

Total Brain Limited (formerly Brain Resource Limited)

ABN 24 094 069 682

Board of Directors

Evian Gordon (Executive Chairman) Louis Gagnon (Managing Director) Matthew Morgan (Non-executive Director) Stephen Koslow (Non-executive Director) Ajay Arora (Non-executive Director)

Contact Information

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Share Registry

Boardroom Pty Limited

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Auditors

Grant Thornton

Stock Exchange Listing

Listed on Australian Securities Exchange – ASX Code: **TTB**American Depository Receipt quoted on OTC market – Code: **BRRZY**

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Operational Review for the six months ended 31 December 2018

1 HIGHLIGHTS

- During the six months ended 31 December 2018, Total Brain delivered positive financial results amidst a period of significant changes for the business:
 - o 19% growth in revenue from the core Total Brain business;
 - 6% growth in total revenue, reversing negative growth of -17% relative to the comparison period, despite a -32% decline in non-core revenue;
- As of 31 December 2018, the Company grew cumulative User Registrations to 654k, representing 26% annual growth and a 4-year CAGR of 55%, while the cumulative number of Brain Profiles increased to 492k, representing 34% annual growth and 4-year CAGR of 57%
- Total Brain executed several large new client contracts:
 - On the B2B Corporate front, completed the first upsell of the new Total Brain platform to two Fortune 500 companies. This marked an important early market validation of the product, its value proposition, functionality, and new pricing. Both clients expanded the size of their contracts adding a total of 65,000+ users and an annualised \$260k in incremental revenue in CY2019;
 - On the B2C Affinity front, entered into a distribution and revenue sharing agreement with focus@will (https://focusatwill.com), a music streaming service that uses neuraly-optimized sound to boost focus and productivity. The Total Brain product will initially be offered as a free trial to all 1.5 million registered focus@will users, after which time users will be charged a monthly fee and revenue will be shared with focus@will;
- Total Brain completed multiple operational initiatives across each business function:
 - After 9 months of development, the Company launched Total Brain, the world's first brain optimisation platform, replacing the legacy MyBrainSolutions product in September 2018, ahead of plan and on budget. The launch represented a complete overhaul of the product, including cloud-hosted infrastructure on the back-end and modern design on the front-end, both required elements of scaling Total Brain as a SaaS business;
 - Successfully migrated over 600,000 existing individual users, 23 corporate customers and 5 channel partners to the new platform with very positive customer feedback to-date;
 - Executed a complete rebrand to Total Brain, including a fundamentally-redesigned website (http://totalbrain.com), new social assets, revamped sales enablement materials, and updated go-to-market positioning for the Total Brain platform and the Screening product;
 - Represented TB with speaker slots at several marquee industry conferences, including the Global Summit on Mental Health Culture Change in London, HCl in Chicago, Connected Health in Boston, and Healthcare Revolution in Orlando
- In CY2019, Total Brain will continue scaling the business, delivering new product functionality, while focusing go-to-market efforts on the B2B Corporate and B2C Affinity markets. Objectives include:
 - Retaining existing portfolio of B2B clients, while upselling the new screening product and expanding eligible populations;
 - Targeting the 875 largest corporates in the US via an Account-based Marketing strategy and increasing penetration of existing and new Channel partners;
 - Testing into B2C Affinity market by engaging with aligned partners within health, psychology, professional verticals.



2 Business Operations

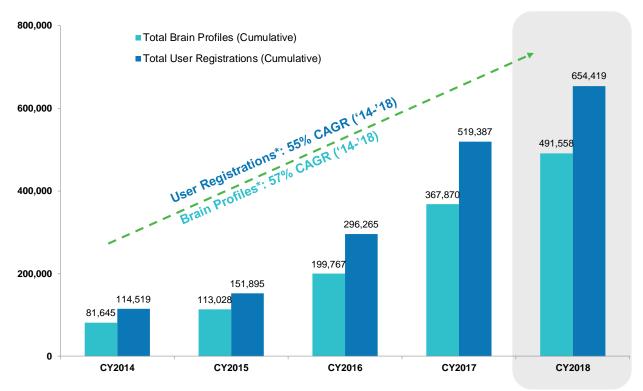
2.1 USER KPIS

User Registrations and Brain Profiles are the key user KPIs for the Total Brain business. These indicators directly reflect product adoption, use among clients and are a strong validator of TB's product-market-fit assumptions, while also powering the value of the Company's proprietary database.

During the six months ended 31 December 2018:

- User Registrations increased by 54k, representing 26% year-on-year growth in cumulative users and a 55% CAGR since 2014; and
- Brain Profiles increased by 44k, representing 34% year-on-year growth in cumulative profiles and a 57% CAGR since 2014.

This growth does not include user uplift which will occur from the re-launch of the direct partnership with the AARP expected in H1 CY2019, as well as several large opportunities in the B2C Affinity pipeline. AARP contributed 85% of the CY2017 user base growth and is therefore a significant driver of TB's user KPls. Additional drivers of growth through CY2019 include the launch and subsequent optimisation of user engagement-focused product features such as redesigned training experience and dynamic notifications which are now being actively marketed to B2B customers, as planned.



