Black Pearl Group Limited - **Interim Report**

Hyper Growth.

Interim Report for the 6 month period ended 30 September 2023

blackpearl

Contents:

Dear Shareholders,

Over the past half-year, Blackpearl Group has struck a perfect balance, experiencing exponential growth while actively driving towards consistent and recurring profitability.

For me, this is best demonstrated through achieving a 221% increase in ARR over the previous reporting period, while also surpassing $1 million in gross profitability—a 284% increase from the same period as the previous year.

The juxtaposition of growth and profitability in SaaS business models is a common conundrum, but our $25 million investment in core technology serves as the catalyst that bridges this gap, enabling us to thrive on both fronts. For almost a decade, we have been collating and analyzing rare data sets. This data is the fuel driving the creation and evolution of pearldiver.io, which was able to secure over $1 million in annual recurring revenue within 90 days of launch.

Our business model gives us multiple levers which have ensured that profitability is an inevitability, but we did not start this business to pursue modest results. Our unwavering commitment to innovation and strategic growth has been the cornerstone of our success.

In a global market where many businesses are slowing down, Blackpearl Group continues to accelerate, positioning profitability as an inevitable milestone on our journey. As we move forward, our focus remains on expanding our technological capabilities, deepening customer relationships, and exploring new markets. This approach not only solidifies our current achievements but also paves the way for future successes.

We are grateful for your continued support and look forward to sharing our progress in the upcoming periods. Together, we are on a trajectory that not only promises growth but also redefines excellence in our industry.

Thank you for being part of this exciting journey.

Nick Lissette
Founder | CEO

Highlights

Pre 30 September 2023

Increased subscription revenue YoY

163%

Increase in ARR YoY

221%

Increased gross profit YoY

284%

Groupwide Revenue Churn

3.3%

As of 30 September 2023

Average revenue per employee

187%

During the six-month period ending in September 2023

Post 30 September 2023

Achieved

$5 million

Achieved $5m ARR at 31 October 2023

Raised

$3.8 million

$3.8m raised post 30th September 2023 from Placements to wholesale investors and a Share Purchase Plan to retail investors.

Note: Comparative figures relate to the 6 month period ended 30 September 2022.

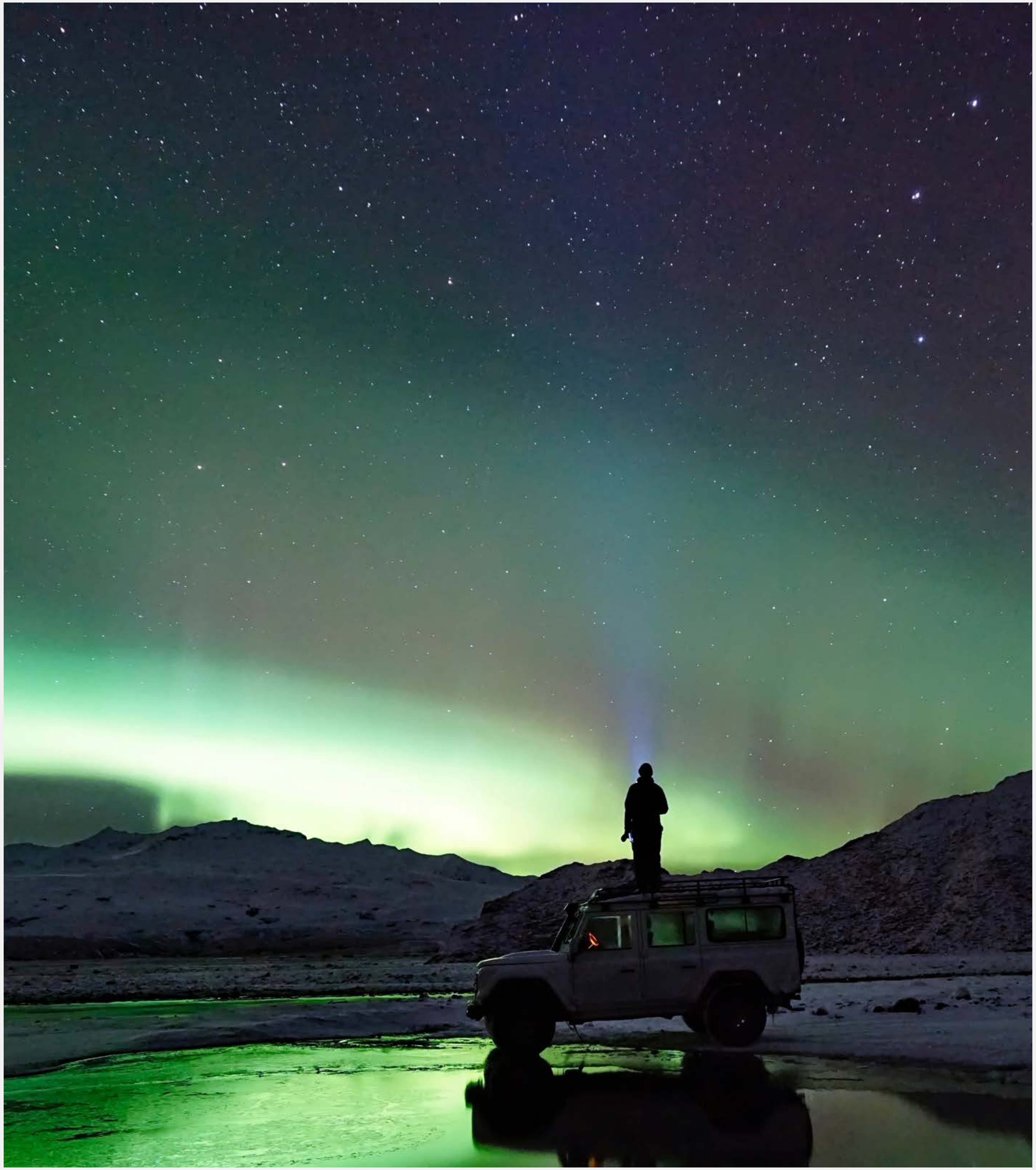
Profitability is Inevitable

Blackpearl Group 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.

