

# CRE8TEK

CRE8TEK LIMITED  
ABN 99 000 031 292

## ANNUAL REPORT 30 JUNE 2017

flamingo



## CONTENTS

Corporate Directory	2
Chairperson's Report	3
Chief Executive Officer's Report	4
Directors' Report	6
Auditor's Independence Declaration	22
Financial Report	23
Directors' Declaration	58
Independent Auditor's Report	59
Additional ASX Information	64



## CORPORATE DIRECTORY

### Directors

Dr Catriona Wallace – CEO and Managing Director  
Ms Cathie Reid – Non-Executive Chair  
Mr Bryn Hardcastle – Non-Executive Director

### Company Secretary

Mr Zane Lewis

### Registered Office

C/- Bellanhouse Legal  
Level 19, Alluvion, 58 Mounts Bay Road  
Perth WA 6000

### Auditor

BDO Audit (WA) Pty Ltd  
38 Station Street  
PO Box 700  
Subiaco WA 6008

### Share Registry

Automatic Registry Services  
Level 2, 267 St Georges Terrace  
Perth WA 6000

### Securities Exchange Listing

ASX Limited  
Level 40, Central Park, 152-158 St Georges Terrace  
Perth WA 6000

### ASX Code – CR8

### Website

[www.cre8tek.com.au](http://www.cre8tek.com.au)

## CHAIRPERSON'S REPORT

Dear Shareholders,

FY2017 was a year of significant change for Cre8tek ("the Company") with the acquisition of Flamingo Customer Experience Inc ("Flamingo") on 3 November 2016 heralding a shift in the Company's major operational focus to enterprise Software as a Service (SaaS).

Flamingo had developed a Cognitive Virtual Assistant which uses Artificial Intelligence and Machine Learning to guide online customers of financial services companies from page view to purchase, and post the completion of the acquisition, the Company has focused on continuing to develop and commercialise the Flamingo platform. This has seen the Company expand its client base to include leading insurance companies in the US and Australia, and explore opportunities in the Asian market.

### Results

The Flamingo acquisition was the major contributor to the Company's results for FY2017, with listing expenses on acquisition accounting for \$7,386,292 of the reported \$11,995,525 loss for the year and also seeing net assets increase from a deficit of \$135,365 at the conclusion of FY16 to \$4,278,505 at year end.

### Capital

The Company has worked diligently to manage the working capital requirements of the business while revenue generating contracts are established, and has maintained a position of charging clients for all trial and proof of concept work to ensure value creating partnerships are established from the starting point of each engagement.

The Company successfully completed a \$3.5m placement during the year, and additionally raised approximately \$135,000 via a non-renounceable entitlement issue. A R&D tax refund from the Australian Taxation Office generated \$723,368 in funds in addition to the \$342,179 received from customers, and at 30 June 2017 the Company had net working capital of \$2,794,406.

### The Year Ahead

FY2018 will see the Company move from the trial and proof of concept work into live scalable operations across its existing client base, with significant opportunities to expand the services delivered within those clients to include additional product lines. The Company is confident that it will enter into a number of contracts with new clients both domestically and abroad during this period via our strong customer pipeline.

The insurance sector has a strong interest in the application of artificial intelligence and machine learning to its operational models, and the Company is extremely well positioned to take advantage of the opportunities this presents throughout the coming year and monetize them accordingly.

On behalf of the board I would like to thank our shareholders for your ongoing support, and to thank my fellow directors and CEO Dr Catriona Wallace for their commitment and effort in what has been a very positive year of growth and change for the Company. I am excited about the opportunities that FY2018 presents for the Company, and look forward to seeing our Flamingo continue to grow and soar.

Sincerely,



Cathie Reid

Chair

## CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

2016/17 has been a very positive year for Cre8tek ("the Company"). The acquisition of Flamingo Customer Experience Inc. ("Flamingo") by the Company in November 2016, saw the business expand its focus beyond the US market into the Australian market as well as conducting an early stage assessment of the Asian market.

### Commercial

The key focus over the past year has been on securing a number of high-profile Fortune 100 and ASX 100 enterprise clients, in the financial services sector. The Company has maintained a strong vertical focus on insurance companies and has been conducting trials, or production pilots, with the aim of converting these trials to Monthly Recurring Revenue (MRR).

Although the US has been the main market focus during FY2017 the Company has gained traction in Australia with the securing of a contract with the AMP and also in Asia, with the Company winning a contract with MetLife Asia through MetLife's Lumen Lab program.

### Product Development

With the Virtual Assistants being used by client organisations to optimise online sales conversion rates the Company's core value proposition is firmly 'conversion optimisation'. Deployments or planned paid trials of the platform have included conversion optimisation for Superannuation and Life Insurance Applications; On-line personal loan applications; Auto Insurance Quotation to Bind; and Life Insurance applications.

In addition to the Company's main product, the Cognitive Virtual Sales and Service Assistant, ROSIE, the Company was focused resources on the development of a new product, a Cognitive Virtual Inquiry Assistant. This product does not need to be integrated into client systems and develop in response to the market's interest in a light touch AI solution.

Feedback from the market and analyst companies in the AI space supports Flamingo's proposition of having a unique approach to the application of AI for business. As such the Company continues to work on its Intellectual Property strategy with a number of Patent and Trademark applications having been filed.

### Partnership Development

The Company was also pleased to commence its partner strategy this year with companies including Deloitte and Industrie & Co. The Company's existing and very strong partnership with The Clarion Group in the US remains highly productive with Clarion continuing to introduce the Company to prospective clients in the US market.

### Review of Sales Performance

Although an early stage company, the Company generated revenue in the 2016 year, consisting of payments for trials and production pilots. The total consolidated revenue for FY2017 was \$481k which is a growth of 300% compared to FY2016. Of note is the Company achieving its first Monthly Recurring Revenue contract with foundation US-based client, Nationwide Insurance, a Fortune 100 company.

The Company continues to have a significant sales pipeline in the US and Asia Pacific markets, and is actively working to prioritise these opportunities to convert them into paid trials and then subscription based engagements.

### Company Outlook

The huge global market interest in Artificial Intelligence and Machine Learning is evidenced with Microsoft announcing their primary goal of building "best-in-class platforms and productivity services for an intelligent cloud and an intelligent edge infused with artificial intelligence" and Baidu and Google each spending between \$20B to \$30B on AI in 2016.

The Company remains highly optimistic that we are well positioned and focused to take advantage of this growing interest and investment in the AI sector.

The Company is very appreciative of the support of the investment community and is looking forward to the next 12 months focused on converting clients to MRR and increasing the speed to deployment as the Company steps towards scale.



## CHIEF EXECUTIVE OFFICER'S REPORT

Sincerely yours,



Dr Catriona Wallace

Managing Director and CEO



## DIRECTORS' REPORT

The Directors of Cre8tek Limited ("the Company") present their report, together with the financial statements of the Company and controlled entities ("the Group") for the financial year ended 30 June 2017.

### Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed/ Resigned
Dr Catriona Wallace	CEO and Managing Director	Appointed 3 November 2016
Ms Cathie Reid	Non-Executive Chair	Appointed 3 November 2016
Mr Bryn Hardcastle	Non-Executive Director	Appointed 5 November 2015
Mr Faldi Ismail	Non-Executive Director	Appointed 28 October 2015, Resigned 27 June 2017
Mr Tom Bahen	Non-Executive Director	Appointed 5 November 2015, Resigned 3 November 2016

### Principal activities

The Group is an innovative enterprise Software as a Service (SaaS) company which has developed a Cognitive Virtual Assistant (Flamingo Platform) which uses Artificial Intelligence and Machine Learning to guide online customers of financial services companies from page view to purchase.

The principal continuing activities of the Group during the year was the development and commercialisation of the Flamingo Platform.

### Dividends

There were no dividends paid or recommended during the financial year ended 30 June 2017 (2016: Nil).

### Review of operations

Cre8tek Limited recorded a loss after tax for the year of \$11,995,525 (2016: a loss after tax of \$2,238,413). The loss includes the listing expenses on acquisition of Flamingo of \$7,386,292 (2016: Nil). The net assets of the Group have increased from a deficit of \$135,365 at 30 June 2016 to net asset of \$4,278,505 at 30 June 2017.

