Blackpearl Group - **FY25**

Interim Report

6 Months ended September 2024

blackpearl

Contents

Foreword from the CEO

Dear Shareholders,

The first half of FY25 featured two meaningful financial accomplishments.

Firstly, our annual recurring revenue exceeded $10 million growing at 126% from 30 September 2023. This growth has been driven by the continued strong performance of Pearl Diver, and more specifically the steady increase in its average order value.

Secondly, we were able to strengthen our balance sheet with $12.5 million in working capital through an equity issue. This round included investment from leading New Zealand institutions, family offices, brokers and other investors.

While the focus of this report is to review the first six months of FY25 from a fiscal perspective, it would be remiss of me not to highlight the significance of these two achievements for the future. Speed is the only true competitive advantage in the market we operate in, and thanks to our past achievements, we now have the opportunity to execute our next major leap.

As always, thank you for your support. Together we will continue to do great things.

Ad Astra - to the stars.

Nick Lissette
CEO, Blackpearl Group

Financial highlights

1 April 2024 — 30 September 2024

Subscription Revenue

$3.2m

109% increase YoY
Previously $1.5m at HY24

Annual Recurring Revenue

$10.4m

As of 30 September 2024
126% increase YoY
Previously $4.6m at HY24

Annual Recurring Revenue Per Employee

$282k

As of 30 September 2024
95% increase YoY

Revenue Churn

4.0%

As of 30 September 2024
Churn has increased 0.7ppt YoY
Previously 3.3% at HY24

Gross Profit Margin

73%

For HY25
Previously 67% in HY24

Top 10 Customers % of Revenue

10%

As of 30 September 2024
Increased 2ppt YoY
Previously 8% at HY24

Note:

- Comparative figures relate to HY24 unless otherwise stated
- PPT stands for percentage points

Message from the CFO

Dear Shareholders,

Reflecting on our achievements for the first half of FY25, I'm pleased to report strong growth in our core financial metrics, underscoring Blackpearl Group's position in the AI-driven sales and marketing solutions space.

As the new CFO, I am excited to work alongside a team that is committed to scaling our flagship product, Pearl Diver, which has achieved notable growth in ARR and customer adoption. We surpassed $10 million in ARR and are on track to reach our goals.

Our focus continues to be on balancing growth with operational efficiency as evidenced by a 40% reduction in net cash used in operating activities from H1 FY24 to H1 FY25. Our gross margin increased to 73% from 67% driven by the scalability of our platform and Pearl Diver's high margin profile.

The recent capital raise allows us to strategically invest in market expansion, further enhance our product offerings to capture more opportunities within the US SME sector and fortify our infrastructure to meet growing demand as we scale.

Thank you for your continued trust and support.

Kind Regards,

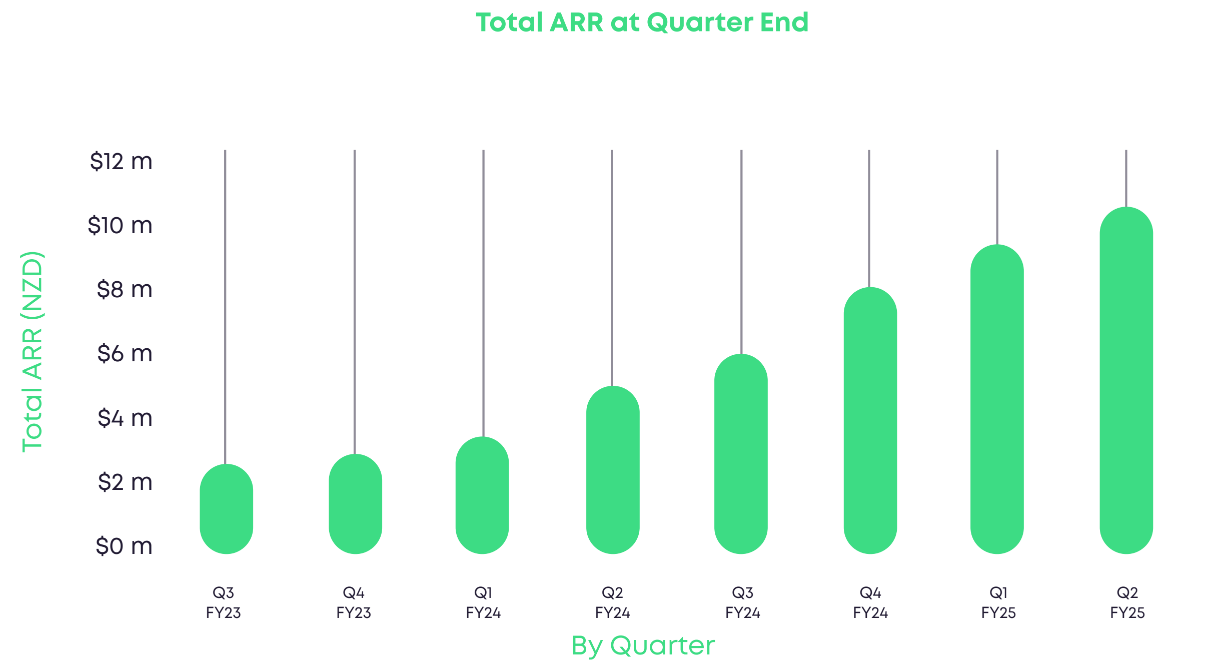
Jean Arlove
CFO, Blackpearl Group

How we performed

ARR Growth

126%

ARR increased by 126% to $10.4 million as of September 2024, building towards our next milestone of $20 million in ARR.