Over the last decade, BPG has invested over 25m in its proprietary Data Platform - the Pearl Engine. This data engine enables the rapid creation and delivery of AI-driven sales and marketing solutions. A standout example is our latest release, **pearldiver.io**. From production initiation in March 2023 to market delivery in April 2023, the product achieved its first $1 million in annual recurring revenue (ARR) in July 2023.

Ad Astra - to the stars.



Revenue Growth

Subscription revenue grew 163% year on year to $1.5m for the half year ended 30 September 2023. This was due to the success of Pearl Diver, our signature product released in March 2023. Pearl Diver provides data transparency and empowers businesses to unlock the full potential of their data.

BPG's applications follow a monthly recurring billing model, generating regular and predictable revenue. As the customer base grows through new sign-ups, each additional subscriber contributes to the overall revenue. This continuous growth is not limited to one-time purchases but compounds over time.

Recurring revenue models focus on future revenue, while Profit and Loss statements only capture historical revenue without accounting for projected revenue resulting from past expenses. Consequently, the Profit and Loss statement does not account for BPG's projected revenue resulting from past expenses.

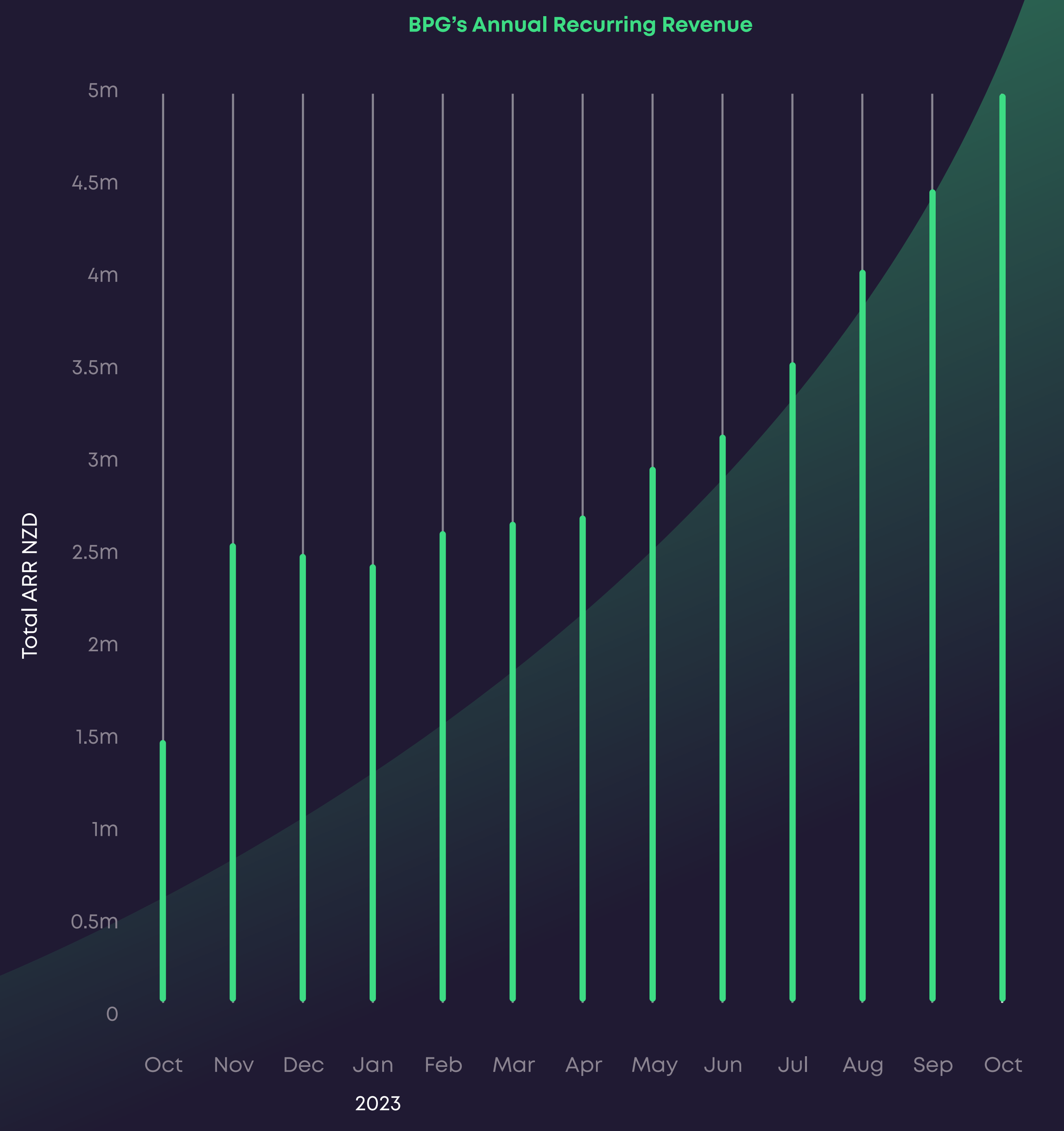
Highlight

221%

BPG's annual recurring revenue increased by 221% year on year to $4.6m at 30 September 2023. The compounding nature of our revenue supports our drive to profitability.

163%

Subscription Revenue surged by 163% year-on-year, hitting $1.5 million as of 30 September 2023. This substantial growth reflects our robust, compounding revenue model, propelling us towards greater profitability.



Scalability & Platform efficiency

One-Year Gross Profit Margin Enhancement

67%

Sept 2023

46%

Sept 2022

Our North Star

The Blackpearl Group's private platform the Pearl Engine, is the cornerstone of organic growth for both built and acquired technologies.

Key enablers

Fueling Blackpearl Group's Products:

Powers the entire suite of products within the Blackpearl Group.

Cost-Effective Integration:

Seamlessly integrates data ingestion, AI, microservices, and design components with near-zero marginal cost.