The Group's cash and cash equivalents increased from a balance from \$169,434 at 30 June 2016 to a balance of \$3,383,003 at 30 June 2017 and the Group had net working capital of \$2,794,406 (2016: deficit of \$677,099).

### Significant changes in the state of affairs

#### *Reverse Acquisition*

On 3 November 2016, Cre8tek Limited completed the acquisition of Flamingo Customer Experience Inc. a company that developed a Cognitive Virtual Assistant platform. The acquisition of Flamingo has been accounted as a reverse takeover transaction under the Australian Accounting Standards. The terms of the transaction are as follows:

- The issue of 272,727,273 ordinary shares and 272,727,273 performance shares in Cre8tek Limited to the shareholders of Flamingo Customer Experience Inc,
- The issue of 13,286,364 ordinary shares and 7,150,000 performance shares in Cre8tek Limited to the facilitators of the transaction,
- The issue of 6,077,375 employee options in Cre8tek Limited to replace the existing Flamingo options which were cancelled following the completion of the transaction, and
- The deemed consideration for the acquisition was \$9,377,056 and a non-cash one off listing expenses of \$7,386,292 was recognised in the profit or loss for the year ended 30 June 2017 in accordance with the Australian Accounting Standards.

Further information on the reverse takeover transaction is detailed in Note 2.

## DIRECTORS' REPORT

### Highlights during the year

Other significant highlights during the year included the following:

#### Business Development

##### USA

During the year the Company entered into a Statement of Work under an existing Master Service Agreement with Nationwide Mutual Insurance to develop a Cognitive Virtual Sales Assistant, Intelligent Guided Selling, and Intelligent Guided Servicing platform.

Prior to the year end the Company completed security testing requirements and post year end received a Production Scope of Work order from Nationwide, to proceed with integration into Nationwide systems ready for go-live where Nationwide customers will interact with the Flamingo platform.

The Company also successfully signed a Proof of Technology contract with an additional leading US based insurance company on a paid trial basis. The purpose of the trial is to evaluate the applicability of using Flamingo's Cognitive Virtual Sales Assistant and Intelligent Guided Selling Technology across their business.

The Company also successfully signed a Trial Agreement contract with a third leading US based insurance company on a paid trial basis. The purpose of this trial is to evaluate the applicability of using Flamingo's Cognitive Virtual Sales Assistant and Intelligent Guided Selling Technology across their business.

##### Australia

In December 2016 Flamingo secured a Proof of Concept contract with AMP Limited. The implementation and deployment of the Journey Assist platform and development and training of "ROSIE", the Cognitive Virtual Assistant continued to progress and project has entered User Acceptance Testing.

The Company also signed a non-binding termsheet and a Statement of Work with DirectMoney Ltd, a listed Australian based company that leads the online personal loan market. The terms sheet is for a paid trial of the Cognitive Virtual Sales Assistant and Intelligent Guided Selling Technology to be used to guide customers through their personal loan application journey.

In May of 2017 the Company signed a Memorandum of Understanding with professional service firm, Deloitte Australia to collaborate to identify opportunities within the Australian market.

The Company also announced to partner with Industrie&Co on a non-exclusive basis to perform the integration work of the Flamingo platform, consisting the JourneyAssist product and Cognitive Virtual Sales Assistant Rosie for Flamingo clients.

##### Asia

Flamingo also participated over 12 weeks as one of eight finalists in MetLife Asia's startup acceleration program "Collab". The Company was awarded a Judge's Selection Award which provides the opportunity for a contract with MetLife Asia to deliver a trial of the Flamingo solution to one of MetLife's Asian businesses.

The Company commenced to assess the market for opportunities for the Flamingo software in the Asian region. This included the Company's participation in the InsurTech Asia Summit and Roadshow which connected 100 corporate leaders and 30 global insurance across Singapore, Hong Kong, Kuala Lumpur, Bangkok and Jakarta.

##### Corporate

The Company successfully completed a \$3.5m placement to sophisticated and institutional investors via the issue of 87,500,000 shares at \$0.04 per share with a 1 for 2 free attaching new listed option exercisable at 6c with a 12 month expiry. In addition the Company raised approximately \$135,000 at \$0.04 per share with a 1 for 2 free attaching new listed option exercisable at 6c with a 12 month expiry via a non-renounceable entitlement issue.

In addition the Company received a \$723,368 R&D tax refund from the Australian Taxation Office (ATO).





## DIRECTORS' REPORT

### Significant events after the reporting period

Since the reporting date the following significant events have occurred:

On 10 August 2017, the Company announced that it had signed a Production Statement of Work (SoW) with a US based client Nationwide Insurance. The execution of this agreement means that the Flamingo Platform, constituting the Cognitive Virtual Sales Assistant will be integrated into Nationwide systems ready to go-live where Nationwide customers will interact with the Flamingo Platform. This contract will provide monthly recurring revenue for the Company.

There were no other significant events after the reporting date.

## DIRECTORS' REPORT

### Information on Directors

**Dr Catriona Wallace** Chief Executive Office and Managing Director (Appointed 3 November 2016)

Qualifications	PhD in Organisational Behaviour
Experience	Dr Catriona Wallace is the founder and CEO of Flamingo. Dr Wallace is a multi-award winning, recognised business leader, well published author with a PhD in Organisation Behaviour and is statistically trained. She is the founder and now major shareholder of two successful businesses (excluding Flamingo), including the multi-award winning customer experience design firm, Fifth Quadrant.
Interest in Shares and Options at the date of this report	116,625,198 Ordinary shares (including 109,718,015 escrowed for a period of 24 months from completion of the Flamingo transaction) 38,604,796 Class A Performance Shares 38,604,796 Class B Performance Shares 38,604,796 Class C Performance Shares
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	None

**Ms Cathie Reid** Non-Executive Chair (Appointed 3 November 2016)

Qualifications	Bachelor of Pharmacy
Experience	Ms Cathie Reid is the Co-founder of Icon Group, a provider of integrated cancer care services with operations in Australia, Singapore, New Zealand and China. She is also the Managing Partner of Australia's Epic Pharmacy Group.  Ms Reid was inducted into the Australian Businesswoman's Hall of Fame in 2015, named one of the Top 100 Women of Influence by Australian Financial Review in 2013, won a National Telstra Business Women's Award in 2011, and recognised by Monash University with a Distinguished Alumni Award from Professional Achievement in 2012.
Interest in Shares and Options at the date of this report	64,098,740 Ordinary Shares (including 17,718,015 escrowed for a period of 24 months from completion of the Flamingo transaction) 20,949,580 Class A Performance Shares 20,949,580 Class B Performance Shares 20,949,580 Class C Performance Shares 625,000 Options expiring 24 May 2018, exercisable at \$0.06
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	None

**Mr Bryn Hardcastle** Non-executive Director (Appointed 5 November 2015)

Qualifications	Bachelor of Laws, Bachelor of Arts
----------------	------------------------------------

## DIRECTORS' REPORT

**Experience** Mr Hardcastle is an experienced corporate lawyer specialising in corporate, commercial and securities law. He is the founder of Bellanhouse Legal which predominantly advises on equity capital markets, re-compliance transactions and takeovers across a variety of industries. Mr Hardcastle has extensive international legal experience and has advised on numerous cross border transactions working in the United Kingdom, Middle East and North America. He also has experience acting as a non-executive director of ASX listed companies.

**Interest in Shares and Options at the date of this report** 500,000 Ordinary Shares  
3,333,333 Class A Performance Rights  
3,333,333 Class B Performance Rights  
3,333,334 Class C Performance Rights

**Special Responsibilities** Nil

**Directorships held in other listed entities (last 3 years)** Attila Resources Limited (**AYA**)

**Mr Faldi Ismail** Non-Executive Director (Appointed 28 October 2015, Resigned 27 June 2017)

**Qualifications** B Bus MAICD

**Experience** Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX-listed companies. With many years of investment banking experience, his expertise covers a wide range of industry sectors. Mr Ismail is the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers & acquisitions, capital raisings and Initial Public Offerings (IPO's) and is currently a director of several ASX-Listed companies.