In the first half of FY25, Blackpearl Group achieved consistent revenue growth, marked by a 126% increase in Annual Recurring Revenue (ARR), reaching $10.4 million.

This growth is driven by our flagship product, Pearl Diver, which continues to capture strong market demand across the SME sector. Our focus on developing proprietary technology has allowed us to rapidly introduce solutions that meet the evolving needs of our customers, enhancing the value we deliver.

Our business model is structured around recurring monthly billing, providing predictable and compounding revenue growth. Every new customer adds to this compounding revenue stream, ensuring sustainable growth. Pearl Diver's success is due to the foundation we laid with strategic investments, aligning with market shifts towards AI-driven sales and marketing tools for SMEs.

Looking forward, we are confident in our strategic direction and are well-positioned to continue growing our ARR, reinforcing our role as a leader in AI-driven solutions for the US market.

Attractive Gross Margin

73%

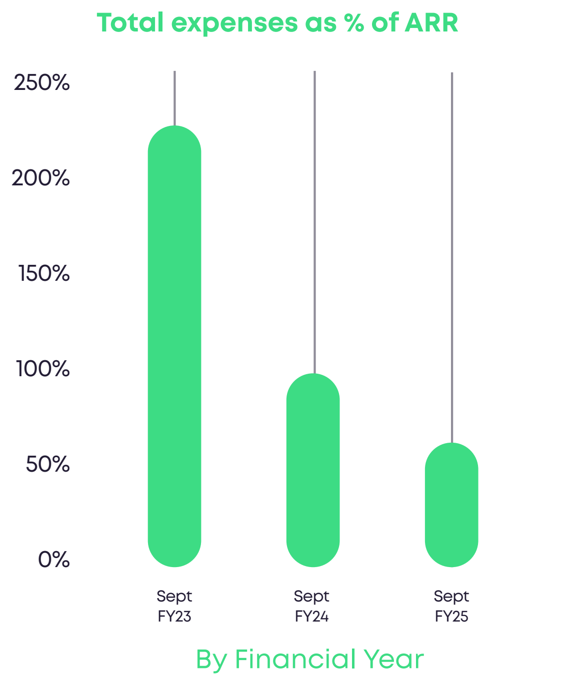
Gross margin has increased to 73% for HY25, up from 67% in HY24, highlighting the efficiency of our platform and scalability.

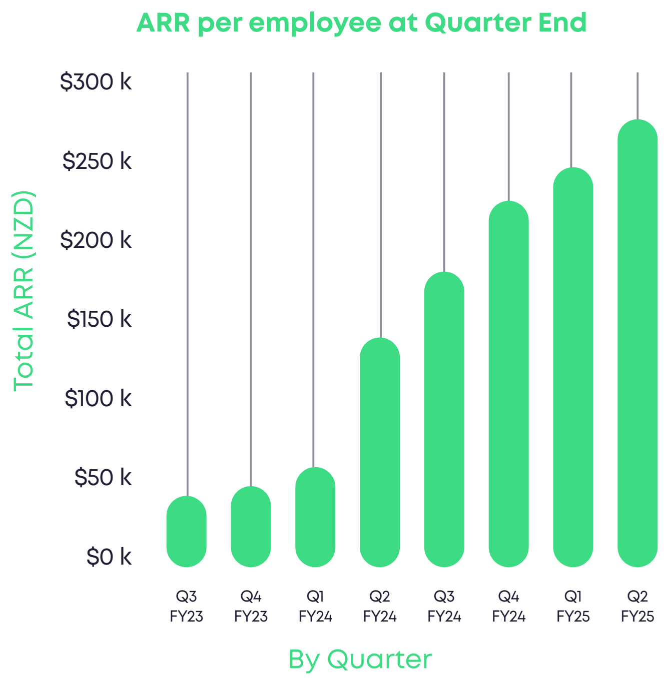
Our gross profit margin improvement to 73% is indicative of the scalability and efficiency of Blackpearl Group's platform. This growth in margin underscores our ability to deliver value while managing operational costs effectively.

Continued Efficiency

$282k

Annual Recurring Revenue per Employee increased to $282k as of September 2024, up 95% YoY.





Personnel, operating and administrative expenses have grown 45% year-on-year largely to an increased head count and the implementation of a new share scheme.

While expenses have grown to support our expansion it's noteworthy that expenses as a percentage of ARR have decreased to 63% in September 2024 from 98% in September 2023. This indicates that despite our growth, we have maintained good control over our expenses relative to revenue.