^{*} Represents cumulative actual figures through 31 December 2018. Figures differ from those presented in the User KPI graph in the Half-year report for the prior reporting period ended 31 December 2017 due to adjustments to the definitions of User Registrations and Brain Profiles the Company made in Q1 CY2018. User Registration figures exclude employer-pre-registered users. Brain Profiles figures include multiple assessments taken by same user.



2.2 PRODUCT AND TECHNOLOGY

The six months ended 31 December 2018 represented a turning point for the Product and Technology functions, and the Company as a whole. Key accomplishments included:

- After 9 months of development, the Company launched Total Brain, the world's first brain optimization
 platform, replacing the legacy MyBrainSolutions product in September 2018, ahead of plan and on
 budget. The launch represented a complete overhaul of the product, including cloud-hosted
 infrastructure on the back-end and modern design on the front-end, both required elements of scaling
 Total Brain as a SaaS business;
- Successfully migrated over 600,000 existing individual users, 23 corporate customers and 5 channel partners to the new platform with very positive customer feedback to-date;
- Built scalable infrastructure for scheduled and dynamic email and push notifications to drive usage, engagement, and user habituation;
- Built scalable infrastructure for video streaming ahead of launch of redesigned brain training exercises and addition of 40 pieces of mind-body content from Total Brain's partners at TLEX Institute planned for Q1 CY2019;
- Built initial deep linking (web) and basic direct to consumer registration workflow to support testing into B2C Affinity market;
- Established General Data Protection Regulation ("GDPR") infrastructure ensuring compliance with the security and technology requirements of global B2B Corporate clients and expedited onboarding of new accounts.

2.3 SALES AND CUSTOMER SUCCESS

The launch of the Total Brain platform, along with the significant overhaul of the Sales and Customer Success processes during CY2018, have led to a material increase in sales activity during the past 6 months. Highlights include:

- Successful roll-out of the new Total Brain platform to 23 corporate customers and 5 channel partners and commencement of formal upsell conversations with all current clients for the new Screening product;
- Completed a re-structuring of legal contracts with the key Mercer and Kaiser Permanente channel partners, reflecting the improved positioning and economics of the Total Brain platform;
- Initiated build-out of Account-based Marketing ("ABM") strategy plan for CY2019, targeting the largest 875 enterprises in the United States to enhance scalability and effectiveness of sales and marketing efforts. Additional information on this approach is provided in the CY2019 Outlook section of this update;
- Hired 2 seasoned sales leaders with tenure in human capital management and healthcare to further accelerate pipeline growth and conversion;
- Implemented new Customer Relationship Management tool to support ABM strategy and best-inclass SaaS business practices.



These business initiatives led to positive early results, including a significant increase in the set of pipeline opportunities, and the execution of several large new contracts:

- On the B2B Corporate front, completed the first upsell of the new Total Brain platform to two
 Fortune 500 companies. This marked an important early market validation of the product, its value
 proposition, functionality, and new pricing. Both clients expanded the size of their contracts adding
 a total of 65,000+ users and an annualised \$260k in incremental revenue in CY2019;
- On the B2C Affinity front, entered into a distribution and revenue sharing agreement with focus@will (https://focusatwill.com), a music streaming service that uses neuraly-optimized sound to boost focus and productivity. The Total Brain product will initially be offered as a free trial to all 1.5 million registered focus@will users, after which time users will be charged a monthly fee and revenue will be shared with focus@will;

2.4 MARKETING

On the marketing front, Total Brain has made notable progress in establishing the infrastructure required to scale a B2B SaaS business. Accomplishments include:

- Successfully executed a complete rebrand of MyBrainSolutions to Total Brain, including a
 fundamentally-redesigned website (http://totalbrain.com), new social assets, revamped sales
 enablement materials, and updated go-to-market positioning for the Total Brain platform and the
 Screening product;
- Executed against annual event plan, representing TB with speaker slots at the marquee Global Summit on Mental Health Culture Change in London, featuring top policymakers, government officials and commercial sector representatives from the United States and Europe, as well as the leading industry conferences including HCI in Chicago, Connected Health in Boston, and Healthcare Revolution in Orlando;
- Increased lead generation efforts on social media sites with a focus on LinkedIn and Facebook, deepened the automated B2B prospect campaign via additional nurture tactics (webinars, social ad retargeting, account-based marketing) to shorten the sales cycle and accelerate conversion;
- Continued to build thought leadership credibility via HR trade publications, partnership press releases, and 7-10 social weekly social posts to deepen engagement and broaden reach.