**Interest in Shares and Options at the date of this report** 6,000,000 Ordinary Shares (at resignation date)  
10,000,000 Options exercisable by payment of \$0.03 each, expiring 3 years from date of reinstatements (at resignation date)  
3,333,333 Class A Performance Rights (at resignation date)  
3,333,333 Class B Performance Rights (at resignation date)  
3,333,334 Class C Performance Rights (at resignation date)

**Special Responsibilities** Nil

**Directorships held in other listed entities (last 3 years)** Asiamet Resources Limited (current)  
Dotz Nano Limited (current)  
Ookami Limited (current)  
MHM Metals Limited (current)  
TV2U International Limited (ceased 21 October 2016)  
WHL Energy Limited (ceased 1 March 2017)  
Asiamet Resources Limited (formerly Kalimantan Gold Corporation) (current)  
BGD Corporation Limited (ceased 6 April 2016)  
Emergent Resources Limited (ceased 16 November 2015)  
Mareterram Limited (formerly Style Limited) (ceased 10 August 2015)

**Mr Tom Bahen** Non-Executive Director (Appointed 5 November 2015, Resigned 3 November 2016)

**Qualifications** Bachelor of Commerce (Accounting and Finance)

**Experience** Mr Bahen is currently a director of Private Clients and Institutional Sales at national stock broking firm Patersons Securities Limited. He has significant experience in capital raisings and corporate advisory for ASX listed companies. He has previously worked in assurance for global accounting firm Deloitte.

## DIRECTORS' REPORT

Interest in Shares and Options at the date of this report	2,500,000 Ordinary shares (at resignation date) 3,333,333 Class A Performance Rights (at resignation date) 3,333,333 Class B Performance Rights (at resignation date) 3,333,334 Class C Performance Rights (at resignation date)
Special Responsibilities	Nil
Directorships held in other listed entities (last 3 years)	Carbine Resources Limited Naracoota Resources Limited

### Information on Key Management

<b>Mr Joseph Waller</b>	Chief Technology Officer
Qualifications	Bachelor of Science (Honours) Scientific Computing
Experience	Mr Joseph Waller is a former Technology Strategist and Chief-of-Staff of Betfair, the world's biggest sports trading platform. Mr Waller played a key role in growing the company from a UK technology startup into the world's largest internet betting exchange. He ran the product and platform teams that built and scaled the exchange to annual revenues of over \$700 million, matching over 30,000 trades a minute (more than all of Europe's stock exchanges combined).

### Information on Company Secretary

<b>Mr Zane Lewis</b>	Appointed 6 February 2017
----------------------	---------------------------

Mr Zane Lewis has over 20 years' experience with small cap multinational companies including corporate advisory roles at several ASX Listed companies. Mr Lewis is a member of Chartered Secretaries Australia and is a Non-Executive Director and Company Secretary for a number of ASX Listed companies.

<b>Mr Dave Filov</b>	Resigned 6 February 2017
----------------------	--------------------------

Mr Dave Filov is a corporate lawyer with experience in equity capital markets, IPOs and back door listings, having previously spent time with ASX advising listed entities with ASX listing rules compliance requirements and processing numerous IPOs and back door listing applications.

## DIRECTORS' REPORT

### Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

		DIRECTORS' MEETINGS	
		Number eligible to attend	Number Attended
Catriona Wallace	Appointed 3 November 2016	5	5
Cathie Reid	Appointed 3 November 2016	5	4
Bryn Hardcastle	Appointed 5 November 2016	6	6
Faldi Ismail	Resigned 27 June 2017	6	6
Tom Bahen	Resigned 3 November 2016	1	1

### Options

#### Unissued shares under option

At the date of this report, the unissued ordinary shares Cre8tek Limited under option are as follows:

Expiry Date	Grant Date	Exercise Price	Number Under Option
5 February 2018	18 July 2014	\$3.00	221,056
5 February 2018	18 July 2014	\$6.00	67,692
5 February 2019	21 January 2016	\$0.030	50,000,000*
4 November 2019	4 November 2015	\$0.020	25,000,000*
3 November 2021	3 November 2016	\$0.029	6,077,375
23 December 2019	23 December 2016	\$0.080	2,000,000
16 December 2021	16 December 2016	\$0.040	5,865,363
30 June 2020	16 February 2017	\$0.080	900,000
24 May 2018	3 April 2017	\$0.060	45,451,015**
<b>Total</b>			<b>135,582,501</b>

\* These options have been escrowed until 5 February 2018

\*\* These represent listed options

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

No options were exercised during the year (2016: Nil).

### Performance Rights

At the date of this report, the Company had the following performance rights on issue:

Grant Date	Performance Right	Expiration dates	Number of rights issued
22 January 2016	Class A	5 February 2018	9,999,999
22 January 2016	Class B	5 February 2018	9,999,999
22 January 2016	Class C	5 February 2018	10,000,002
<b>Total</b>			<b>30,000,000</b>



## DIRECTORS' REPORT

### Performance Rights (continued)

Class	Milestone
Class A	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 3 cents
Class B	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 4 cents
Class C	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 5 cents

On 30 November 2016, the shareholders of Cre8tek have approved the issue of 9,000,000 Performance Rights to Cathie Reid, Bryn Hardcastle and Faldi Ismail. These Performance Rights have the same performance milestones as the Performance Shares below. As at 30 June 2017 the performance rights have been valued at nil due to the uncertainty regarding the milestone targets. As at 30 June 2017 these performance rights were not issued.

### Performance Shares

At the date of this report, the Company had the following performance shares on issue:

Expiry Date	Grant Date	Class	Number
3 May 2020	3 November 2016	Class A Performance Shares	93,292,459
3 May 2020	3 November 2016	Class B Performance Shares	93,292,407
3 May 2020	3 November 2016	Class C Performance Shares	93,292,407
<b>Total</b>			<b>279,877,273</b>

Class	Performance Hurdles
Class A	Flamingo executes a legally binding Master Service Agreement (MSA) and competes a security audit with a substantial US corporation, and either: <ul style="list-style-type: none"> <li>- That MSA remains valid, binding and enforceable for at least 12 months after its execution; or</li> <li>- The Flamingo Platform technology is applied in another business vertical of the substantial US corporation outside any business unit where the technology is being trialled;</li> </ul>
Class B	Flamingo achieves \$13,000,000 in Revenue in any 12 months period within 36 months of Completion; and
Class C	Flamingo achieves \$28,000,000 in Revenue in any 12-month period within 36 months of Completion.

No value has been allocated to the Performance Shares due to the significant uncertainty of meeting the performance milestones which are based on future events. To date, none of the Milestones have been met.

### Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## DIRECTORS' REPORT

### Indemnifying Officers

The Company indemnifies each of its Directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

### Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

### Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

### Likely Developments and Expected Results of Operations

The Company's principal continuing activity is the development and commercialisation of the Flamingo Platform. The Company's future developments, prospects and business strategies are to continue to develop and commercialise the Flamingo Platform.

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report.

### Non-audit Services

During the year, BDO Audit (WA) Pty Ltd, the Company's provided other non-audit services totaling to \$18,997. These related to advisory services for the preparation of the Independent Accountant's Report ('IAR'), undertaken by BDO Corporate Finance (WA) Pty Ltd. Details of their remuneration can be found within the financial statements at Note 6 Auditor's Remuneration.

In the event that non-audit services are provided by BDO Audit (WA) Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 22 of the financial report.

## DIRECTORS' REPORT

### Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth), as amended (**Act**) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive Director fee arrangements
5. Performance conditions linked to remuneration
6. Details of remuneration
7. Additional disclosures relating to equity instruments
8. Loans to key management personnel (KMP) and their related parties
9. Other transactions and balances with KMP and their related parties

#### 1. Introduction

Key Management Personnel (**KMP**) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

#### 2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a remuneration committee charter.

During the financial year, the Company did not engage any remuneration consultants.

#### 3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued subject to approval by shareholders in a general meeting.

At the date of this report the Company has two executive appointed, being the appointment of Dr Catriona Wallace as the Chief Executive Officer and Managing Director and Mr Joseph Waller as Chief Technology Officer. The terms of their Executive Employment Agreements are summarised in the following table.