Scalability with Margin Gains:

Enables Blackpearl Group to scale its volume, leading to increased margins.

Proprietary Data and Services Hub:

Serves as the cornerstone of Blackpearl's next-generation products, generating vast data resources and leveraging AI for exceptional customer success.

Efficiency at the Core:

Drives platform efficiency and forms the foundation for Blackpearl's innovation and growth.

Highlight

284%

Gross profit increased by 284% year on year.

blackpearl pearlengine

Diversifying Our Product Suite for Market Growth

September 2022
100% BPM

November 2022
53% BPM
47% NOS

September 2023
43% PD
30% NOS
27% BPM

BPM
Black Pearl Mail

NOS
Newoldstamp

PD
Pearl Diver

Highlight

43%

A standout example is our latest release, pearldiver.io. From production initiation in March 2023 to market delivery in April 2023, the product achieved its first $1 million in annual recurring revenue (ARR) in July 2023.

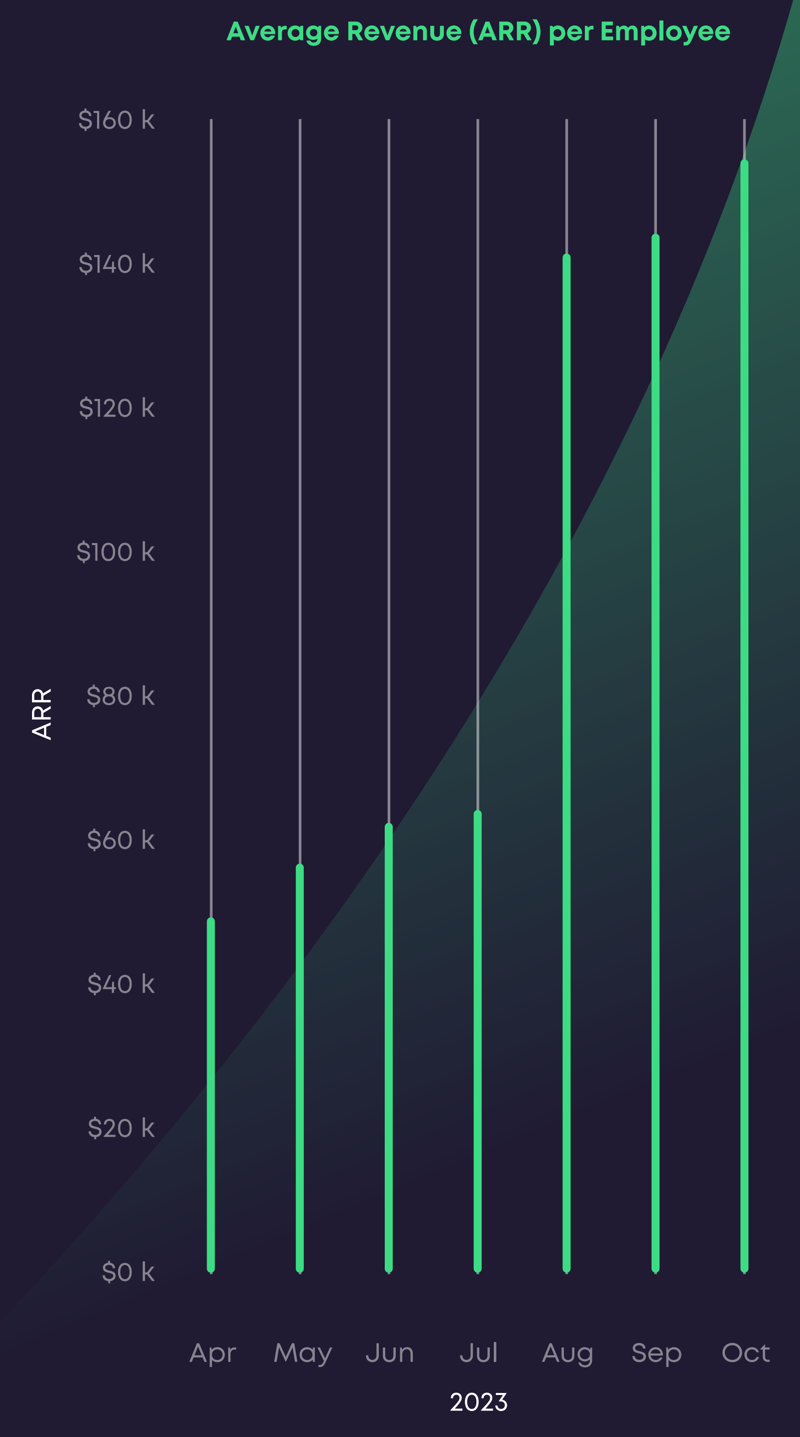
Maximising resources - Costs

The effective utilization of global resourcing has played a pivotal role in the significant increase in average revenue per employee. Offshoring certain functions allows 24/7 customer support and enhances customer experience and satisfaction.

Highlight

187%

Average revenue (ARR) per employee has increased by 187% in the 6 months to September 2023.



Expenses

Personnel, Operating and Admin costs have increased $1.3m from the 6 month period to 30 September 2022.