Our ARR per employee metric grew significantly year-over-year to reach $282k, demonstrating our sustained commitment to efficient scaling. This increase occurred alongside an expansion in headcount, which rose from 32 to 37 employees over the period. By strategically managing resources, we achieved steady ARR growth relative to employee numbers, a key indicator of operational effectiveness within a SaaS business model.

As we continue to expand, our focus on expense management remains rigorous, balancing necessary investment in personnel with control over operational costs. This measured approach has not only supported aggressive ARR growth but has also allowed us to maintain an efficient ARR per employee ratio, positioning us well for further scaling.

Capital Raise Overview

$12.5m

Successfully raising $12.5 million to drive expansion and innovation.

In October 2024, Blackpearl Group successfully completed a capital raise of $12.5 million, exceeding the original target of $10 million. This raise included an $10.5 million placement, and a $2 million share purchase plan (SPP) extended to existing New Zealand shareholders. The oversubscription by $2.5 million underscores strong investor confidence in our strategic direction and growth potential. The funds raised will support our go-to-market acceleration, expand Pearl Diver's capabilities, and fortify our infrastructure to meet growing demand as we scale.

Loss Before Tax

Key non-operating factors reveal a $470k decrease in core operating expenses

In our financial report for the six months ending 30 September 2024, we present a nuanced picture of our financial performance. While our loss before tax has increased by $2 million compared to the same time last year, it should be noted that this figure includes $2.4 million in non-operating, non-cash adjustments.

To provide context, the previous reporting period (six months ending 30 September 2023) included a $1.3 million gain due to reduced contingent consideration from modifications to the Newoldstamp contract and deferred shareholder loan payments. In contrast, the current period saw a $1.1 million increase in personnel expenses, primarily due to the implementation of a new share scheme designed to align employee incentives with long-term company growth.

When we exclude these non-operating factors, our core operating expenses have actually decreased by $470,000. This reduction underscores our ongoing commitment to disciplined cost management while strategically investing in growth initiatives.

Increasing Average Order Value for Pearl Diver

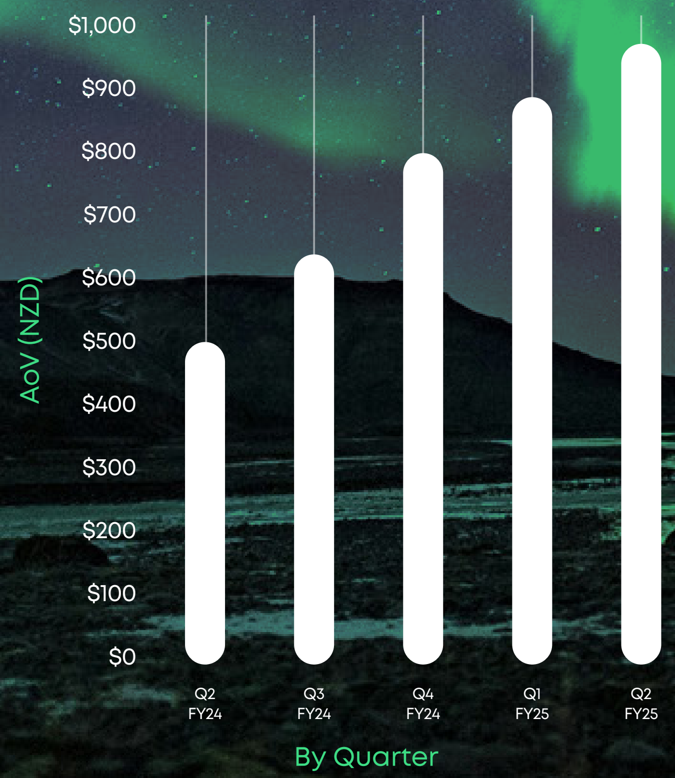
91%

Increase in Average Order Value

Since its launch just 19 months ago, Pearl Diver has become a key revenue driver, with its Average Order Value (AoV) rising from $498 monthly recurring revenue in Q2 FY24 to $952 monthly recurring revenue in Q2 FY25 – a 91% annual growth rate. This increase reflects the platform's evolving maturity and expanding value proposition. Designed as an industry-leading prospect identification tool, Pearl Diver leverages AI-driven identity resolution to reveal previously hidden website traffic, reducing companies' dependence on traditional advertising while creating new revenue streams.

The increase in AoV is attributed to several factors: as we refine Pearl Diver's offerings, we have focused on providing comprehensive customer onboarding, strategic use-case training, and all-inclusive integration and setup. This "white-glove" onboarding approach ensures that clients fully leverage Pearl Diver's capabilities, increasing engagement and perceived value, which has contributed to the significant rise in AoV.

Pearl Diver Average Order Value (AoV)



Market focus

Blackpearl Group remains committed to serving small to medium-sized enterprises (SMEs) in the United States, a market comprising approximately 26.5m Solopreneurs and small businesses and ~5.5m medium sized businesses. Our flagship product, Pearl Diver, is designed to empower these SMEs by leveraging first-party data to enhance their sales and marketing efforts.