## DIRECTORS' REPORT

### 3. Executive remuneration arrangements (continued)

Executive Name	Remuneration
Dr Catriona Wallace (Chief Executive Officer and Executive Director)	<ul style="list-style-type: none"><li>• Base executive salary of \$275,000 per annum, inclusive of superannuation;</li><li>• A living away from home component of \$24,000 per annum;</li><li>• Directors fees of \$36,000 per annum;</li><li>• Is entitled to other incentives such as bonus schemes and employee share option plans and may be reimbursed for actual and reasonable business expense;</li><li>• In the event of change in control Dr Wallace is entitled to receive a bonus payment of 3 months base salary; and</li><li>• Dr Wallace's Agreement is for indefinite term and will continue until terminated by either the Company giving the three months written notice or by Dr Wallace giving the Company three months written notice (or shorter period in limited circumstances)</li></ul>
Mr Joseph Waller (Chief Technology Officer)	<ul style="list-style-type: none"><li>• Base executive salary of \$220,000 per annum, plus superannuation;</li><li>• Is entitled to other incentives such as bonus schemes and employee share option plans and may be reimbursed for actual and reasonable business expense; and</li><li>• Mr Waller's Agreement does not have fixed term and has standard termination provisions.</li></ul>

At this stage the Board does not consider the Group's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of business development and corporate activities.

### 4. Non-executive Director fee arrangements

The Board policy is to remunerate Non-Executive Directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive Directors may receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Non-Executive Directors.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is presently limited to an aggregate of \$500,000 per annum and any change is subject to approval by shareholders at the General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Total fees for the Non-Executive Directors for the financial year were \$132,300 (2016: \$45,000) and cover main Board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Group.

## DIRECTORS' REPORT

### 5. Performance Conditions Linked to Remuneration

The Group has established and maintains Cre8tek Limited Employee Option Plan (**Plan**) to provide ongoing incentives to Eligible Participants of the Company. Eligible Participants include:

- a Director (whether executive or non-executive) of any Group Company;
- a full or part time employee of any Group Company;
- a casual employee or contractor of a Group Company; or
- a prospective participant, being a person to whom the Offer was made but who can only accept the Offer if arrangement has been entered into that will resulting in the person becoming an Eligible Participant.

The Board adopted the Plan to allow Eligible Participants to be granted Options to acquire shares in the Company.

The purpose of the Plan is to assist in the reward and motivation of Eligible Participants and link the reward of Eligible Participants to performance and the creation of Shareholder value. It is designed to align the interest of Eligible Participants more closely to the interests of Shareholders by providing an opportunity for Eligible Participants to receive shares. It provides the Eligible Participants with the opportunity to share in any future growth in value of the Company and provides greater incentives for Eligible Participants to focus on the Company's longer term goals. During the year ended 30 June 2017 12,842,738 Options have been issued under this Plan.

### 6. Details of Remuneration

The Key Management Personnel of Cre8tek Limited includes the current and former Directors of the Company and Key Management Personnel of Cre8tek during the year ended 30 June 2017.

30-Jun-17	Short Term Salary, Fees & Commissions	Post- Employment Superannuation	Other	Share-based payments	Total	Performance based remuneration
	\$	\$	\$	\$	\$	
<b>Directors:</b>						
Catriona Wallace <sup>1</sup>	310,706	13,077	-	-	323,783	-
Cathie Reid <sup>2</sup>	24,000	-	-	-	24,000	-
Bryn Hardcastle <sup>3</sup>	36,000	-	-	-	36,000	-
Faldi Ismail <sup>4</sup>	36,000	-	-	-	36,000	-
Tom Bahen <sup>5</sup>	12,300	-	-	-	12,300	-
<b>Key management:</b>						
Joseph Waller	192,279	18,266	-	-	210,545	-
<b>Total</b>	<b>611,285</b>	<b>31,343</b>	<b>-</b>	<b>-</b>	<b>642,628</b>	<b>-</b>

1 Appointed on 3 November 2016

2 Appointed on 3 November 2016

3 Appointed on 5 November 2015

4 Appointed on 28 October 2015, Resigned on 27 June 2017

5 Appointed on 5 November 2015, Resigned on 3 November 2016



## DIRECTORS' REPORT

### 6. Details of Remuneration (continued)

30-Jun-16	Short Term Salary, Fees & Commissions	Post- Employment Superannuation	Other	Share-based payments <sup>1</sup>	Total	Performance based remuneration
	\$	\$	\$	\$	\$	
<b>Directors</b>						
Faldi Ismail	15,000	-	-	168,666	183,666	92%
Tom Bahen	15,000	-	-	168,667	183,667	92%
Bryn Hardcastle	15,000	-	-	168,667	183,667	92%
Nicholas Young <sup>2</sup>	-	-	-	-	-	-
Steven Bryson Haynes <sup>3</sup>	-	-	-	-	-	-
<b>Directors removed on 28 October 2015:</b>						
Karel Louman	-	-	-	-	-	-
Stephen Watts	-	-	-	-	-	-
Jeffrey Clarke	-	-	-	-	-	-
Nicholas Stretch	-	-	-	-	-	-
<b>Total</b>	<b>45,000</b>	<b>-</b>	<b>-</b>	<b>506,000</b>	<b>551,000</b>	

### 7. Additional disclosures relating to equity instruments

#### KMP Ordinary Shareholdings

The number of ordinary shares in Cre8tek Limited held by each KMP of the Group during the financial year is as follows:

30-Jun-17	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of the year/ at resignation date
<b>Directors:</b>					
Catriona Wallace (a)	-	-	-	116,625,198	116,625,198
Cathie Reid (b)	-	-	-	64,098,740	64,098,740
Bryn Hardcastle (c)	-	-	-	500,000	500,000
Faldi Ismail (d)	4,750,000	-	-	1,250,000	6,000,000
Tom Bahen (e)	2,500,000	-	-	-	2,500,000
<b>Key management:</b>					
Joseph Waller	-	-	-	-	-
<b>Total</b>	<b>7,250,000</b>	<b>-</b>	<b>-</b>	<b>182,473,938</b>	<b>189,723,938</b>

- (a) Other changes during the year includes 115,814,388 consideration shares and 810,810 shares acquired by Dr Wallace via on market purchase.
- (b) Other changes during the year includes 62,848,740 consideration shares and 1,250,000 shares issued to Ms Reid under the non-renounceable entitlement issue.
- (c) The balance of 500,000 included in other changes during the year relates to shares acquired by Mr Hardcastle via on market purchase.
- (d) Mr Ismail resigned on 27 June 2017, the balance shown is on the resignation date. The balance in other changes during the year relates to shares issued on the market to Mr Ismail.
- (e) Mr Bahen resigned on 3 November 2016, the balance shown is on the resignation date.

<sup>1</sup> The value of the performance rights granted to directors as part of their remuneration is calculated as at the grant date using the Monte Carlo method. The amounts disclosed as part of their remuneration for the financial year were issued and vested within the period.

<sup>2</sup> Appointed 28 October 2015, Resigned 5 November 2015

<sup>3</sup> Appointed 28 October 2015, Resigned 5 November 2015

## DIRECTORS' REPORT

### 7. Additional disclosures relating to equity instruments (continued)

#### KMP Performance Shareholding

The number of performance shares in Cre8tek Limited held by each KMP of the Group during the financial year is as follows:

30-Jun-17	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year*	Balance at end of the year
<b>Directors:</b>					
Catriona Wallace	-	-	-	115,814,388	115,814,388
Cathie Reid	-	-	-	62,848,740	62,848,740
Bryn Hardcastle	-	-	-	-	-
Faldi Ismail	-	-	-	-	-
Tom Bahen	-	-	-	-	-
<b>Key management:</b>					
Joseph Waller	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,663,128</b>	<b>178,663,128</b>

\* The amounts shown in other changes during the year relate to performance consideration shares issued to Dr Wallace and Ms Reid. Further detail on the performance conditions is detailed on Page 13 and Note 17.

#### Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

#### KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30-Jun-17	Balance at the start of the year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Vested and un-exercisable
<b>Directors:</b>							
Catriona Wallace	-	-	-	-	-	-	-
Cathie Reid	-	-	-	625,000	625,000	625,000	-
Bryn Hardcastle	-	-	-	-	-	-	-
Faldi Ismail*	10,000,000	-	-	-	10,000,000*	10,000,000	-
Tom Bahen	-	-	-	-	-	-	-
<b>Key management:</b>							
Joseph Waller	-	-	-	2,727,312	2,727,312	1,768,394	958,918
<b>Total</b>	<b>10,000,000</b>	<b>-</b>	<b>-</b>	<b>3,352,312</b>	<b>13,352,312</b>	<b>12,393,394</b>	<b>958,918</b>

\* Mr Faldi Ismail resigned on 27 June 2017, the balance shown is on resignation date.