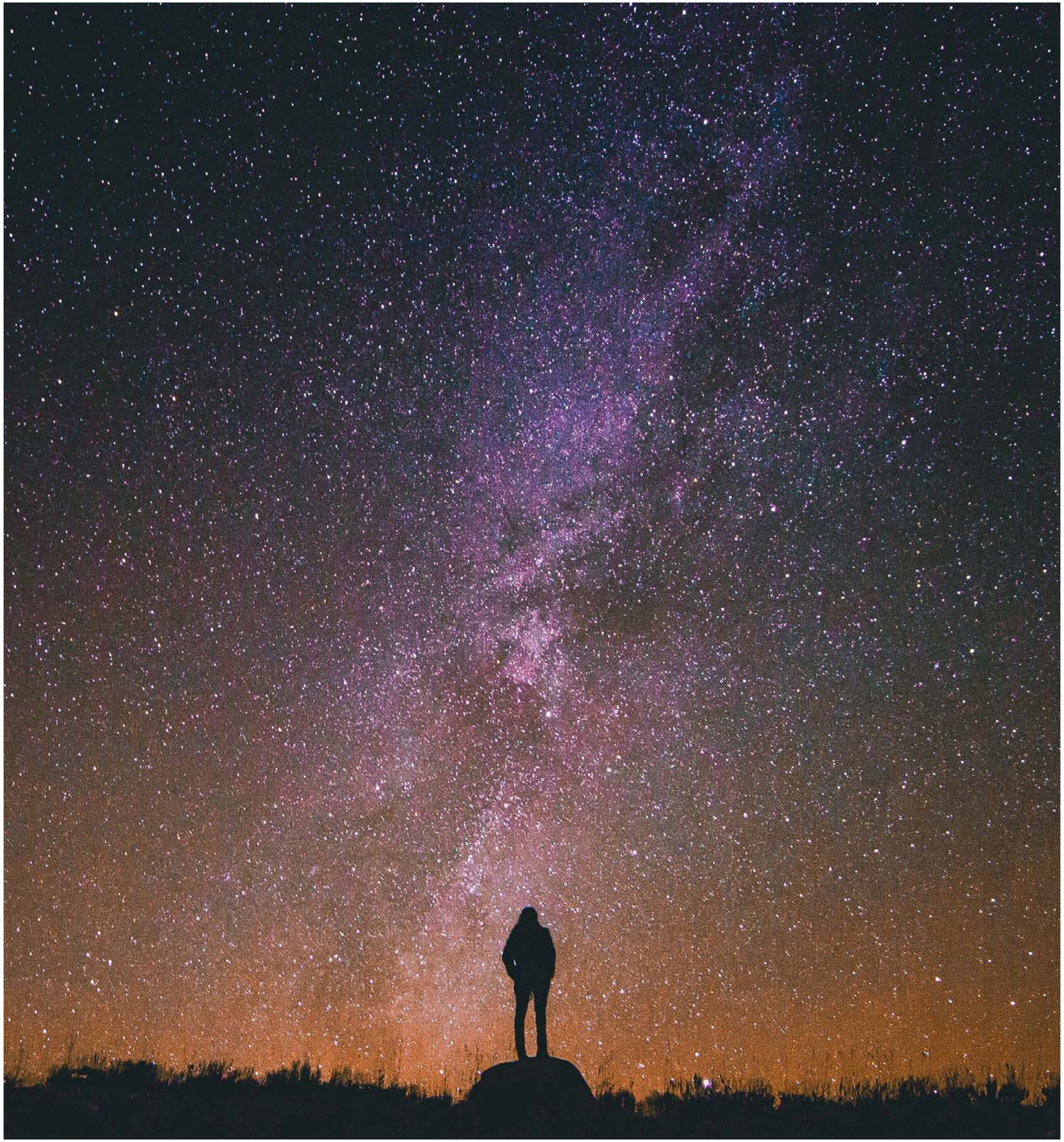
Why?

Three primary reasons were all growth related:

November 2022 Newoldstamp acquisition
– increased offshore resourcing

December 2022 NZX Listing
– increased compliance costs

Revenue growth related costs



Balance Sheet

$3 million of Liability removed from the balance sheet in the 6 months since 31 March 2023 due to:

Conversion of the Crown BP Holdings, LLC shareholder loan to equity

Newoldstamp contract variation

Debt Ratio Improvement Results:

0.69	**0.34**
31 March 2023	30 September 2023

Customer Retention & Resilience

Our strategic focus on the US SME market, coupled with a diverse customer base of over 3,800 clients, ensures our stability and growth. Importantly, we avoid dependency on large customers, enhancing our overall resilience.

Groupwide revenue churn

3.3%

Target market

US SME

Diverse Customer base of

3800+

No reliance on large customers

Zero

Incremental & New Technologies

Conception

BPM

- Branding
- Tracking
- Human-Click AI
- Routing

November 2022

BPM & NOS

+ Email as a plug-in
+ Campaign Management

March 2023

BPM, NOS & PD

+ AI Identity Resolution Network
+ Pearl Enrich
+ Audience Creation
+ Flows Action Board

Future Outlook

What's next

+ Pearl LLM
+ Data Platform 2.0
+ AI Assist

The people behind Blackpearl Group

Our Board of Directors

Nick Lissette
Blackpearl Group CEO

Tim Crown
Blackpearl Group Chairman

Cherryl Pressley
Chief Revenue officer & Executive director

Mark Osborne
Non-Executive Director Independent

Hugo Fisher
Non-Executive Director Independent

Our Executive Team

Nick Lissette
Blackpearl Group CEO

Karen Cargill
Chief Financial Officer

Cherryl Pressley
Chief Revenue officer & Executive director

Sam Daish
Chief Technology Officer

Tori Colebourne
Chief Marketing Officer

Johnson Saju
VP of Operations

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

For the six months ended 30 September 2023

	Notes	6 months ended 30 September 2023	6 months ended 30 September 2022
		Unaudited	Unaudited
		$	$
Subscription revenue	5	1,547,943	588,807
Cost of sales			
Reseller commissions		(112,120)	(20,246)
Personnel expenses		(145,022)	(83,891)
Hosting and server costs		(184,599)	(194,149)
Merchant bank fees		(67,646)	(19,720)
Gross profit		**1,038,556**	**270,801**
Other revenue		84,796	-
Personnel expenses		(1,735,050)	(1,561,352)
Operating expenses		(1,949,886)	(1,174,436)
Administrative expenses		(825,905)	(470,291)
Gain on reduction of contingent consideration - liability classified	6	1,002,950	-
Gain on deferral of payments for the shareholder loan	8	322,170	-
Finance costs		(155,928)	(12,797)
Loss before income tax		**(2,215,653)**	**(2,948,076)**
Net income tax credit		-	-
Loss for the year attributable to owners of the parent		**(2,215,653)**	**(2,948,076)**
Earnings per share		**2023 $**	**2022 Restated $**
Basic loss for the year attributable to owners	10	(0.06)	(0.10)
Diluted loss for the year attributable to owners	10	(0.06)	(0.10)