In an increasingly challenging digital advertising landscape, Pearl Diver offers a cost-effective solution that enables businesses to identify and engage potential customers more efficiently. Our focus on this segment aligns with our mission to provide accessible and impactful AI-driven tools that drive growth for SMEs.

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

For the six months ended 30 September 2024

	Notes	6 months ended 30 September 2024	6 months ended 30 September 2023
		Unaudited	Unaudited
		$	$
Subscription revenue	5	3,232,480	1,547,943
Cost of sales			
Reseller commissions		(353,746)	(112,120)
Personnel expenses		(166,722)	(145,022)
Hosting and server costs		(247,966)	(184,599)
Merchant bank fees		(115,173)	(67,646)
Gross profit		**2,348,873**	**1,038,556**
Other revenue		1,272	84,796
Personnel expenses	6	(3,080,416)	(1,735,050)
Operating expenses		(1,979,443)	(1,949,886)
Administrative expenses	6	(1,464,849)	(825,905)
Net finance costs		(28,320)	(153,284)
Loss before net gains/(losses) on financial instruments and income tax		**(4,202,883)**	**(3,540,773)**
Net gains/(losses) on financial instruments	7	-	1,325,120
Loss before income tax		**(4,202,883)**	**(2,215,653)**
Net income tax		-	-
Loss for the year attributable to owners of the parent		**(4,202,883)**	**(2,215,653)**
Earnings per share		**2024**	**2023**
		$	$
Basic loss for the year attributable to owners	10	(0.09)	(0.06)
Diluted loss for the year attributable to owners	10	(0.09)	(0.06)

Financial Statements

Consolidated Statement of Other Comprehensive Income

For the six months ended 30 September 2024

	6 months ended 30 September 2024	6 months ended 30 September 2023
	Unaudited	Unaudited
	$	$
Loss for the year	**(4,202,883)**	**(2,215,653)**
Other comprehensive income that may be subsequently reclassified through profit or loss		
Exchange differences on translation of foreign operations	190,449	(318,754)
Total comprehensive loss for the year attributable to owners of the parent	**(4,012,434)**	**(2,534,407)**

Signed for and on behalf of the board:

Nicholas Lissette

Date: 26 November 2024

Timothy Crown

Date: 26 November 2024

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 September 2024

	Notes	30 September 2024	31 March 2024
		Unaudited	Audited
		$	$
Assets			
Current assets			
Cash and cash equivalents		592,438	1,854,458
Trade and other receivables		400,375	368,468
Prepayments		270,156	173,376
Total current assets		**1,262,969**	**2,396,302**
Non-current assets			
Property, plant and equipment		45,676	32,377
Goodwill		2,872,493	2,872,493
Intangible assets		1,183,542	1,295,751
Right-of-use asset		-	130,874
Total non-current assets		**4,101,711**	**4,331,495**
Total assets		**5,364,680**	**6,727,797**
Liabilities			
Current liabilities			
Trade and other payables		952,854	450,878
Employee entitlements		328,220	243,123
Lease liabilities		-	133,282
Current contingent consideration		62,400	24,461
Current loans and borrowings	8	88,418	82,877
Contract liabilities		582,827	607,825
Total current liabilities		**2,014,719**	**1,542,446**

Financial Statements

Consolidated Statement of Financial Position

As at 30 September 2024

	Notes	30 September 2024	31 March 2024
		Unaudited	Audited
		$	$
Non-current liabilities			
Non-current contingent consideration		-	30,451
Non-current loans and borrowings	8	1,232,069	283,733
Total non-current liabilities		**1,232,069**	**314,184**
Total liabilities		**3,246,788**	**1,856,630**
Equity			
Share capital	9	37,504,368	37,493,168
Accumulated losses		(38,417,069)	(34,214,186)
Share based payment reserve	11	2,330,848	1,082,889
Shareholder warrants reserve		478,394	478,394
Foreign currency translation reserve		221,351	30,902
Equity attributable to the owners		**2,117,892**	**4,871,167**
Total liabilities and equity		**5,364,680**	**6,727,797**

Signed for and on behalf of the board:

Nicholas Lissette

Date: 26 November 2024

Timothy Crown

Date: 26 November 2024

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2024

	Notes	Share capital	Accumulated losses	Share based payment reserve	Share warrants reserve	Foreign currency translation reserve	**Total**
		$	$	$	$	$	**$**
Balance at 1 April 2024		**37,493,168**	**(34,214,186)**	**1,082,889**	**478,394**	**30,902**	**4,871,167**
Loss for the period		-	(4,202,883)	-	-	-	**(4,202,883)**
Translation differences of foreign operations		-	-	-	-	190,449	**190,449**
Transactions with owners in their capacity as owners							
Issue of share capital	9	41,200	-	(41,200)	-	-	**-**
Transaction costs arising on share issue	9	(30,000)	-	-	-	-	**(30,000)**
Share based payments	11	-	-	1,289,159	-	-	**1,289,159**
Balance at 30 September 2024		**37,504,368**	**(38,417,069)**	**2,330,848**	**478,394**	**221,351**	**2,117,892**
Balance at 1 April 2023		**28,545,173**	**(29,796,748)**	**2,687,853**	**515,511**	**104,434**	**2,056,223**
Loss for the period		-	(2,215,653)	-	-	-	**(2,215,653)**
Translation differences of foreign operations		-	-	-	-	(318,754)	**(318,754)**
Transactions with owners in their capacity as owners							
Issue of share capital		2,223,510	-	-	-	-	**2,223,510**
Shares issued on conversion of loan		1,800,736	-	-	-	-	**1,800,736**
Direct costs incurred in issuing shares		(2,000)	-	-	-	-	**(2,000)**
Issuance of shares from share based payments		501,205	-	(501,205)	-	-	**-**
Exercise of warrants		37,117	-	-	(37,117)	-	**-**
Share based payments		-	-	178,253	-	-	**178,253**
Amendments to contingent consideration		-	950,198	(950,198)	-	-	**-**
Balance at 30 September 2023		**33,105,741**	**(31,062,203)**	**1,414,703**	**478,394**	**(214,320)**	**3,722,315**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 September 2024

	6 months ended 30 September 2024	6 months ended 30 September 2023
	$	$
	Unaudited	Unaudited
Cash flows from operating activities		
Cash receipts from customers	3,203,475	1,589,100
Cash paid to resellers for their commission	(449,373)	(245,692)
Cash paid to suppliers and employees	(4,503,485)	(4,451,024)
Receipt of government grants	-	109,225
GST payments	(55,726)	(15,896)
US Federal taxes paid	-	1,443
NZ Income tax refund	-	3,846
Net cash used in operating activities	**(1,805,109)**	**(3,008,997)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,999)	(17,033)
Acquisition and development of intangible assets	(250,479)	(199,770)
Interest received	12,467	3
Net cash used in investing activities	**(263,011)**	**(216,800)**
Cash flows from financing activities		
Repayment of loans and borrowings	(4,039,483)	(5,200)
Repayment of lease liabilities	(87,189)	-
Proceeds from borrowings	5,000,000	-
Transaction costs incurred in acquiring debt	(30,000)	-
Direct costs incurred in issuing equity	(30,000)	(2,000)
Cash receipts from issue of share capital	-	2,223,510
Net cash from financing activities	**813,328**	**2,216,310**

Consolidated Statement of Cash Flows (cont.)

For the six months ended 30 September 2024

	6 months ended 30 September 2024	6 months ended 30 September 2023
	$	$
	Unaudited	Unaudited
Net decrease in cash and cash equivalents	**(1,254,792)**	**(1,009,487)**
Opening cash and cash equivalents at beginning of the period	1,854,458	1,759,268
Effect of exchange rate fluctuations on cash held	(7,228)	17,198
Cash and cash equivalents at period end	**592,438**	**766,979**

Notes to the interim financial statements

For the six months ended 30 September 2024

1. REPORTING ENTITY

Black Pearl Group Limited (the 'Company') is a limited liability company incorporated and domiciled in New Zealand, registered under the Companies Act 1993.

The Company is a profit-oriented entity and are engaged in the business of building, acquiring, and marketing data-driven cloud services, consisting of a suite of productivity and demand generation applications for small and medium-sized businesses.

2. BASIS OF PREPARATION

The unaudited interim financial statements comprise the results and financial position of the Company and its wholly owned subsidiaries, Black Pearl Mail Incorporated, Newoldstamp Limited and Noir Perle Limited (together the 'Group') for the six months ended 30 September 2024.

The unaudited interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP') and comply with the requirements of the New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting and International Accounting Standard 34: Interim Financial Reporting. The Group is a for-profit entity for the purposes of complying with NZ GAAP.

The unaudited interim financial statements require judgements and estimates that impact the application of the same accounting policies and methods of computation, and should be read with, the financial statements and related notes included in the Group's annual report for the year ended 31 March 2024.

These financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business - for more detail refer to note 14.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

In preparing these consolidated financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. The following is a summary of new and/or changes in critical accounting estimates, assumptions and judgements reported in the Group's annual report for the year ended 31 March 2024:

- Equity classification of the Group's new share-based payment scheme - see note 11.

4. OPERATING SEGMENTS

Basis for operating segments

During the previous period, the two reportable segments were based off the Group's major product subscriptions available during that period: Black Pearl Mail and Newoldstamp. Toward the latter half of the previous financial year, the Group identified Pearl Diver identified as a reportable segment instead of Black Pearl Mail. Pearl Diver is an extension of the core Black Pearl Mail platform and the Group does not distinguish and now rarely sells Black Pearl Mail separated from Pearl Diver. These segments have been determined based on how the chief operating decision maker ('CODM') review financial and operational performance, and the allocation of resources across the Group. The Group's CODM is the chief executive officer and the board of directors.