## DIRECTORS' REPORT

### 7. Additional disclosures relating to equity instruments (continued)

#### KMP performance rights holdings

The number of performance rights held by each KMP of the Group during the financial years is as follows:

30-Jun-17	Balance at the start of the year	Granted as remuneration during the year (i)	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Vested and un-exercisable
<b>Directors:</b>							
Catriona Wallace	-	-	-	-	-	-	-
Cathie Reid	-	-	-	-	-	-	-
Bryn Hardcastle	10,000,000	-	-	-	10,000,000	10,000,000	-
Faldi Ismail	10,000,000	-	-	-	10,000,000*	10,000,000	-
Tom Bahen	10,000,000	-	-	-	10,000,000*	10,000,000	-
<b>Key management:</b>							
Joseph Waller	-	-	-	-	-	-	-
<b>Total</b>	<b>30,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,000,000</b>	<b>30,000,000</b>	<b>-</b>

\* Mr Faldi Ismail resigned on 27 June 2017 and Mr Tom Bahen resigned on 3 November 2016, the balances are on resignation date.

(i) On 30 November 2016, the shareholders of Cre8tek have approved the issue of 3,000,000 Performance Rights each to Cathie Reid, Bryn Hardcastle and Faldi Ismail. These Performance Rights have the same performance milestones as the Performance Shares issued as part of the reverse acquisition (see Note 17c). As at 30 June 2017 these performance rights were not issued and each right has been valued at \$0.06, based on share price at grant date. At 30 June 2017 no expense has been recognised in respect of these rights as a 0% probability has been assigned to meeting the milestones as disclosed in Note 17c.

### 8. Loans to key management personnel (KMP) and their related parties

There were no loans made to key management personnel during the financial year.

### 9. Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the group's key management personnel:

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2017	2016	2017	2016
			\$	\$	\$	\$
Otsana Capital Pty Ltd	Corporate advisor retainer	Faldi Ismail	50,065	45,000	3,366	-
Otsana Capital Pty Ltd	Placement fee	Faldi Ismail	210,000	-	-	-
Otsana Capital Pty Ltd	Capital raising fee	Faldi Ismail	143,788	227,023	-	-
Adamantium Holdings Pty Ltd	Rent and registered office fee	Faldi Ismail	18,000	9,000	1,500	1,500
Bellanhouse Legal	Legal retainer fee	Bryn Hardcastle	40,000	-	-	-
Bellanhouse Legal	Legal fees	Bryn Hardcastle	182,182	89,465	-	37,800

## DIRECTORS' REPORT

### 9. Other transactions and balances with KMP and their related parties (continued)

The following transactions occurred with Otsana Capital Pty Ltd, a company related to director Mr Faldi Ismail during the year ended 30 June 2017:

- a total of \$50,065 was paid for corporate advisor retainer fees during the period 1 September 2016 to 30 June 2017;
- a capital raising fee of \$143,788 was paid relating to the issue of 75,000,000 shares under the Public Offer;
- a placement fee of \$210,000 was paid for the placement of 87,500,000 shares on 3 April 2017

During the period 1 August 2016 and 30 June 2017, a total of \$18,000 was paid to Adamantium Holdings Pty Ltd, a company related to director Mr Faldi Ismail for rent and registered office fee.

The following transactions occurred with Bellanhouse Legal, a company related to director Mr Bryn Hardcastle during the year ended 30 June 2017:

- a total of \$40,000 was paid for legal retainer fees during the period 1 November 2016 to 30 June 2017;
- a total of \$182,182 was paid as legal fees relating to various legal matters including the acquisition of Flamingo Customer Experience Inc and the costs associated with the capital raising

Prior to acquisition of Flamingo Customer Experience Inc. (period 1 July 2016 to 31 October 2016), Cre8tek Limited provided a loan totalling to \$915,000 to Flamingo. At 30 June 2017, this balance is eliminated on consolidation.

A loan of \$286,000 which was provided to Flamingo by an entity related to Ms Cathie Reid was repaid during the year.

### 10. Voting of shareholders at last year's annual general meeting

At the 2016 AGM, 90% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

### THIS IS THE END OF THE AUDITED REMUNERATION REPORT

Signed in accordance with a resolution of the Board of Directors.



**Dr Catriona Wallace**

**Chief Executive Officer and Managing Director**

30 August 2017

## DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF CRE8TEK LIMITED

As lead auditor of Cre8tek Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cre8tek Limited and the entities it controlled during the period.



**Neil Smith**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 30 August 2017



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017	30 June 2016
		\$	\$
Revenue	3	480,755	162,151
Other income	3	534,060	299,580
Amortisation and depreciation	3	(519,230)	(180,121)
Corporate expenses		(305,411)	(250,171)
Employee expenses	3	(2,707,122)	(1,554,165)
Interest expense		(6,863)	(1,722)
Listing expenses on acquisition of Flamingo	2,3	(7,386,292)	-
Network and platform costs		(239,029)	(91,912)
Office expenses	3	(318,590)	(168,010)
Other		(10,314)	17,681
Public company expenses		(273,686)	-
Sales and marketing		(134,632)	(45,256)
Share based compensation		(142,702)	(75,628)
Transaction costs	3	(569,116)	(69,206)
Travel and entertainment	3	(397,353)	(281,634)
<b>Loss before income tax</b>		<b>(11,995,525)</b>	<b>(2,238,413)</b>
Income tax expense	4	-	-
<b>Loss for the year</b>		<b>(11,995,525)</b>	<b>(2,238,413)</b>
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		(14,659)	7,979
Other comprehensive loss for the year, net of tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(12,010,184)</b>	<b>(2,230,434)</b>
<b>Loss per share for the year attributable to the members of Cre8tek Ltd</b>			
Basic loss per share (cents per share)	7	(1.91)	(0.98)
Diluted loss per share (cents per share)	7	(1.91)	(0.98)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	30 June 2017	30 June 2016
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8a	3,383,003	169,434
Trade and other receivables	9	301,795	15,408
Other current assets		35,413	9,873
<b>TOTAL CURRENT ASSETS</b>		<b>3,720,211</b>	<b>194,715</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	10	67,112	27,282
Intangible assets	11	84,856	-
Development assets	12	1,332,131	514,452
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,484,099</b>	<b>541,734</b>
<b>TOTAL ASSETS</b>		<b>5,204,310</b>	<b>736,449</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	469,660	304,349
Deferred income	14	292,308	95,732
Provisions	15	163,837	39,023
Borrowings	16	-	432,710
<b>TOTAL CURRENT LIABILITIES</b>		<b>925,805</b>	<b>871,814</b>
<b>TOTAL LIABILITIES</b>		<b>925,805</b>	<b>871,814</b>
<b>NET ASSETS/ (LIABILITIES)</b>		<b>4,278,505</b>	<b>(135,365)</b>
<b>SHAREHOLDERS' EQUITY/ (DEFICIT)</b>			
Issued capital	17	19,913,416	3,594,442
Reserves	19	176,350	85,929
Accumulated losses		(15,811,261)	(3,815,736)
<b>SHAREHOLDERS' EQUITY/ (DEFICIT)</b>		<b>4,278,505</b>	<b>(135,365)</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2017

	Issued Capital	Option Reserve	Foreign Currency Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>2,669,442</b>	-	<b>2,322</b>	<b>(1,577,323)</b>	<b>1,094,441</b>
Loss for the year	-	-	-	(2,238,413)	(2,238,413)
Other comprehensive income	-	-	7,979	-	7,979
Total comprehensive loss for the year	-	-	7,979	(2,238,413)	(2,230,434)
<b>Transactions with owners, recognised directly in equity</b>					
Shares issued	925,000	-	-	-	925,000
Options issued	-	75,628	-	-	75,628
<b>Balance at 30 June 2016</b>	<b>3,594,442</b>	<b>75,628</b>	<b>10,301</b>	<b>(3,815,736)</b>	<b>(135,365)</b>
<b>Balance at 1 July 2016</b>	<b>3,594,442</b>	<b>75,628</b>	<b>10,301</b>	<b>(3,815,736)</b>	<b>(135,365)</b>
Loss for the year	-	-	-	(11,995,525)	(11,995,525)
Other comprehensive income	-	-	(14,659)	-	(14,659)
Total comprehensive loss for the year	-	-	(14,659)	(11,995,525)	(12,010,184)
<b>Transactions with owners, recognised directly in equity</b>					
Acquisition of Flamingo Customer Experience Inc.	9,377,056	-	-	-	9,377,056
Issue of shares November 2016	3,531,455	-	-	-	3,531,455
Issue of shares April 2017	3,410,463	-	-	-	3,410,463
Options vested	-	105,080	-	-	105,080
<b>Balance at 30 June 2017</b>	<b>19,913,416</b>	<b>180,708</b>	<b>(4,358)</b>	<b>(15,811,261)</b>	<b>4,278,505</b>

