period ended December 31, 2013 are IFRS 13 *Fair Value Measurement*, IFRS *(2009-2011 Project Cycle)*. These standards have introduced new disclosures for the interim report but did not affect the Group's accounting policies or any of the amounts recognized in the financial statements.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company only invests in cash deposits with large banks that are considered to be low risk.

## DIRECTORS AND OFFICERS

As detailed under the heading "Overall Performance", there were a number of changes to the Board as a result of the acquisition by the Company of Simavita Holdings. As at the date of this MD&A, the names of the Directors and Officers of the Company are:

| | |
|---|---|
| Peter C. Cook | Chairman and Director |
| Philippa M. Lewis | Director and CEO |
| Ari B. Bergman | Director |
| Damien M. Haakman | Director |
| Thomas G. Howitt | Director and Secretary |

The Company is dependent on a number of key Directors and Officers. Loss of any of those persons could have an adverse affect on the Company. The Company maintains "key-man" insurance in respect of Ms. Lewis as CEO.

## OTHER INFORMATION

### Additional Disclosure for Venture Issuers without Significant Revenue

General and administrative costs were $2,317,094 for the six-month period ended December 31, 2013, as compared to $1,094,543 for the six-month period ended December 31, 2012.

Prior to its acquisition of Simavita Holdings, no significant external investor relations activities were carried out by the Company. The Company maintains a web site at www.simavita.com, which gives shareholders the opportunity to review published financial reports, news releases, corporate profiles, project details and other information.

Other information relating to the Company may be found on SEDAR at www.sedar.com.

## OUTSTANDING SHARE DATA

### Authorized

Unlimited number of common shares without nominal or par value.

### Summary of shares issued and outstanding

| | Number of shares | Amount $ |
|---|---|---|
| Balance at July 1, 2013 | 5,168,167 | 18,602,287 |
| Share consolidation (1 for 3) | (3,445,445) | - |
| Issue of common shares to owners of Simavita Holdings | 22,151,434 | 9,686,357 |
| Issue of common shares for cash | 33,902,338 | 13,899,963 |
| Equity transaction costs | - | (1,679,922) |
| Balance at December 31, 2013 | 57,776,494 | 40,508,685 |

### Summary of options outstanding

As at the date of this MD&A, there was a total of 6,876,664 options over common shares in the Company outstanding (refer Note 15 of the attached financial statements for details).

## OUTSTANDING SHARE DATA (cont.)

### Summary of warrants outstanding

As at the date of this MD&A, there was a total of 1,154,245 warrants over common shares in the Company outstanding (refer Note 15 of the attached financial statements for details).

Also as at the date of this MD&A, warrants had been granted to Medline Industries, Inc. ("Medline") as part of the Company's distribution arrangements with that company (refer Note 15 of the attached financial statements for details).

## INTERNAL CONTROL OVER FINANCIAL REPORTING

Under National Instrument 52-109, the Company's Chief Executive Officer ("CEO"), Philippa M. Lewis, and Finance Director ("FD"), Thomas G. Howitt, are responsible for establishing and maintaining disclosure controls and procedures in respect of the Company's annual and interim filings.

The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings and other reports and recorded, processed, summarized and reported within the time periods specified as required by securities regulations.

The Company's CEO and FD have evaluated the effectiveness of the Company's disclosure controls and procedures for the six-month period ended December 31, 2013 and believe that such controls and procedures are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations.

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may be deemed "forward-looking statements". All statements in this release, other than statements of historical fact, that address future acquisitions and events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur.

Forward-looking statements in this document include statements regarding possible future acquisitions (including opportunities in the biotechnology sector), spending plans and possible financing plans. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market conditions, availability of capital and financing, general economic, market or business conditions, and availability of possible acquisition opportunities on favourable terms. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made.

## FORWARD-LOOKING STATEMENTS (cont.)

Except as required by securities laws, the Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change. These statements are based on a number of assumptions, including assumptions regarding general business and economic conditions, the state of the legal and regulatory environment in which the Company operates, the ability of the Company to satisfy regulatory requirements and the availability of capital and financing for the Company's operations and contemplated or proposed transactions on satisfactory terms.

BY ORDER OF THE BOARD

| | |
|---|---|
| *"Peter C. Cook"* | *"Thomas G. Howitt"* |
| PETER C. COOK | THOMAS G. HOWITT |
| *Chairman and Director* | *Director and Secretary* |