*prior year earnings per share figures have been restated as a result of a share split - see Note 9

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

For the six months ended 30 September 2023

	Notes	6 months ended 30 September 2023	6 months ended 30 September 2022
		Unaudited	Unaudited
		$	$
Loss for the year		**(2,215,653)**	**(2,948,076)**
Other comprehensive income that may be subsequently reclassified through profit or loss			
Exchange differences on translation of foreign operations		(318,754)	(13,006)
Total comprehensive loss for the year attributable to owners of the parent		**(2,534,407)**	**(2,961,082)**

Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	30 September 2023	31 March 2023
		Unaudited	Audited
		$	$
Assets			
Current assets			
Cash and cash equivalents		766,979	1,759,268
Trade and other receivables		267,550	301,599
Income tax receivable		-	3,846
Prepayments		159,536	69,828
Total current assets		**1,194,065**	**2,134,541**
Non-current assets			
Property, plant and equipment		30,968	21,597
Goodwill		2,872,493	2,872,493
Intangible assets		1,510,024	1,659,872
Total non-current assets		**4,413,485**	**4,553,962**
Total assets		**5,607,550**	**6,688,503**
Liabilities			
Current liabilities			
Trade and other payables		694,615	511,008
Employee entitlements		229,628	195,313
Current contingent consideration	6	35,136	576,941
Current loans and borrowings	8	92,344	1,291,790
Contract liabilities		498,555	481,402
Total current liabilities		**1,550,278**	**3,056,454**
Non-current liabilities			
Non-current contingent consideration	6	30,451	481,919
Non-current loans and borrowings	8	304,507	1,093,907
Total non-current liabilities		**334,958**	**1,575,826**
Total liabilities		**1,885,236**	**4,632,280**

Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	30 September 2023	31 March 2023
		Unaudited	Audited
		$	$
Equity			
Share capital	23	33,105,741	28,545,173
Accumulated losses		(31,062,203)	(29,796,748)
Share based payment reserve	25	1,414,703	2,687,853
Shareholder warrants reserve	26	478,394	515,511
Foreign currency translation reserve		(214,320)	104,434
Equity attributable to the owners		**3,722,314**	**2,056,223**
Total liabilities and equity		**5,607,550**	**6,688,503**

Signed for and on behalf of the board:

NLissette

Nicholas Lissette

Timothy Crown

Date: 29 November 2023

Date: 29 November 2023

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023

	Notes	Share capital	Accumulated losses	Share based payment reserve	Share warrants reserve	Foreign currency translation reserve	Total
		$	$	$	$	$	**$**
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	9	2,223,510	-	-	-	-	**2,223,510**
Shares issued on conversion of loan	9	1,800,736	-	-	-	-	**1,800,736**
Direct costs incurred in issuing shares	9	(2,000)	-	-	-	-	**(2,000)**
Issuance of shares from share based payments	9	501,205	-	(501,205)	-	-	**-**
Exercise of warrants	9	37,117	-		(37,117)	-	**-**
Share based payments	11	-	-	178,253	-	-	**178,253**
Amendments to contingent consideration - equity classified	11	-	950,198	(950,198)	-	-	**-**
Balance at 30 September 2023		**33,105,741**	**(31,062,203)**	**1,414,703**	**478,394**	**(214,320)**	**3,722,314**
Balance at 1 April 2022		22,012,727	(22,672,146)	1,419,248	-	208,159	**967,988**
Loss for the period		-	(2,948,076)	-	-	-	**(2,948,076)**
Translation differences of foreign operations		-	-	-	-	(13,006)	**(13,006)**
Transactions with owners in their capacity as owners							
Issue of share capital	9	2,905,638	-	-	-	-	**2,905,638**
Employee share based payments	11	-	-	127,087	-	-	**127,087**
Balance at 30 September 2022		**24,918,365**	**(25,620,222)**	**1,546,335**	**-**	**195,153**	**1,039,631**

! **The accompanying notes form part of these consolidated financial statements.**

Consolidated Statement of Cash Flows

For the six months ended 30 September 2023

	Notes	6 months ended 30 September 2023	6 months ended 30 September 2022
		Unaudited	Unaudited
		$	$
Cash flows from operating activities			
Cash receipts from customers		1,589,100	588,291
Cash paid to resellers for their commission		(245,692)	(20,246)
Cash paid to suppliers and employees		(4,451,024)	(3,297,499)
Receipt of government grants		109,225	180,244
GST payments		(15,896)	(42,737)
US Federal taxes refund/(paid)		1,443	(421)
NZ Income tax refund		3,846	-
Net cash used in operating activities		**(3,008,997)**	**(2,592,368)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,033)	(8,128)
Acquisition and development of intangible assets		(199,770)	-
Interest received		3	308
Net cash used in investing activities		**(216,800)**	**(7,820)**
Cash flows from financing activities			
Repayment of loans and borrowings		(5,200)	-
Direct costs incurred in issuing equity		(2,000)	-
Cash receipts from issue of share capital		2,223,510	2,905,638
Net cash from financing activities		**2,216,310**	**2,905,638**
Net increase/(decrease) in cash and cash equivalents		**(1,009,487)**	**305,450**
Opening cash and cash equivalents at beginning of the period		1,759,268	900,588
Effect of exchange rate fluctuations on cash held		17,198	849
Cash and cash equivalents at period end		**766,979**	**1,206,887**

Notes to the interim financial statements

For the six months ended 30 September 2023

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 and Newoldstamp Limited (together the 'Group') for the six months ended 30 September 2023.

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 2023.

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 13.