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	30 June 2017	30 June 2016
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		342,179	248,008
R&D tax offset received		723,368	979,862
Interest received		6,642	1,722
Payments to suppliers		(2,111,929)	(788,654)
Payment to employees		(2,188,402)	(1,553,479)
<b>Net cash used in operating activities</b>	<b>8b</b>	<b>(3,228,142)</b>	<b>(1,112,541)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(61,852)	(26,088)
Investment in development assets		(1,357,067)	(636,278)
Cash acquired on reverse takeover transaction	2	4,057,396	-
<b>Net cash (used in)/ provided by investing activities</b>		<b>2,638,477</b>	<b>(662,366)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans received from related parties		915,000	432,709
Loan repaid to related parties		(286,000)	-
Proceeds from share issue		3,636,079	925,000
Payments for capital raising costs		(449,827)	-
<b>Net cash inflows from financing activities</b>		<b>3,815,252</b>	<b>1,357,709</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>3,225,587</b>	<b>(417,198)</b>
Cash and cash equivalents at the beginning of the financial year		169,434	586,632
Foreign exchange		(12,018)	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8a</b>	<b>3,383,003</b>	<b>169,434</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

These consolidated financial statements cover Cre8tek Limited (the **Company**) and its controlled entities as a Consolidated Entity (also referred to as the **Entity** or the **Group**). Cre8tek Limited is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The financial statements were issued by the board of directors on 30 August 2017.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation of the financial report

##### a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian interpretations) adopted by the Australian Accounting Standard Board (**AASB**) and the Corporations Act 2001.

##### b) Going Concern

For the year ended 30 June 2017 the consolidated entity recorded a loss of (\$11,995,525) and had net cash outflows from operating activities of (\$3,228,142).

The ability of the consolidated entity to continue as a going concern is dependent on securing additional funding to continue its current level of operational activities and further development of the technology asset. These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated 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. Management believe there are sufficient funds to meet the consolidated entity's working capital requirements as at the date of this report. Subsequent to the period end the consolidated entity expects to receive additional funds from capital raising.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlements of liabilities in the normal course of business for the following reasons:

- management have considered the future capital requirements of the consolidated entity and will consider all funding options as required; and
- the Company is agile in its ability to respond to market changes and if required could scale back operations in response to any adverse market changes.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or liabilities that might be necessary should the entity not continue as a going concern.

##### c) Reverse Acquisition

On 3 November 2016, Cre8tek Limited (Cre8tek) completed the acquisition of Flamingo Customer Experience Inc. (Flamingo), a software as a service provider which has developed a Flamingo Platform. Under the Australian Accounting Standards Flamingo was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Flamingo acquires the net assets and listing status of Cre8tek.



## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c) Reverse Acquisition (continued)

Accordingly the consolidated financial statements of Cre8tek have been prepared as a continuation of the business and operations of Flamingo. As the deemed acquirer, Flamingo has accounted for the acquisition of Cre8tek from 1 November 2016. The comparative information for the year ended 30 June 2016 is that of Flamingo. Refer to Note 2 for further details

The implications of the acquisition by Flamingo on the financial statements are as follows:

- i) Statement of Profit or Loss and Other Comprehensive Income
  - The statement of profit or loss and other comprehensive income comprises the total comprehensive income for the 12 months ended 30 June 2017 for Flamingo and the period from 1 November 2016 to 30 June 2017 for Cre8tek.
  - The statement of profit or loss and other comprehensive income for the year ended 30 June 2016 comprises of Flamingo balances only.
- ii) Statement of Financial Position
  - The statement of financial position as at 30 June 2017 represents the combination of Cre8tek and Flamingo.
  - The statement of financial position comparative represents Flamingo only as at 30 June 2016.
- iii) Statement of Changes in Equity
  - The Statement of Changes in Equity comprises:
    - The equity balance of Flamingo as at the beginning of the financial year (1 July 2016).
    - The total comprehensive income for the financial year and transactions with equity holders, being 12 months from Flamingo for the year ended 30 June 2017 and the period from 1 November 2016 until 30 June 2017 for Cre8tek.
    - The equity balance of the combined Flamingo and Cre8tek for at the year ended 30 June 2017.
  - The Statement of Changes in Equity comparatives comprise the full financial year for Flamingo for the 12 months ended 30 June 2016.
- iv) Statement of Cash Flows
  - The Statement of Cash Flows comprises:
    - The cash balance of Flamingo at the beginning of the financial year (1 July 2016).
    - The transactions for the financial year for the 12 months from Flamingo for the year ended 30 June 2017 and the period from 1 November 2016 until 30 June 2017 for Cre8tek.
    - The cash balance of the combined Flamingo and Cre8tek for the year ended 30 June 2017.
  - The Statement of Cash Flows comparative comprises the full financial year of Flamingo for the year ended 30 June 2016.
- v) Equity Structure

The equity structure (the number and type of equity instruments issued) in the financial statements reflects the consolidated equity structure of Flamingo and Cre8tek. The comparative reflects the equity structure of Flamingo.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c) Reverse Acquisition (continued)

#### vi) Earnings Per Share

The weighted average number of shares outstanding for the year ended 30 June 2017 is based on the combined weighted average number of shares of Cre8tek outstanding in the period following the acquisition. The comparative weighted average number of shares is based on the legal subsidiary's (Flamingo) weighted average share multiplied by the exchange ratio.

### d) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (**OCI**) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### e) Business combination

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### f) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### f) Income Tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### g) Leases

Leases are classified at their inception as either operating or finance leases based on economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### *Operating Leases*

The minimum lease payments made under operating leases are charged against profits in equal installments over the accounting periods covered by the lease term where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item.

The cost of improvements to or on leased property is capitalized, disclosed as leasehold improvements and amortised.

#### *Finance leases*

Leases which effectively transfer substantially all of the risks and rewards incidental to ownership of the leased item to the Company are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

### h) Financial Instruments

#### **Initial recognition and measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

#### **Classification and subsequent measurement**

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Financial Instruments (continued)

#### (ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### Derivative instruments

The Group does not trade or hold derivatives.

#### Financial guarantees

The Group has no material financial guarantees.

#### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### i) Impairment of non-financial assets

At the end of each reporting period, the Directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually on intangible assets with indefinite lives.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### j) Intangible assets

Acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured on initial recognition at fair value at the acquisition date.

Intangible assets with a finite useful life are amortised over their useful life and reviewed for impairment whenever there is an indication that the assets may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year end.

Intangible assets with identifiable useful lives are not systematically amortised and are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continued to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. The intangible assets are considered to be with indefinite useful life.

### k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

### l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue relating to government grants is recorded on an accrual basis. It is accrued in the period relating to which the relevant authority has a definite legal obligation to provide the grant. All grants presented have actually been received as cash as of the date of this report.

Grant Income received from Australian Government in relation to the R&D Tax Credit is recognized on a systematic basis over the period in which the entity recognises the expenses related to which the Grant is intended to compensate.

All revenue is stated net of the amount of goods and services tax.

### m) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### n) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### o) Deferred Income

Deferred income relates to Grant Income received from the Australian Government as R&D Tax Credit. As detailed in Note 1 (l), Grant Income is recognized on a systematic basis over the period in which the entity recognises the expenses related to which the Grant is intended to compensate. All other Grant Income is deferred until it can be recognised at a later date.

### p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

### Share based payments

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of shares option and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. The fair value is determined using either a Black Scholes or Monte Carlo simulation model depending on the type of share-based payment.

### q) Provisions

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

### r) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The option reserve records the value of share-based payments.



## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### s) Foreign currency transactions and balances

#### Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the legal Parent's functional currency.

#### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognized other comprehensive Income; otherwise the exchange difference is recognised in profit or loss.

#### Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

### t) Segment Information

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. There is currently one reportable segment.

### u) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### v) Critical Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### Key Estimates and judgements

##### *Impairment*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. The company reviews intangible assets for impairment once a year or more frequently if events or changes in circumstances indicate that there is impairment.

##### *Share based payments*

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

##### *Reverse Acquisition*

The value of the share based payment in the reverse acquisition is based on the notional amount of shares that Flamingo would need to issue to acquire the majority interest of Cre8tek's shares that the shareholders did not own after the acquisition, multiplied by the fair value of Flamingo shares. The deemed fair value of Flamingo's shares is the exchange ratio applied to the share price of the listed entity (Cre8tek Limited) at acquisition date.

##### *Development Assets*

Cost relating to the development of Flamingo's Cognitive Virtual assistant are capitalised using the sprints methodology. The capitalisation includes all direct costs associated with the development of the asset plus a portion of non-direct costs including some overheads. The development asset is amortised on a three year period from the capitalisation date which is determined to be the useful life of the asset. When capitalising cost management makes judgements on the technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably and whether costs, including payroll costs, were directly attributable to relevant projects.

## NOTE 2: REVERSE ACQUISITION

On 3 November 2016, Cre8tek Limited (Cre8tek) completed the acquisition of Flamingo Customer Experience Inc. (Flamingo) Under the Australian Accounting Standards Flamingo Customer Experience Inc. was deemed the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment under the guidance of AASB2 Share Based Payments by which Flamingo acquirers the net assets and listing status of Cre8tek.

### Deemed Consideration

Cre8tek made a takeover offer of all securities of Flamingo. The takeover offer was affected through an off-market takeover bid for all of the ordinary shares in Flamingo on the basis of 47.46 Cre8tek shares for every 1 Flamingo share.

Under the acquisition, Cre8tek acquired all the shares of Flamingo by issuing 272,727,273 shares and 272,727,273 performance shares (Note 17) in Cre8tek to Flamingo shareholders, giving Flamingo (accounting parent) a controlling interest in Cre8tek (accounting subsidiary) and equating to a controlling interest in the combined entity. Flamingo was deemed the acquirer for accounting purpose as it owned 53.78% of the consolidated entity. The acquisition of Flamingo by Cre8tek is not deemed to be a business combination, as Cre8tek is not considered to be a business under AASB 3 Business Combination.

The value of the Cre8tek shares provided was determined as the notional number of equity instruments that the shareholders of Flamingo would have had to give the owners of Cre8tek, the same percentage ownership in the combined entity. It has been deemed to be \$9,377,056.

The pre-acquisition equity balances of Cre8tek, \$1,990,764, are eliminated against the increase in share capital of \$9,377,056 on consolidation and the balance is deemed to be the amount paid for the listing status, being \$7,386,292 (recognised in the consolidated statement of profit or loss and other comprehensive income).

	Ref	\$
<b>(a) Deemed Cre8tek Limited Share Capital</b>		
Historical issued capital balance at acquisition date		220,135,879
Elimination of Cre8tek Limited issued capital		(220,135,879)
Deemed consideration on acquisition	2(e)	9,377,056
Total Cre8tek Limited share capital on completion		<u>9,377,056</u>
<b>(b) Cre8tek Limited Reserves</b>		
Historical reserves balance at acquisition date		3,790,892
Elimination of Cre8tek Limited reserves		(3,790,892)
Total Cre8tek Limited reserves on completion		<u>-</u>
<b>(c) Cre8tek Limited Accumulated Losses Pre-Completion</b>		
Cre8tek Limited accumulated losses at acquisition date		(221,936,007)
Elimination of Cre8tek Limited accumulated losses		221,936,007
Total Cre8tek Limited accumulated losses on completion		<u>-</u>

## NOTE 2: REVERSE ACQUISITION (CONTINUED)

	Ref	\$
<b>(d) Assets and Liabilities Acquired</b>		
Cash and cash equivalents		14,057,396
Trade and other receivables		59,545
Loans		1,065,000
Prepayments		20,384
Development assets		50,000
Trade and other payables		(261,561)
Other liabilities		<sup>2</sup> (3,000,000)
Net assets of Cre8tek Limited at acquisition date	2(e)	<b>1,990,764</b>
<b>(e) Listing Expenses</b>		
Deemed consideration	2(a)	9,377,056
Net assets of Cre8tek Limited	2(d)	1,990,764
Total Cre8tek Limited listing expenses		<b>7,386,292</b>

## NOTE 3: PROFIT/(LOSS) FOR THE YEAR

	30 June 2017	30 June 2016
	\$	\$
Profits/(Loss) before income tax from continuing operations includes the following specific expenses:		
<b>Revenue:</b>		
Fee income	321,080	45,213
Trials income	130,375	110,438
Other revenue	29,300	6,500
<b>Other income:</b>		
Grant income	526,791	299,236
Other income	7,269	344
<b>Expenses:</b>		
Listing expenses on acquisition of Flamingo	(7,386,292)	-
Employee expense	(2,707,122)	(1,554,165)
Transaction cost	(569,116)	(69,206)
Amortisation and depreciation	(519,230)	(180,121)
Office expense	(321,342)	(168,010)
Travel and accommodation	(397,353)	(280,537)

<sup>1</sup> The cash acquired of \$4,057,396 includes the capital raised of \$3,000,000 under the Public Offer less any associated capital raising costs which occurred prior to the acquisition date.

<sup>2</sup> Unissued shares for which cash was received prior to the acquisition date.

## NOTE 4: INCOME TAX

The financial accounts for the year ended 30 June 2017 comprise the results of Flamingo and Cre8tek. The legal parent is incorporated and domiciled in Australia where the applicable tax rate for 30 June 2017 is 27.5%. The applicable tax rate in USA is 35%, which is applicable to the rate relevant for the financial year ended 30 June 2017.

	30 June 2017	30 June 2016
	\$	\$
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
(b) The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Income tax benefit on operating loss at 27.5% (2016: 35%)	(3,298,770)	(783,444)
<i>Non-deductible items</i>		
Non-deductible expenditure	2,321,111	241,385
Adjustment for difference in tax rates	(86,373)	64,864
Benefits from tax losses not brought to account	1,073,761	438,617
Temporary differences not recognised	(9,729)	38,578
Income tax attributable to operating income/(loss)	-	-
The applicable weighted average effective tax rates are as follows:	Nil%	Nil%
Balance of franking account at year end	Nil	Nil
<b>Deferred tax assets</b>		
Tax losses	984,215	434,817
Black hole expenditure	89,546	3,800
Unrecognised deferred tax asset	1,073,761	438,617
Set-off deferred tax liabilities	-	-
Net deferred tax assets	1,073,761	438,617
Less deferred tax assets not recognised	(1,073,761)	(438,617)
Net assets	-	-
<b>Deferred tax liabilities</b>		
Other	-	-
Set-off deferred tax assets	-	-
Net deferred tax liabilities	-	-
Unused tax losses for which no deferred tax asset has been recognised	1,073,761	438,617

### Carry forward losses

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2017, because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

## NOTE 5: RELATED PARTY TRANSACTIONS

### a) Key Management Personnel Compensation

The directors entered into contract to each to be paid \$3,000 per month, with exception to Dr Wallace. The salary of Dr Wallace was set at \$299,000 per annum. The fees were payable from 3 November 2016 and the contracts remains in place until the Directors either resign or are not re-elected at an AGM.