2.5 HUMAN RESOURCES

In Human Resources, Total Brain continued to establish best-in-class processes in compliance with Australian and U.S. law, while fostering a culture focused on collaboration and personal well-being across the organization. During the six-month period ended 31 December 2018, the team:

- Filled critical positions across sales, technology, marketing, and data science;
- Finalized Company bonus policy to eligible employees:
- Launched a modern HRIS software system providing management and employees with a centralized repository of all administrative information pertaining to HR;



 Held two Company-wide retreats, allowing employees to engage in a variety of group working sessions, presentations by all departments, and reflective workshops to improve their relationship with their teammates and themselves.

2.6 CLINICAL BUSINESS

Given the non-core nature of the clinical business for the Company, the team has been opportunistic in seeking out only large potential clients on an ad-hoc basis. Total Brain continues to harvest its existing book of business with minimal spend on product, sales and marketing, which has been reflected in the -37% decline in revenue from this business line during the six months ended 31 December 2018.

2.7 ISPOT DIAGNOSTIC AND TREATMENT PREDICTION TESTS

While the Company's current business plan is focused on the development of the B2B corporate and B2C Affinity markets, Total Brain continues to explore strategic alternatives to maximize shareholder value from the iSpot assets. As previously communicated, Total Brain has commenced a targeted outreach process to engage potential commercial partners for iSpot with the help of a New York-based healthcare investment bank retained in late April 2018. A license agreement with a top US-based biotech company was signed in January 2019, validating the commercial value of iSPOT's unique clinical data. Meanwhile, the scientific team has completed the initial GWAS-based scientific analysis in July 2018, as planned. The preliminary indications stemming from the acquisition of genetics data, which includes 850,000 genetic variants or "SNPs" on 1,000 patients with depression, have been positive. Third-party validation work is currently underway.



3. FINANCIALS

3.1 REVENUES

Revenue and other income from operating activities			
Six months ended 31 December, \$A	2018	2017	Change %
TB Corporate	868,316	617,250	41%
TB Affinity	-	131,381	(100%)
TB All Other	61,706	33,513	84%
Clinical	162,457	258,776	(37%)
Discovery	12,392	18,670	(34%)
Treatment prediction research (iSPOT)	-	-	0%
Other revenues	-	(1,358)	(100%)
Interest received	15,195	2,634	477%
Total revenues and other income from operating activities	1,120,066	1,060,866	6%
Memo: TB Core Revenues	930,022	782,144	19%
Memo: TB Non-Core Revenues & Other Income	190,044	278,722	(32%)

The 19% annual growth in Total Brain Core revenues was the primary driver behind the 6% growth in total revenue, reversing the -17% growth rate for the six-month period ended 31 December 2017, despite continuing declines in non-core segment revenue (-32%), and significant resources devoted to the operational transformation of the business during CY2018.

These positive results were achieved without the full benefit of the redesigned Total Brain product, which launched in September 2018. Management expects that the Company will experience a significant increase in new contracts and revenues through CY2019, the early evidence for which has already been seen in successful execution of several large contacts with B2B Corporate and B2C Affinity clients.



3.2 EXPENSES

Expenses from operating activities			
Six months ended 31 December, \$A	2018	2017	Change %
Cost of sales	(121,532)	(71,952)	69%
Depreciation of plant and equipment	(21,752)	(13,740)	58%
Amortisation of intangibles	(140,356)	(7,507)	n/m
Insurance and professional fees	(369,717)	(663,259)	(44%)
Rent, supplies & office costs	(378,186)	(154,475)	145%
Salaries and consultancy fees	(2,800,076)	(1,354,295)	107%
Marketing and agent support	(441,287)	(94,426)	367%
Communications	(313,695)	(156,927)	100%
Travel	(125,701)	(101,407)	24%
Foreign Exchange Gains	(7,469)	419	n/m
Share based payments	(70,150)	(882,443)	(92%)
Finance costs	(2,320)	(517,654)	(100%)
Loss on Conversion of Convertible Bond	-	(3,166,358)	(100%)
Issue of Options on Conversion of Convertible Bond	-	(1,660,510)	(100%)
Impairment of Goodwill / Intangible Assets	-	(5,081,097)	(100%)
Impairment of intangible assets	(862,426)	-	n/m
Share of loss of Joint Venture	-	(42,238)	(100%)
Other	(31,866)	(14,852)	115%
Total Expenses	(5,686,533)	(13,982,721)	(59%)
Memo: Total Cash Expenses	(4,550,194)	(2,596,741)	75%
Memo: Total Non-cash Expenses	(1,136,339)		(90%)

Total expenses decreased by \$8.3 million (59%) to \$5.7 million due to the \$10.2 million (90%) decrease in non-cash, non-recurring expenses during the period.

Total cash expenses increased by \$2.0 million (75%), primarily driven by:

- \$1.4 million (107%) increase in Salaries and consultancy fees due to the doubling of the team in CY2018, and reflecting headcount restraint during the FY2017 period including the 6 months of work for no cash pay by the new management team prior to execution of the capital raising transaction in December 2017:
- \$0.3 million (367%) increase in Marketing & agent support due to additional sales and marketing expenses incurred as part of B2B Corporate strategy, including trade shows, digital marketing, and design agency costs.