3. **CHANGES IN 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 significant accounting estimates, assumptions and judgements reported in the Group's annual report for the year ended 31 March 2023:

- Fair value estimation of contingent consideration as part of the Newoldstamp acquisition - Note 6
- Estimation of prevailing market interest rate for below-market term loans - Note 8

Management has exercised the following critical judgement in applying accounting policies:

- Accounting policy choice on the initial measurement of equity instruments issued on the exercise of a convertible loan - Note 8

4. **OPERATING SEGMENTS**

Accounting policy
Operating segments are components of an entity, engaged in business activities which may earn revenues and incur expenses, whose operating results are:

- regularly reviewed by an entity's chief operating decisions makers ('CODM');
- used by the CODM to make decisions about resources to be allocated to the segment;
- used by the CODM to assess the performance of the segment; and
- where discrete financial information is available.

Basis for operating segments

The Group has two reportable segments based off the Group's major product subscriptions available during the year: Black Pearl Mail and Newoldstamp (Newoldstamp was acquired in November 2022 so is nil for the comparative period). These segments have been determined based on how the CODM reviews 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.

Financial performance information reviewed by CODM

The financial information presented for the reportable segments are the main financial performance indicators the CODM reviews for allocation of resources and reviewing performance. The main information the CODM reviews is the subscription fees, marketing costs and personnel expenses. This information is reviewed at least quarterly along with the metrics below.

	30 September 2023			30 September 2022		
For the six months ended	Black Pearl Mail	Newoldstamp	Group	Black Pearl Mail	Newoldstamp	Group
	$	$	$	$	$	$
Subscription fees - cash collected	934,794	654,306	1,589,100	588,291	-	588,291
Subscription fees - accrual adjustment	71,577	(112,734)	(41,157)	516	-	516
Other revenue streams	84,796	-	84,796	-	-	-
Total revenue*	**1,091,167**	**541,572**	**1,632,739**	**588,807**	**-**	**588,807**
Marketing	499,218	107,256	606,474	628,606	-	628,606
Personnel expenses and contractor costs	1,721,032	872,542	2,593,574	1,458,690	-	1,458,690
Other expenses	605,611	42,733	648,344	1,449,587	-	1,449,587
Net loss before tax	**(1,734,695)**	**(480,959)**	**(2,215,653)**	**(2,948,076)**	**-**	**(2,948,076)**

*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 2023	September 2023		September 2022	
	$	%	$	%
Total direct sales	1,455,311	94%	524,208	89%
Total reseller sales	92,632	6%	64,599	11%
Total subscription revenue	**1,547,943**	**100%**	**588,807**	**100%**

The Group reviewed the requirements of NZ IFRS 15 Revenue from Contracts with Customers on a portfolio basis, being contracts for sales directly with customers ('Direct Sales') and customers obtained through resellers ('Reseller Sales'). This is because the Black Pearl Mail and Newoldstamp performance obligations for all Direct Sales are identical, and all its performance obligations under Reseller Sales are largely identical. The Group has no significant financing components in any of its contracts with customers.

6. CONTINGENT CONSIDERATION LIABILITY

	30 September 2023	31 March 2023
	$	$
Variable share issue from the Newoldstamp acquistion	1,058,860	1,043,084
Fair value remeasurement	9,677	15,776
Modification of the deferred consideration	(1,002,950)	-
Total contingent consideration	**65,587**	**1,058,860**
Current contingent consideration	35,136	576,941
Non-current contingent consideration	30,451	481,919
Total contingent consideration	**65,587**	**1,058,860**

In August 2023, the Group varied certain terms relating to the November 2022 acquisition of its Newoldstamp division. Refer to the March 2023 annual financial statements for full details of the original acquisition and contingent consideration. The contractual obligation was changed to reduce the value of shares that were required to be issued. There was no change to the assets or liabilities acquired by the Group in the original business combination or the expectation of the vendor meeting the conditions of the original contingent consideration (see the 31 March 2023 annual financial statements for details of the original assumptions). As such, the Group has derecognised the original contingent consideration liability and recognised a new liability based on the expected contingent consideration to be paid based on the original expectations of the vendor meeting the conditions. This results in a gain in the profit or loss of $1m on the extinguishment of the contingent consideration liability.

Refer to note 11 for details of the amendments to the equity classified contingent consideration.

The following is a breakdown of the total value of shares owed to the Newoldstamp sellers under the new terms. The amount recognised is the discounted value and the table below includes the face value and discounted value of those shares on the date of the contract amendment:

	Discounted value	Face value
	$	$
12 months from acquisition date	29,952	57,600
24 months from acquisition date	25,958	49,920
Total contingent consideration liability	**55,910**	**107,520**

7. IMPAIRMENT OF CASH GENERATING UNITS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation 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 lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets 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.

Key assumptions of impairment testing
The Group have tested impairment by measuring each CGU's 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.

Black Pearl Mail CGU has a carrying value of $4.1 million. The Black Pearl Mail CGU includes Pearl Diver as they leverage the same technology base. The Group operates the Pearl Diver and Black Pearl Mail technology collectively, with business activities and strategic decisions made at the Group level. As part of estimating its VIU, different revenue growth and inflation rates were used but the estimation is most sensitive to the growth seen in the first two years. For example, if the revenue growth rate for the first year was 95% of what was used in the VIU calculation, then the Group would need to consider whether there is impairment. 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 have determined that no impairment is required to the Black Pearl Mail CGU.

Newoldstamp CGU was determined to have a carrying value of $1.4 million using an average revenue growth rate of 2.6%. The lower growth rate compared to the Black Pearl Mail CGU reflects management's focus on the Black Pearl Mail CGU for marketing expenditure and new development. To determine the terminal value a 2.3% 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 Black Pearl Mail 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 Black Pearl Mail and Newoldstamp, the directors consider the recoverable amounts of goodwill 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.

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.