4. OPERATING SEGMENTS (Cont.)

For the six months ended	30 September 2024			30 September 2023		
	Pearl Diver	Newoldstamp	Group	Black Pearl Mail	Newoldstamp	Group
	$	$	$	$	$	$
Subscription fees	2,521,197	711,283	3,232,480	1,006,371	541,572	1,547,943
Other revenue streams	1,272	-	1,272	84,796	-	84,796
Total revenue*	**2,522,469**	**711,283**	**3,233,752**	**1,091,167**	**541,572**	**1,632,739**
Marketing	844,797	73,182	917,979	499,218	107,256	606,474
Personnel expenses and contractor costs	3,247,139	315,022	3,562,161	1,721,032	872,542	2,593,574
Other expenses	2,845,243	111,252	2,956,495	605,611	42,733	648,344
Net loss before tax	**(4,414,710)**	**211,827**	**(4,202,883)**	**(1,734,695)**	**(480,959)**	**(2,215,653)**

*revenue does not include intra-group or intra-segment amounts

5. SUBSCRIPTION REVENUE

The following is a breakdown of total subscription revenue by direct sales vs. reseller sales

For the six months ended	30 September 2024		30 September 2023	
	$	%	$	%
Total direct sales	2,722,419	84%	1,455,311	94%
Total reseller sales	510,061	16%	92,632	6%
Total subscription revenue	**3,232,480**	**100%**	**1,547,943**	**100%**

6. EXPENSES

	30 September 2024	30 September 2023
	$	$
Personnel expenses includes		
- Share-based payment expense	1,135,845	178,253
- Sales commissions	95,627	133,573
Administrative expenses includes		
- Depreciation and amortisation	461,086	357,283

7. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

	30 September 2024	30 September 2023
	$	$
Gain on reduction of contingent consideration - liability classified	-	1,002,950
Gain on deferral of payments for the shareholder loan	-	322,170
Total	**-**	**1,325,120**

8. LOANS AND BORROWINGS

	30 September 2024	31 March 2024
	$	$
Current portion		
Credit card balances	9,945	3,910
Below market-term loans from the government	78,473	78,967
Total current portion	**88,418**	**82,877**
Non-current portion		
Below market-term loans from the government	259,653	283,733
Bank loans	972,416	-
Total non-current portion	**1,232,069**	**283,733**
Total loans and borrowings	**1,320,487**	**366,610**

New bank loan facility

During the period, the Group obtained a new loan facility with BNZ. The total facility limit is $5 million with a minimum draw down requirement of $1 million. The facility is a customised average rate loan facility and is subject to non-compounding variable interest rates. During the period, the interest rates were between 9.24% and 9.31%. The facility matures on 17 August 2026. The loan is classified at amortised cost, and the Group incurred a $30,000 establishment fee which has been included in the carrying value of the loan and will be amortised using the effective interest rate method.

The facility is subject to a covenant of a 20% Annual Recurring Revenue Growth Rate which is tested at the last day of each financial quarter. The first test date is on 31 December 2024. The facility is secured over all present and after acquired property of the Group.

9. SHARE CAPITAL

	30 September 2024	31 March 2024
	$	$
On issue at beginning of the period	37,493,168	28,545,173
Issue of ordinary shares	-	6,088,149
Equity transaction costs incurred as part of capital raise	(30,000)	(44,055)
Shareholder warrants exercised	-	37,117
Conversion of shareholder loan to ordinary shares	-	1,800,735
Issue of shares related to the liability classified contingent consideration	-	72,000
Issue of shares related to the equity classified contingent consideration - see note 11	-	71,528
Director restricted shares converted to ordinary shares - see note 11	30,000	240,000
Employee restricted share units converted to ordinary shares - see note 11	11,200	682,521
Total share capital ($)	**37,504,368**	**37,493,168**

Share capital consists of the following class:

Ordinary share capital	37,504,368	37,493,168
Total share capital ($)	**37,504,368**	**37,493,168**

Fully paid total shares at the beginning of the period	53,309,437	35,363,459
Issue of ordinary shares	-	12,770,297
Conversion of shareholder loan to ordinary shares	-	3,839,788
Shareholder warrants exercised	-	180,000
Issue of shares related to the liability classified contingent consideration	-	124,759
Issue of shares related to the equity classified contingent consideration	-	57,860
Director restricted shares converted to ordinary shares - see note 11	71,429	192,000
Employee restricted share units converted to ordinary shares - see note 11	17,500	781,274
Total share capital (#)	**53,398,366**	**53,309,437**
Total value per share	**$0.70**	**$0.70**

Share capital consists of the following class:

Ordinary share capital	**53,398,366**	**53,309,437**
Total share capital (#)	**53,398,366**	**53,309,437**

Net tangible assets per quoted equity security

The net tangible assets per quoted equity security for the 6 months to 30 September 2024 were $(0.036296) 30 September 2023: $(0.014594).