Total non-cash expenses decreased by \$10.2 million (90%) during the period, driven by non-recurring items in the prior comparison period ended 31 December 2017 related to the recapitalization of the Company. The current period saw a \$0.9 million Impairment of goodwill / intangible assets expense driven by the impairment of TB's intangible assets, including Brain Resource International Database and iSpot. The impairment assessment is performed by management and the Directors on a bi-annual basis and calculates a recoverable amount based on several valuation methodologies, including public comparables in the internet software industry and Total Brain's market capitalization as of 31 December 2018. It was determined that the intangible assets are impaired by \$0.9 million. Note that since the intangible assets related to the iSpot study did not produce revenue in the current year, no direct iSpot-related revenue was included in the value



assessment. If in future periods the Company generates revenue from those assets, thereby increasing the valuation of the intangible assets, the impairment loss can be reversed in part or in full.

3.3 LOSS AFTER TAX

Loss after tax			
Six months ended 31 December, \$A	2018	2017	Change %
EBITDA (pre-FX, finance cost, JV loss, share based payments, imp. Of intangibles and cost on conversion of convertible bond)	(3,477,189)	(1,553,361)	124%
Loss before tax	(4,566,467)	(12,921,855)	(65%)
Tax Expense	-	814,827	(100%)
Loss after tax	(4,566,467)	(12,107,028)	(62%)

The \$1.9 million (124%) reduction in EBITDA was driven by the \$2.0 million (75%) increase in cash expenses, including the \$1.4 million (107%) increase in Salaries and consultancy fees and \$0.3 million (367%) increase in Marketing & agent support. The \$7.5 million (62%) decrease in the Loss after tax was driven by the one-off non-cash expenses in the comparison period ended 31 December 2017, related to the recapitalization of the business.



3.4 CASH FLOW

Cash Flow From Operating Activities			
Six Months Ended 30 June, \$A	2018	2017	Change %
Receipts from customers	1,544,178	903,018	71%
Payments to suppliers and employees	(4,801,885)	(2,535,765)	89%
R&D rebate received	967,006	-	n/m
Interest received	15,195	1,635	829%
Net Cash Flow Used in Operating Activities	(2,275,506)	(1,631,112)	40%
Cash Flow From Investing Activities			
Six Months Ended 30 June, \$A			
Purchases of plant and equipment	(45,286)	(8,383)	440%
Loans to directors	(35,702)	(0,505)	n/m
Repayments of loans to related parties	102,553	_	n/m
Payment for subsidiary net of cash acquired	-	18,154	(100%)
Development of database and analysis tools	(1,304,876)	(250,156)	422%
Net Cash Flow Used in Investing Activities	(1,283,311)	(240,385)	434%
Cash Flow From Financing Activities			
Six Months Ended 30 June, \$A			
Proceeds from issue of ordinary shares	_	10,059,727	(100%)
Other expenses from issue of ordinary shares	-	(822,494)	(100%)
Repayment of borrowings from joint venture	-	(84,496)	(100%)
Net Cash Flow Used in Financing Activities	-	9,152,737	(100%)
Net (decrease) / increase in cash and cash equivalents held	(3,558,817)	7,281,240	(149%)
Add opening cash and cash equivalents brought forward	6,615,972	1,570,197	321%
Effect of movement in exchange rates on cash held	210,662	9,220	2185%
Closing Cash and Cash Equivalents	3,267,817	8,860,657	(63%)
Memo: Average Monthly Cash Consumption	(593,136)	(311,916)	90%

Average monthly cash consumption for the six months ended 31 December 2018 was \$593,136 compared to \$311,916 in the prior period, reflecting the significant expansion of the business, doubling of the team, as well as overhaul of business infrastructure and processes.

The Company's closing cash balance as of 31 December 2018 was \$3.3 million.



4. OUTLOOK

The six months ended 31 December 2018 was a time of significant transformation and turnaround for Total Brain. In CY2019, we will continue scaling the business, delivering new product functionality, while focusing our go-to-market efforts on the B2B Corporate and B2C Affinity markets. Our primary objectives include:

- Retaining existing portfolio of B2B clients, while upselling the new screening product and expanding eligible populations;
- Targeting the 875 largest corporates in the US via an Account-based Marketing strategy and increasing penetration of existing and new Channel partners;
- Testing into B2C Affinity market by engaging with aligned partners within health, psychology, professional verticals.

Our success in CY2019 will be based on integrating the lessons from the past six months and continuously validating critical go-to-market assumptions via an operating framework based on rapid learning and iteration of sales approach, product, and positioning throughout the year. Please refer to our February 2019 investor presentation to the ASX for additional color on our annual objectives. We look forward to building a successful SaaS business in CY2019 and creating significant shareholder value in the process.