8. LOANS AND BORROWINGS

	30 September 2023	31 March 2023
	$	$
Current portion		
Credit card balances	17,657	24,651
Below market-term loans from the government	74,687	39,621
Shareholder loan	-	1,227,518
Total current portion	**92,344**	**1,291,790**
Non-current portion		
Below market-term loans from the government	304,507	328,998
Shareholder loan	-	764,909
Total non-current portion	**304,507**	**1,093,907**
Total loans and borrowings	**396,852**	**2,385,697**

Below-market term loan from the Group's shareholder
In September 2023, the terms of the shareholder loan were amended to add a conversion feature giving the shareholder an option, at their sole discretion, to convert the outstanding loan balance into ordinary shares in the Company at any date before maturity. The shareholder fully converted the loan (exercise price of $0.63) on 6 September 2023 resulting in the issuance of 3,839,788 ordinary shares and the loan balance being fully extinguished. As allowable under the accounting standards, the Company has taken an accounting policy choice to recognise the ordinary shares at the carrying value of the loan on conversion date.

The Group had a below market-term loan from its shareholder, Crown BP Holdings LLC. The difference between the face value and the present value of the expected future cashflows of the loan on initial recognition was taken through equity, representing the warrants issued by the Group in exchange for the below market-terms of the loan. Refer to the March 2023 annual financial statements for full details of the shareholder loan. The loan incurred $130k of interest during the period (2022: nil).

The loan was subsequently measured at amortised cost using the effective interest rate method. The principal amount of the loan was $2,400k with interest charged at 1% per annum. Interest was payable quarterly, with 50% of the principal due after 13 months from the date of signing, with the rest due when the loan matures (originally January 2025). In April 2023 the repayment dates of the loan were deferred for a period of 12 months (all other terms remained the same). This deferral was recorded as a substantial loan modification resulting in a gain of $322k through profit or loss when the carrying value of the loan was derecognised and the new loan was recognised based on the discounted cash flows under the new terms.

	6 months ended 30 September 2023	12 months ended 31 March 2023
	$	$
Opening shareholder loan balance	1,992,427	-
Loan issuance	-	1,884,489
Interest incurred in the period	130,480	107,938
Reduction from modifications	(322,171)	-
Conversion of the loan to ordinary shares	(1,800,736)	-
Closing shareholder loan balance	**-**	**1,992,427**

9. SHARE CAPITAL

	6 months ended 30 September 2023	12 months ended 31 March 2023
	$	$
On issue at beginning of the year	28,545,173	22,012,727
Issue of ordinary shares	2,223,510	6,082,758
Equity transaction costs	(2,000)	(382,811)
Shareholder warrants exercised	37,117	-
Conversion of shareholder loan to ordinary shares - see Note 8	1,800,736	-
Distribution to owners for pre-dividend loan	-	223,954
Exercise of employee share options - see Note 11	501,205	608,545
Total share capital ($)	**33,105,741**	**28,545,173**
Share capital consists of the following class:		
Ordinary share capital	33,105,741	28,545,173
Total share capital ($)	**33,105,741**	**28,545,173**

Fully paid total shares at the beginning of the year	35,363,459	20,295
Issue of ordinary shares	5,250,407	-
Conversion of shareholder loan to ordinary shares - see Note 8	3,839,788	-
Shareholder warrants exercised	180,000	-
Issue of ordinary shares pre-share split	-	3,243
Issue of ordinary shares as part of share split	-	34,266,617
Issue of ordinary shares post-share split	-	320,943
Exercise of employee share options - see Note 11	603,919	752,361
Total share capital (#)	**45,237,573**	**35,363,459**
Total value per share	**$0.73**	**$0.81**
Share capital consists of the following class:		
Ordinary share capital	**45,237,573**	**35,363,459**
Total share capital (#)	**45,237,573**	**35,363,459**

Exercise of shareholder warrants

On 13 September 2023 Crown BP Holdings LLC exercised 180,000 warrants (2,320,000 warrants remaining), at an exercise price of one cent, resulting in 180,000 ordinary shares being issued. In line with the Group's accounting policy, a portion of the shareholder warrant reserve was transferred to share capital based on the number of warrants exercised.

Refer to the March 2023 annual financial statements for full details of the shareholder warrants.

Net tangible assets per quoted equity security

The net tangible assets per quoted equity security for the 6 months to 30 September 2023 were $(0.014594) (30 September 2022: $0.024204).

10. BASIC AND DILUTED EARNINGS PER SHARE

Total comprehensive income/(loss) for the period

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the net loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares on issue.

Diluted EPS is determined by adjusting the net loss attributable to ordinary shareholders and the weighted average number of the ordinary shares on issue for the effects of all potential dilution to ordinary shares and options. Instruments are only treated as dilutive when their conversion to ordinary shares would decrease EPS or increase the loss per share.

For the six months ended	30 September 2023	30 September 2022
	$	$
Total loss attributable to owners	(2,215,653)	(2,948,076)
Weighted average number of ordinary shares for basic EPS	36,789,656	30,627,763
Dilution from share based compensation options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	36,789,656	30,627,763
Basic loss per share	**(0.06)**	**(0.10)**
Diluted loss per share	**(0.06)**	**(0.10)**

The number of shares presented is after the share split in November 2022 and the comparative figures have been restated to reflect the amounts after the share split. Refer to the March 2023 annual financial statements for full details of the share split.

11. SHARE BASED PAYMENT RESERVE

The Company effectively has four types of share based compensation arrangements:

- One-off share based compensation without vesting conditions
  Share issues which are used as a bonus to compensate employees for past services. These do not have vesting conditions and are immediately recorded as share capital once issued.
- Employee contractual share based compensation with vesting periods
  Contractual arrangements entered into with key employees to provide share rights with vesting periods for a defined service period. All vested employee rights have a nil exercise price.
  Rights outstanding at 30 September 2023 have no expiration date. Rights can be exercised at any time after vesting. The Group has no legal or constructive obligation to repurchase or settle the rights in cash. Any share to be issued on the exercise of the right will be issued on the same terms which rank equally in all respects with the ordinary shares in the Company on issue.
- Equity-based contingent consideration in the acquisition purchase price
  The purchase price for the Newoldstamp business acquistion includes the issue of shares, contingent criteria and a service period outlined in the agreement. The Group considers the 'fixed shares' to be an equity transaction. Refer to the March 2023 annual financial statements for full details of the original acquisition and contingent consideration These amounts will be transferred to share capital, once the vesting conditions are met and the shares are issued.
- Other contractual share based compensation with vesting periods and non-market performance conditions
  Contractual arrangements entered, in lieu of cash payment, to provide shares with vesting periods for a defined period. These are not share rights or options. Once the vesting period and conditions have been met, the Company will issue shares which rank equally in respect with the ordinary shares in the Company on issue. These include contractual arrangements to provide key contractors with shares subject to defined vesting periods and non-market performance conditions. These were issued as part of the acquisition of Newoldstamp. Similar to the contingent consideration amendment referred in to Note 6, the volume of shares to be issued to the NewOldStamp shareholders reduced during the year resulting in a reduction in the equity obligation recognised in the reserve. The Group has recorded this reduction as a transfer between the share based payment reserve and retained losses, resulting in no gain through profit or loss.