10. BASIC AND DILUTED EARNINGS PER SHARE

For the six months ended	30 September 2024	30 September 2023
	$	$
Total loss attributable to owners	(4,202,883)	(2,215,653)
Weighted average number of ordinary shares for basic EPS	46,202,331	36,789,656
Dilution from share based compensation options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	46,202,331	36,789,656
Basic loss per share	**(0.09)**	**(0.06)**
Diluted loss per share	**(0.09)**	**(0.06)**

11. SHARE BASED PAYMENT RESERVE

In addition to the four types of share based compensation arrangements disclosed in the Group's financial statements for the year ended 31 March 2024, the Group implemented its new Key Personnel Restricted Share Unit Plan (the 'new scheme') during the six month period ended 30 September 2024. Under the new scheme, key personnel of the Company ('participants') are offered restricted share units which are subject to one of the two following types of vesting conditions:

- Vesting conditions based on the completion of a defined service period; and
- Vesting conditions based on the achievement of specified performance targets.

Restricted share units convert into one ordinary share in the Company on the date specified in each award granted to participant of the scheme. Subject to vesting conditions being met, each award includes a vesting date on which the Company will automatically convert the awarded restricted share units into ordinary shares. However, participants have the option to agree alternative conversion date with the Company.

Significant judgement - equity classification of the Group's new share-based payment scheme

The Company's Board may offer participants 'net settlement' whereby the Company will settle the participants tax obligations in cash and deduct the equivalent value in restricted units. While cash settlement would result in a liability for the Company to record, the net settlement feature will only be offered close to the vesting date and is at the Board's discretion. As a result the Company considers the transactions during the period to be equity-settled - refer to the Group's 31 March 2024 financial statements for its accounting policy for equity-settled share-based payment transactions.

11. SHARE BASED PAYMENT RESERVE (Cont.)

The following table summarises movements in the reserve related to progress towards vesting of share rights:

	30 September 2024	31 March 2024
	$	$
Opening balance	1,082,889	2,687,853
Share rights exercised during the year - transfer to share capital	(41,200)	(754,049)
Equity-based purchase price contingent consideration	-	(984,360)
One-off share based payments without vesting terms*	-	312,000
Employee contractual share-based compensation - progress toward share rights*	22,964	26,905
Other contractual share based compensation - progress toward shares*	-	(226,500)
Restricted shares issued to non-executive directors**	153,314	21,040
Restricted share units issued under the new employee share scheme*	1,112,881	-
Closing balance	**2,330,848**	**1,082,889**

*these amounts were recognised through profit or loss as personnel expenses
**these amounts were recognised through profit or loss as Directors Fees under administrative expenses

The following table summarises the movement in the total number of share rights and the total ordinary shares issued for the following periods:

	No. of other share rights*		No. of Ordinary shares	
	For the six months ended 30 September 2024	For the year ended 31 March 2024	For the six months ended 30 September 2024	For the year ended 31 March 2024
Opening balance	767,734	1,415,357	763,607	1,883,156
Granted during the period	3,070,265	-	-	600,000
Exercised during the period	(280,929)	(603,919)	-	-
Modification of the NOS deferred consideration	-	-	-	(787,488)
Issued as share capital	-	-	-	(173,427)
Forfeited during the period	-	(43,704)	-	(758,634)
Closing balance	**3,557,070**	**767,734**	**763,607**	**763,607**

*this includes restricted shares issued to non-executive directors and employees under the Company's share-based payment schemes.

Financial Statements

12. IMPAIRMENT OF CASH-GENERATING UNITS

Goodwill and intangible assets that have indefinite useful lives are amortised and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal ('FVLCOD') and value in use ('VIU').

For the purpose of assessing impairment, assets are grouped at the lowers levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other asset or group of assets i.e. cash generating units ('CGUs'). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of impairment at the end of each reporting period.

Identification of CGUs

The carrying amount of the Group's assets were reviewed to determine whether there is any indication of impairment and if so, tested or tested regardless in the case of indefinite life intangible assets. The Group identified two cash generating units, based on its product offerings:

(1) Pearl Diver - the Group's most significant product offering, which collates and presents data about interactions with a customer's website. The Group's original product Black Pearl Mail, which offers email customisation subscriptions to customers and the ability to gather data about how customers interact with those emails, is provided as part of a Pearl Diver subscription.

(2) Newoldstamp - the acquired business which also offers email customisation subscriptions to customers

Allocation of goodwill

Goodwill is allocated between Pearl Diver and Newoldstamp for the purpose of impairment testing. 90% ($2,585,244) is allocated to Pearl Diver and 10% ($287,249) to Newoldstamp reflecting the future growth expected from the organic traffic.

Key assumptions of impairment testing

The Group have tested impairment by measuring each CGU's value in use ('VIU'). The calculations are based on cash flow projections covering a five-year period and operating expenses reflecting the financial budgets approved by management and the Board.

Pearl Diver CGU has a carrying value of $5.4 million using an average revenue growth rate of 18.5%. To determine the terminal value a 2.1% long-term growth rate was applied. A post-tax discount rate of 17% was used to establish the recoverable amount under the VIU model. The Group has determined that no impairment is required to the Pearl Diver CGU.