5. CAPITALISATION TABLE

#	Shareholder	# Shares	%Holding
1	Citicorp Nominees Pty Ltd.	106,991,624	20.1%
2	CS Third Nominees Pty Ltd.	51,190,292	9.6%
3	HSBC Custody Nominees (Australia) Ltd.	45,211,987	8.5%
4	Buttonwood Nominees Pty Ltd.	19,010,630	3.6%
5	Stuttgart Pty Ltd.	17,604,735	3.3%
6	Morgan Stanley Australia Securities (Nominee)	16,240,174	3.1%
7	HSBC Custody Nominees (Australia) Ltd.	14,217,282	2.7%
8	Dr. Evian Gordon	11,240,248	2.1%
9	Gleneagle Securities (Aus) Pty Ltd.	11,000,000	2.1%
10	JP Morgan Nominees Aaustralia Ltd.	10,568,277	2.0%
11	DBPC Group Finance	10,250,000	1.9%
12	UBS Nominees Pty Ltd.	10,090,000	1.9%
13	Red Star Developments Pty Ltd.	6,655,429	1.3%
14	Spinite Pty Ltd.	5,500,000	1.0%
15	HSBC Custody Nominees (Australia) Ltd.	5,349,393	1.0%
16	Mr. Dan Segal	4,731,250	0.9%
17	Mr. Louis Gagnon	4,159,225	0.8%
18	Ceyx Holdings Pty Ltd.	4,000,000	0.8%
19	Arch 2000 Management Pty Ltd.	3,300,000	0.6%
20	Segal Super Pty Ltd.	3,270,000	0.6%
	Top 20 Holdings	360,580,546	67.9%
	Other Holdings	170,679,322	32.1%
	Fully Paid Ordinary Shares quoted on ASX	531,259,868	100.0%

Transaction	\$ Amount
IPO Aug 2001 (at 25.0 cents per share)	5,003,006
Feb 2002 Placement (at 25.0 cents per share)	1,000,000
May 2003 Placement (at 26.5 cents per share)	2,250,000
Nov 2003 Placement (at 45.0 cents per share)	3,812,026
Jul 2005 Placement (at 30.0 cents per share)	1,634,510
Jun 2006 Placement (26.5 cents per share)	1,499,900
Feb 2013 Placement (30.0 cents per share)	1,000,000
Aug 2013 Placement (30.0 cents per share)	2,000,000
Aug/Sep 2014 Placement / SPP (25.0 cents per share)	8,058,500
Nov 2015 Placement / SPP (20.0 cents per share)	3,109,500
Apr 2017 Placement / SPP (at 8.0 cents per share)	1,321,500
Aug 2017 Placement (at 8.0 cents per share)	90,000
Dec 2017 Placement (at 6.0 cents per share)	10,097,181
Jan/Feb 2018 SPP – incl. shortfall (at 6.0 cents per share)	1,250,000
Option exercises	322,136
Total Funds Raised through ordinary equity	42,448,259
Convertible Bonds	10,000,000
Exchangeable Convertible Preference Shares	4,000,000
Total Funds Raised	56,448,259





Directors' Report

Your Directors present their report on Total Brain Limited (the "Company") (formerly Brain Resource Limited) and the entities it controlled (the "Group") at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report:

Dr. Evian Gordon - Chairman;

Louis Gagnon – Managing Director and Chief Executive Officer;

Matthew Morgan - Non-Executive Director;

Dr. Stephen Koslow - Non-Executive Director; and

Mr. Ajay Arora – Non-Executive Director.

Activities

The principal activity of the Company is developing and selling brain health products.

Review and Results of Operations

See attached Operational Review.

Auditor's Independence Declaration

An independence declaration from our auditor, Grant Thornton, is included on page 15 and forms part of this report.

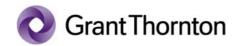
Signed in accordance with a resolution of the directors.

Dr Evian Gordon, Chairman of Directors

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28 February 2019





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Auditor's Independence Declaration

To the Directors of Total Brain Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Total Brain Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd Chartered Accountant

Grant Thouten

CDJ Smith

Partner - Audit & Assurance

Brisbane, 28 February 2019

Consolidated Statement of Comprehensive Income						
		Consolidated				
For half-year ended 31 December	Note	2018	2017			
Revenue	2	1,104,871	1,059,590			
Other Income	2	15,195	1,276			
Finance costs	2	(2,320)	(517,654)			
Share of loss of Joint Venture	2	-	(42,238)			
Other expenses	2	(4,821,787)	(3,514,864)			
Loss on conversion of Convertible Bond	2	-	(3,166,358)			
Issue of Options on Conversion of Convertible Bond	2	-	(1,660,510)			
Impairment of Goodwill / Intangible Assets	2	(862,426)	(5,081,097)			
LOSS BEFORE INCOME TAX		(4,566,467)	(12,921,855)			
Income tax (expense)/benefit		-	814,827			
Net Loss for the period		(4,566,467)	(12,107,028)			
Other Comprehensive Income						
Items that will be reclassified subsequently to profit and loss when specific conditions are met:						
Exchange differences on translating foreign operations, net of tax		246,235	8,184			
Other Comprehensive Income for the period, net of tax		246,235	8,184			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF TOTAL BRAIN LTD		(4,320,232)	(12,098,844)			
Loss per share for profit attributable to the ordin	ary equity I	holders of the pare	ent:			
Basic loss per share (cents per share)	4	(0.01)	(6.26)			
Diluted loss per share (cents per share)	4	(0.01)	(6.26)			