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

	6 months ended 30 September 2023	12 months ended 31 March 2023
	$	$
Opening balance	2,687,853	1,419,248
Share rights exercised during the year - transfer to share capital	(501,205)	(608,545)
Equity-based purchase price contingent consideration	(950,198)	1,118,094
Employee contractual share-based compensation - progress toward share rights*	178,253	197,899
Other contractual share based compensation - progress toward shares*	-	561,157
Closing balance	**1,414,703**	**2,687,853**

*these amounts were recognised through profit or loss as personnel expenses

As discussed in Note 6, the Group varied terms related to the acquisition of Newoldstamp in August 2023. The contractual obligation was changed to reduce the value of shares that were required to be issued. There was no change to the assets or liabilities acquired by the Group in the original business combination or the expectation of the vendor meeting the conditions of the original contingent consideration (see the 31 March 2023 annual financial statements for details of the original assumptions). This reduction was accounted for as an equity transaction by transferring $950k from the share based payment reserve to the accumulated losses reserve.

The following table illustrates the number of, and movements in, total share rights and the total shares issued during the year subject to the vesting conditions:

	Share rights		Ordinary shares	
	30 September 2023	31 March 2023	30 September 2023	31 March 2023
Opening balance	1,415,357	2,167,718	1,883,156	-
Granted during the period	-	-	600,000	1,883,156
Exercised during the period	(603,919)	(752,361)	-	-
Modification of the Newoldstamp deferred consideration	-	-	(761,456)	-
Forfeited during the period	(43,704)	-	(364,200)	-
Closing balance	**767,734**	**1,415,357**	**1,357,500**	**1,883,156**

During the period, Newoldstamp entered into a service agreement with the Group and were partially remunerated through share-based payments. The Group expects to issue 600,000 of ordinary shares from this arrangement.

12. 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

Exercise of shareholder warrants - refer to Note 9

Interest charged on the below-market term loan - refer to Note 8

Amendment to below-market term loan and conversion of the loan to shares in the Company - refer to Note 8

Payments to Prospect Desk LLC (an associate of Crown BP Holdings LLC) for the supply of data, and associated services, for the Pearl Diver product - $62,855 (2022: nil)

Newoldstamp Incorporated

Share based payment arrangement - refer to Note 11

Contractual amendments to contingent consideration obligations - Notes 6 and 11

The Group signed a service agreement with Newoldstamp resulting in a revenue sharing arrangement. Under the terms of the agreement, the Group will pay 50% of the revenue earned by the Newoldstamp division as consideration for the services provided - payments under the agreement begin from October 2023, therefore there no expense recognised in the current period

13. 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 2023, the Group had operating cash outflows of $3,008,997 (2022: $2,592,368) and the cash balance at year end was $766,979 (2022: $1,759,268). The Group incurred a total comprehensive loss for the 6 months of $2,534,407 (2022: $2,961,082 loss). At 30 September 2023 the Group's current liabilities exceeded its current assets by $356,213.

As a result of these factors there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

To address this in November 2023 the Group successfully completed a capital raise. This consisted of wholesale investor placements and a share purchase plan for existing shareholders and retail investors. The total amount raised was $3.8 million. As such the Groups cash position is substantially improved.

At 31 March 2023 when assessing the Group's going concern the Board's key judgements related to the Group's ability to:

- Achieve revenue growth anticipated and to raise capital; or
- Reduce operating expenses if planned revenue growth is delayed or capital not raised.

The 2024 business plan assumed accelerated revenue growth driven by the Group's new service, Pearl Diver. As at 31 October 2023 the Group's annual recurring revenue was $5 million which now provides a substantial amount of the required revenue to achieve recurring cash profitability.

The subscription revenue as at 30 September 2023 has surpassed the whole financial year ended 31 March 2023. The subscription revenue increase from 30 September 2022 to 30 September 2023 is 163%.

The Group's financial strategy focuses on growing a strong and reliable source of monthly recurring revenue, ensuring consistent and predictable revenue. As the customer base grows through new sign-ups, each additional subscriber contributes to the overall revenue.

This ongoing growth is not limited to a one-time occurrence. The annual recurring revenue of the Group at 30 September 2023 was $4.6 million compared to $1.4 million at 30 September 2022.

The Group's gross profit in the 6 months to 30 September 2023 grew by 284% from the previous year to $1,038,556. The Group's recurring revenue along with its gross profitability provides the Group the flexibility to retrench to a net profit position if the Group chooses not to continue its growth strategy.

The Group can reduce its operating expenditure to conserve cash. The Group's business model has been designed to enable this flexibility and includes limiting fixed expenditure and ensuring contracts are highly flexible in nature (for example the use of contractors over permanent employees).

Additionally, in the Annual Shareholders' Meeting in September 2023, the shareholders approved the conversion of the Crown BP Holdings, LLC $2.4 million loan into equity.

The Directors consider the Group to be a going concern and believe the Group will continue to achieve its financial forecast.

14. EVENTS AFTER BALANCE DATE

Black Pearl Group Limited successfully completed a capital raise in November 2023. This consisted of wholesale investor placements and a share purchase plan for existing shareholders and retail investors. The total raised was $3.8 million.

Company Directory

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4064918

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Timothy Crown
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