Newoldstamp GCU was determined to have a carrying value of $0.9 million using an average revenue growth rate of 5%. To determine the terminal value a 2.1% growth rate was applied. A post tax discount rate of 17% was used to establish the recoverable amount under the VIU model. The Group have determined that no impairment is required to the Newoldstamp CGU.

Management has determined the values of its key assumptions in its VIU calculations for both Pearl Diver CGU and Newoldstamp CGU as follows:

- Revenue growth rate - based on the number of sales leads, the conversion of those leads to billable customers, and marketing expenditure.
- Long-term growth rate - using published international technology industry growth rates, particular those in the United States.
- Post-tax discount rate - reflecting the specific circumstances and risks of the Group, and benchmarked against NZX listed technology companies.

Result of impairment testing

Following the assessment of the recoverable amount of goodwill allocated to both Pearl Diver and Newoldstamp, the directors consider the recoverable amounts of the CGUs to be the most sensitive to the achievements of the budget. Budgets comprise of forecast subscription revenue, marketing, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board.

12. IMPAIRMENT OF CASH-GENERATING UNITS (Cont.)

Impact of possible changes in key assumptions
The Group has conducted an analysis of the sensitivity of impairment test to changes in the key assumptions used to determine the recoverable amount for each of the Group's CGUs to which goodwill is allocated. The directors believe that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

13. RELATED PARTY TRANSACTIONS
During the period, group companies entered into the following material transactions with related parties who are not members of the Group.

Crown BP Holdings LLC
Payments to ProspectDesk LLC (an associate of Crown BP Holdings LLC) for the supply of data, and associated services, for the Pearl Diver product - $255,046 (2023: $62,855).

(2023: Exercise of shareholder warrants, interest charged on the below-market term loan, amendments to the below-market term loan and conversion of the loan to ordinary shares in the Company).

New share-based payment scheme
The Group accrued $760,081 of share-based payment related expenses for key management personnel under the new share-based payment arrangement - see note 11 for more detail.

(2023: Nil).

NewOldStamp Limited
No material transactions were entered into during the six month period.

(2023: Share-based payment arrangement, contractual amendments to contingent consideration obligations and the signing of a revenue sharing agreement).

14. GOING CONCERN
The Group prepares its financial statements on a going concern basis, which assumes the Group has the ability and intention to continue operations for a period of at least 12 months from the date the consolidated financial statements are approved.

In the six months ended 30 September 2024, the Group had operating cash outflows of $1,805,109 (six months ended 30 September 2023: $3,008,997) and the cash balance at 30 September 2024 was $592,438 (31 March 2024: $1,854,458). The Group's total comprehensive loss during the period was $4,012,434 (six months ended 30 September 2023: $2,534,407 loss). The Group's current liabilities exceed its current assets by $751,750 at 30 September 2024 (31 March 2024: current assets exceeded current liabilities by $853,856).

In August 2024, the Group secured a new $5 million loan facility with BNZ, with $1 million drawn down at 30 September 2024 - see note 8. In October 2024 the Group successfully completed a capital raise of $12.5 million.

After reviewing its latest forecasts and with regard to relevant circumstances that are likely to affect the Group, the Directors' view is that the Group can meet its obligations as they fall due with the cash available on hand, including new capital from its recent capital raise. If required, including the use of the new loan facility to address cashflow contraints. The Directors conclude that the Group will continue operating as a going concern for at least 12 months from the date these financial statements were approved for issue.

Financial Statements

15. EVENTS AFTER BALANCE DATE
Black Pearl Group Limited successfully completed a capital raise in October 2024. This consisted of wholesale investor placements and a share purchase plan for existing shareholders and retail investors. The total raised was $12.5 million..

The Group entered into a new data supply agreement with an independent US based data provider. The term of the agreement is for three years, increasing the data sets available for Pearl Diver and changes the fee structure to fixed amounts. The intention of this agreement is to supercede its existing data provider agreement with Prospect Desk.

Company Directory

Incorporation Number
4064918

Directors
Nicholas Lissette
Timothy Crown
Mark Osborne
Hugo Fisher
Jyllene Miller (appointed 10 September 2024)

Share Registrar
Link Market Services Limited
80 Queen Street
Auckland 1010
New Zealand

Accountants
Deloitte Limited
Level 12, 20 Customhouse Quay
Wellington 6140
New Zealand

Registered Office
Level 5, 50 Customhouse Quay
Wellington Central
Wellington 6011
New Zealand

Auditor
William Buck Audit (NZ) Limited
Level 4, 21 Queen Street
Auckland 1010
New Zealand

About Blackpearl Group

Blackpearl Group (BPG) is a market leading data technology company that pioneers AI driven, sales and marketing solutions for the US market.

Specifically engineered for small-medium sized businesses (SMEs), BPG consistently delivers exceptional value to its customers. Our mantra is simple: 'Better Growth Together'. When our customers win, we win.

Founded in 2012, Blackpearl Group is based in Wellington, New Zealand, and Phoenix, Arizona.

Blackpearl.com

blackpearl