Consolidated Statemen	t of Finan	cial Position		
As at	Consolidated			
	Note	31 Dec 2018	30 Jun 2018	
CURRENT ASSETS				
Cash and cash equivalents	8	3,267,817	6,615,972	
Trade and other receivables		450,777	1,317,206	
Other current assets		68,706	28,783	
TOTAL CURRENT ASSETS		3,787,300	7,961,961	
NON CURRENT ASSETS				
Plant and equipment		239,675	221,636	
Intangible assets	9	14,519,366	14,659,278	
Other non-current assets		25,880	11,800	
TOTAL NON CURRENT ASSETS		14,784,921	14,892,714	
TOTAL ASSETS		18,572,221	22,854,675	
CURRENT LIABILITIES				
Payables		516,622	489,476	
Employee Benefits		427,048	488,495	
TOTAL CURRENT LIABILITIES		943,670	977,971	
NON CURRENT LIABILITIES				
Employee Benefits		31,810	29,884	
Deferred tax liabilities		65,165	65,165	
TOTAL NON CURRENT LIABILITIES		96,975	95,049	
TOTAL LIABILITIES		1,040,645	1,073,020	
NET ASSETS		17,531,576	21,781,655	
EQUITY				
Contributed capital	3	58,080,521	58,080,521	
Accumulated losses		(44,763,489)	(40,197,025)	
Other reserves		4,214,544	3,898,159	
TOTAL EQUITY		17,531,576	21,781,655	



Consolidated Statem	ent of Cas		
		Consolio	lated
Half-year ended 31 December	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,544,178	903,018
Payments to suppliers and employees		(4,801,885)	(2,535,765
R&D rebate received		967,006	-
Interest received		15,195	1,635
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(2,275,506)	(1,631,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(45,286)	(8,383
Loans to directors		(35,702)	-
Repayments of loans to related parties		102,553	-
Payment for subsidiary net of cash acquired		-	18,154
Development of database and analysis tools		(1,304,876)	(250,156
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,283,311)	(240,385
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	10,059,727
Other expenses from issue of ordinary shares		-	(822,494
Repayment of borrowings from joint venture		-	(84,496
NET CASH FLOWS USED IN FINANCING ACTIVITIES		-	9,152,737
Net (decrease) / increase in cash and cash equivalents held		(3,558,817)	7,281,240
Add opening cash and cash equivalents brought forward		6,615,972	1,570,197
Effect of movement in exchange rates on cash held		210,662	9,220
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	8	3,267,817	8,860,657



	Consolida	ted Statemer	nt of Change in	n Equity			
			Attributat	ole to the sha	areholders of	Total Brain	Limited
	Ordinary Shares	Equity component of Convertible Bonds	Accumulated Losses	Share Based Payments Reserve	Foreign Currency Translation Reserve	Subtotal	Total Equity
For half-year ended 31 December 2017							
At 1 July 2017	31,777,787	5,738,666	(22,834,351)	664,939	-	664,939	15,347,041
Losses for the period	-	-	(12,107,028)	-	-	-	(12,107,028
Other Comprehensive Income	-	-	-	-	8,184	8,184	8,184
Total Comprehensive Loss Transactions with owners in their capacity as owners:	-	-	(12,107,028)	-	8,184	8,184	(12,098,844
Issue of Ordinary Shares	25,050,960	_	-	_	-	-	25,050,96
Share Based Payments	-	-	-	2,542,953	-	2,542,953	2,542,953
Transfer on settlement of Convertible Bond	-	(5,738,666)	5,738,666	-	-	-	-
Balance at 31 December 2017	56,828,747	-	(29,202,713)	3,207,892	8,184	3,216,076	30,842,110
For half-year ended 31 December 2018							
At 1 July 2018	58,080,521	-	(40,197,025)	3,503,106	395,053	3,898,159	21,781,65
Losses for the period	-	-	(4,566,467)	-	-	-	(4,566,467
Other Comprehensive Income	-	-	-	-	246,235	246,235	246,23
Total Comprehensive Loss	-	-	(4,566,467)	-	246,235	246,235	(4,320,232
Transactions with owners in their capacity as owners:							
Issue of Ordinary Shares	-	-	-	-	-	-	-
Share Based Payments	-	-	-	70,153	-	70,153	70,153
Balance at 31 December 2018	58,080,521	-	(44,763,492)	3,573,259	641,288	4,214,547	17,531,570



1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(a) Corporate information

This general purpose consolidated financial report of Total Brain Limited (the "Company") and the entities it controls (the "Group") for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full of an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by Total Brain Limited during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

(b) Basis of accounting

The half-year financial report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) Summary of significant accounting policies

Except for the change noted in Note 1(d), the half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018.

The functional currency of Brain Resource Inc., a subsidiary of the ultimate parent company, Total Brain Limited, was changed from Australian dollars to US dollars, effective 1 July 2017. The functional currency was changed coinciding with the appointment of an all-US based management team.

The presentation currency of the Group's financial statements is Australian dollars.

(d) Changes in accounting standards

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election



on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact upon adoption on opening retained profits as at 1 July 2018.

Also, there was no impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period.

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

The Group's revenue accounting policies under the new standard are detailed below:



Sale of Software Licenses

All software revenue comprises the fees from subscribers to the Company's software platform. Within a subscription, customers may also receive other services such as support. Subscription-based arrangements generally have monthly contractual terms.

Where software, or other revenue arrangements, include more than one deliverable, the Company allocates revenue to these different deliverables based on the fair values of each and recognises revenue rateably as the services are performed, commencing with the date the service is made available to customers and all other revenue recognition criteria have been satisfied. If, at the outset of an arrangement, revenue cannot be measured reliably, revenue recognition is deferred until the relating fees become due and payable by the customer. Additionally, if at the outset of an arrangement it is determined that collectability is not probable, revenue recognition is deferred until the earlier of when collectability becomes probable or payment is received.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of the delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.



(e) Going Concern

The Group's financial statements have been prepared and presented on a going concern basis.

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

In the 6 months to 31 December 2018, the Group recorded a loss of \$4,566,467 and cash outflows from operations of \$2,275,506. Prima facie, these circumstances represent a material uncertainty regarding the Group's ability to continue as a going concern.

In the 6 months to 31 December 2018, the Company undertook a material product upgrade of the Company's lead product.

Management understands that its current commitment to fund the ongoing growth and commercialisation objectives and to continue as a going concern will require funds to be raised.

The Directors have a reasonable expectation that they will be able to raise sufficient funds in the equity markets to provide adequate levels of working capital to fund the Company's strategic goals. They believe therefore that the Company continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of at least 12 months from the date of this report. On this basis, the Directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not have the ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, it would impact on the Company's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.



2. PROFIT / LOSS FROM ORDINARY ACTIVITIES

The profit / loss from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

	Consoli	dated
Six months ended 31 December	2018	2017
	\$	\$
(i) Revenue and other income from operating activities:		
Total Brain – Corporate	868,316	617,250
Total Brain - Affinity	-	131,381
Total Brain - All Other	61,706	33,513
Clinical	162,457	258,776
Discovery	12,392	18,670
Other revenues	-	(1,358)
Interest received	15,195	2,634
Total revenues and other income from ordinary		
activities	1,120,066	1,060,866

Note that comparatives have been adjusted to match current year disclosures. There has been no effect on prior year revenue or profit.

(ii) Expenses from operating activities:

Cost of sales	121,532	71,952
Depreciation of plant and equipment	21,752	13,740
Amortisation of intangibles	140,356	7,507
Insurance and professional fees	369,717	663,259
Rent, supplies & office costs	378,186	154,475
Salaries and consultancy fees	2,800,076	1,354,295
Marketing and agent support	441,287	94,426
Communications	313,695	156,927
Travel	125,701	101,407
Foreign Exchange Gains	7,469	(419)
Share based payments	70,150	882,443
Finance costs	2,320	517,654
Loss on Conversion of Convertible Bond	-	3,166,358
Issue of Options on Conversion of Convertible Bond	-	1,660,510
Impairment of Goodwill / Intangible Assets	862,426	5,081,097



Share of loss of Joint Venture	-	42,238
Other	31,866	14,852
Total Expenses	5,686,533	13,982,721

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
Six months ended 31 December	2018	2017
	\$	\$
Services transferred over time	868,316	617,250
Services transferred at a point in time	236,555	440,982
Total	1,104,871	1,058,232
3. CONTRIBUTED EQUITY	Consolidated 31 Dec 18 30 Jun 18	
(a) Contributed equity	\$	\$
Ordinary share authorised and fully paid (see note b)	58,080,521	58,080,521

Contributed equity – closing balance	58,080,521	58,080,521
(b) Shares issued - number of shares	Number	Number
Number of ordinary shares – opening balance	531,259,868	166,015,204
Additions – ordinary shares issued for cash	-	190,244,664
Additions – ordinary shares issued upon conversion of convertible bond	-	125,000,000
Additions – ordinary shares issued upon conversion of exchangeable convertible preference shares in PoweringUpMBS Pty Ltd	-	50,000,000
Number of ordinary shares- closing balance	531,259,868	531,259,868



4. EARNINGS PER SHARE

	Consolidated		
Six months ended 31 December	2018	2017	
	\$	\$	
Calculation of the following in accordance with AASB 133:			
Net loss for the period	4,566,467	12,107,028	
Weighted according to adding the basis	Number	Number	
Weighted average number of ordinary shares for basic earnings per share	531,259,868	193,273,052	
Effects of dilution: None	Nil	Nil	
Adjusted weighted average number of ordinary shares for diluted earnings per share	531,259,868	193,273,052	

The 195,278,676 share options currently on issue are considered to be potential ordinary shares but are not dilutive in the current period.

5. CONTINGENT ASSETS AND LIABILITIES

The Group has a contingent liability in respect of an unresolved legal case regarding a dispute with a former staff member. As the case is at an early state of proceedings, it is not possible to determine the likelihood or amount of any settlement should the Group not be successful in litigating the case.

6. FINANCIAL REPORTING BY SEGMENT

The Company develops and commercialises brain health products, primarily delivered to a range of users through the one Total Brain platform. The Board of Directors reviews the financial statements of the company on a consolidated basis as one segment.

7. SUBSEQUENT EVENTS

There have not been any material subsequent events that have or will affect the results of Total Brain Limited and its controlled entities.



8. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:

	Consolidated	
	31 Dec 18 \$	30 June 18 \$
Cash at bank and in hand	3,267,817	6,590,972
Short-term deposits	-	25,000
	3,267,817	6,615,972

9. INTANGIBLES

Provision for impairment

	Consolidated	
	31 Dec 18 \$	30 Jun 18 \$
Development cost - opening	25,124,621	24,345,155
Accumulated amortisation	(1,978,200)	(1,924,369)
Provision for impairment	(8,487,143)	-
Sub-total	14,659,278	22,420,786
Additions – internal development	1,304,876	1,646,395
Less – impairment of assets	(862,426)	(8,487,143)
Less - R&D Cash Rebate offset	(442,006)	(866,929)
Less - current amortisation charge	(140,356)	(53,831)
Net Carrying amount - closing	14,519,366	14,659,278
Made up of:		
Development cost	25,987,491	25,124,621
Accumulated amortisation	(2,118,556)	(1,978,200)

The intangible assets are tested for impairment as a single Cash Generating Unit (CGU), as the individual assets do not currently generate largely independent cash flows.

As at 31 December 2018 the intangible assets were tested for impairment and the recoverable amount is the higher of value in use or fair value less costs of disposal. Fair value is determined by the Directors and management based on an assessment of the price that would be received to sell the intangibles of the Group, including the Brain Resource International Database (BRID) and iSPOT in an orderly transaction between market participants at the measurement date.



(8,487,143)

14,519,366 14,659,278

Consolidated

(9,349,569)

The approach and key assumptions used in the assessment of fair value is predominantly based on references to the market capitalisation of the Company as at the reporting date and the Consolidated Group's other assets and liabilities. This assessment has been further validated using alternate valuation techniques including:

- A revenue discounted cash flow approach MBS Corporate, MBS Affinity and MBS All Other revenue generated by the business in the current calendar year, projected to grow at the same annual rate (42%) as compared to the prior calendar year and using a discount rate of 50%.
- A revenue multiple approach utilising a revenue multiple (average of 6.7 times revenue) as per the
 internet software industry comparatives for listed companies. As the elements of the BRID collected
 through the iSPOT studies did not produce any revenue in the current year (and did not meet the
 revenue targets included in the prior year valuation), management determined not to include any such
 revenues.

Upon review of its assets, it has been determined, that the intangible assets are impaired by \$862,426. As the valuation is based on a combination of observable market data and unobservable inputs, the valuation has been considered to be level 2 in the fair value hierarchy. The impaired assets have been written down to their fair value of \$14,519,366.

The company is actively exploring alternative revenue streams for its differentiated ISPOT depression + ADHD assets. It should be noted that where, in future periods, the Company generates revenue from those assets thereby increasing the valuation of the intangible assets, the impairment loss can be reversed.

As at 30 June 2018, the recoverable amount of the intangible assets was also determined based on the fair value less costs of disposal approach.

10. SHARE BASED PAYMENTS

The company did not issue any new options in the period.

59,255,464 options expired during the period, all with a strike price of 8 cents and an expiry date of 19 December 2018.



DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Total Brain Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of Total Brain Limited (the Company and the entities it controls) for the half-year ended 31 December 2018 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2018 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Dr. Evian Gordon, Chairman of Directors

Sadon

28 February 2019





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Independent Auditor's Review Report

To the Members of Total Brain Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Total Brain Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Total Brain Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1(e) in the financial report, which indicates that the Group incurred a net loss of \$4,566,467 during the half year ended 31 December 2018 and had cash outflows from operations of \$2,275,506 for the period. These events or conditions, along with other matters as set forth in Note 1(e), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

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Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Total Brain Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Grant Thornton Audit Pty Ltd Chartered Accountant

Grant Thousan

CDJ Smith

Partner - Audit & Assurance

Cambon Sutt

Brisbane, 28 February 2019