The totals of remuneration paid to KMP during the year are as follows:

	30 June 2017	30 June 2016
	\$	\$
Short-term salary, fees and commissions	510,328	393,616
Directors fees	132,300	-
Total KMP Compensation	642,628	393,616

### b) Other related party transactions

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The Group acquired the following services from entities that are controlled by members of the Group's KMP:

Some Directors or former Directors of the Group hold or have held positions in other companies, where it is considered they control or significantly influence the financial or operating policies of those entities. During the year, the following entities provided corporate services and rental to the Group. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2017	2016	2017	2016
			\$	\$	\$	\$
Otsana Capital Pty Ltd	Corporate advisor retainer	Faldi Ismail	50,065	45,000	3,366	-
Otsana Capital Pty Ltd	Placement fee	Faldi Ismail	210,000	-	-	-
Otsana Capital Pty Ltd	Capital raising fee	Faldi Ismail	143,788	227,023	-	-
Adamantium Holdings Pty Ltd	Rent and registered office fee	Faldi Ismail	18,000	9,000	1,500	1,500
Bellanhouse Legal	Retainer fee	Bryn Hardcastle	40,000	-	-	-
Bellanhouse Legal	Legal fees	Bryn Hardcastle	182,182	89,465	-	37,800

The following transactions occurred with Otsana Capital Pty Ltd, a company related to director Mr Faldi Ismail during the year ended 30 June 2017:

- a total of \$50,065 was paid for corporate advisor retainer fees during the period 1 September 2016 to 30 June 2017;
- a capital raising fee of \$143,788 was paid relating to the issue of 75,000,000 shares under the Public Offer;
- a placement fee of \$210,000 was paid for the placement of 87,500,000 shares on 3 April 2017

During the period 1 August 2016 and 30 June 2017, a total of \$18,000 was paid to Adamantium Holdings Pty Ltd, a company related to director Mr Faldi Ismail for rent and registered office fee.

## NOTE 5: RELATED PARTY TRANSACTIONS (CONTINUED)

### b) Other related party transactions

The following transactions occurred with Bellanhouse Legal, a company related to director Mr Bryn Hardcastle during the year ended 30 June 2017:

- a total of \$40,000 was paid for legal retainer fees during the period 1 November 2016 to 30 June 2017;
- a total of \$182,182 was paid as legal fees relating to various legal matters including the acquisition of Flamingo Customer Experience Inc and the costs associated with the capital raising

Prior to acquisition of Flamingo Customer Experience Inc. (period 1 July 2016 to 31 October 2016), Cre8tek Limited provided a loan totalling to \$915,000 to Flamingo. At 30 June 2017, this balance is eliminated on consolidation.

A loan of \$286,000 which was provided to Flamingo by an entity related to Ms Cathie Reid was repaid during the year.

Cre8tek Limited issued 272,727,273 ordinary shares to shareholders of Flamingo Customer Experience Inc. as consideration for the acquisition of Flamingo Customer Experience Inc. This included 115,814,388 ordinary shares issued to the CEO and Executive Director Dr Catriona Wallace and 62,848,740 ordinary shares issued to the Executive Chair Ms Cathie Reid who were the shareholders of Flamingo Customers Experience Inc.

Cre8tek Limited issued 272,727,273 performance shares to the shareholders of Flamingo Customer Experience Inc. as consideration for the acquisition of Flamingo Customer Experience Inc. This included 115,814,388 performance shares issued to the CEO and Executive Director Dr Catriona Wallace and 62,848,740 performance shares issued to the Executive Chair Ms Cathie Reid. who were the shareholders of Flamingo Customers Experience Inc.

Cre8tek Limited issued 3,375,000 ordinary shares to a related party of Mr Paul Hunyor, a former director of Flamingo Customer Experience Inc for his services in relation to the transaction.

On 30 November 2016, the shareholders of Cre8tek have approved the issue of 9,000,000 Performance Rights to Cathie Reid, Bryn Hardcastle and Faldi Ismail. These Performance Rights have the same performance milestones as the Performance Shares as noted in Note 17 c. As at 30 June 2017 the performance rights have been valued at nil due to the uncertainty regarding the milestone targets. As at 30 June 2017 these performance rights were not issued.

## NOTE 6: AUDITOR'S REMUNERATION

	30 June 2017	30 June 2016
	\$	\$
Remuneration of the auditor of the Group for:		
- Auditing and reviewing the financial reports (BDO)*	38,149	8,199
- Other services (BDO)	18,997	9,853
	<u>57,146</u>	<u>18,052</u>

\* Other services provided by BDO during the year ended 30 June 2017 relate to costs associated with preparation of Investigating Accountants Report (IAR) and Independent Expert Report (IER). In the year ended 30 June 2016, these costs are related to the preparation of the IER report.



## NOTE 7: EARNINGS/(LOSS) PER SHARE

	30 June 2017	30 June 2016
	\$	\$
<b>Earnings/ (Loss) per share (EPS)</b>		
a) Loss used in calculation of basic EPS and diluted EPS	(11,995,526)	(2,238,413)
b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings/ (loss) per share	628,405,582	229,032,308
c) Exchange ratio for year ended 30 June 2016	n/a	47.46

The weighted average number of ordinary shares outstanding (the denominator of the EPS Calculation) for the year ended 30 June 2016 has been adjusted to reflect the reverse acquisition.

- (a) The number of ordinary shares outstanding from 1 July 2015 to 30 June 2016 are computed on the basis of the weighted average number of ordinary shares of Flamingo Customer Experience Inc. (legal acquire/ accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement; and
- (b) The weighted average number of shares outstanding for the year ended 30 June 2017 is based on the weighted average number of shares of Cre8tek Limited outstanding in the period following the acquisition.

## NOTE 8 a: CASH AND CASH EQUIVALENTS

	30 June 2017	30 June 2016
	\$	\$
Cash at bank*	22 3,383,003	169,434
Total cash and cash equivalents	3,383,003	169,434

\* Refer to Note 22 which details the risk associated with cash and cash equivalents.

## NOTE 8 b: CASH FLOW INFORMATION

	30 June 2017	30 June 2016
	\$	\$
Loss after income tax	(11,995,525)	(2,238,413)
<b>Non-cash flows in loss after income tax</b>		
Depreciation	16,432	32,634
Amortisation	500,046	147,487
Listing expenses	7,386,292	-
Share based payment expense	142,702	75,628
Non-cash transaction costs	531,455	-
Foreign currency loss/ (gain)	8,493	(17,681)
<b>Changes in assets and liabilities</b>		
Decrease/ (increase) in receivables	(271,833)	87,236
Decrease/ (increase) in prepayments	(32,904)	-
Decrease/ (increase) in government grants received	-	585,991
(Decrease)/ increase in payables	165,311	103,555
(Decrease)/increase in deferred income	196,577	95,732
(Decrease)/increase in provisions	124,812	15,290
<b>Cash flow (used in) operating activities</b>	<b>(3,228,142)</b>	<b>(1,112,541)</b>

### Credit Standby Facilities

The Group has no credit standby facilities.

### Non-Cash investing and financing activities

There were no non-cash investing and financing activities during the year, except the Reverse Acquisition (Note 2 & 19).

## NOTE 9: TRADE AND OTHER RECEIVABLES

	30 June 2017	30 June 2016
	\$	\$
<b>CURRENT</b>		
Trade receivables	146,181	7,745
Term deposits	30,000	-
GST receivable	92,710	7,663
Other receivables	32,904	-
22	<u>301,795</u>	<u>15,408</u>

All trade and other receivable amounts are short-term. The net carrying value is considered a reasonable approximation of fair value. Refer to Note 22 which details the risks associated with trade and other receivables.

At 30 June 2017, trade receivables are aged as follows: 99.23% of the balance is current and less than 1% is 90 days plus.  
At 30 June 2016, trade receivables are aged as follows: 100% of the balance was current.

## NOTE 10: PLANT AND EQUIPMENT

	30 June 2017	30 June 2016
	\$	\$
<b>Plant and equipment at cost</b>		
Opening balance at 1 July	61,562	35,474
Additions	59,014	26,088
<b>Closing balance at 30 June</b>	<u>120,576</u>	<u>61,562</u>
<b>Accumulated depreciation</b>		
Opening balance at 1 July	34,280	1,646
Depreciation expense	19,184	32,634
<b>Closing balance at 30 June</b>	<u>53,464</u>	<u>34,280</u>
<b>Net book value at 30 June</b>	<u>67,112</u>	<u>27,282</u>

## NOTE 11: INTANGIBLE ASSETS

	30 June 2017	30 June 2016
	\$	\$
<b>Opening balance</b>	-	-
Additions (a)	84,856	-
<b>Closing balance</b>	<u>84,856</u>	-

(a) Intangible assets relate to legal fees capitalised for the provision of services relating to patent and trademark application.

## NOTE 12: DEVELOPMENT ASSETS

	30 June 2017	30 June 2016
	\$	\$
<b>Opening balance</b>	<b>514,452</b>	-
Development costs capitalised for Flamingo	1,267,725	661,939
Development costs on acquisition of Agenda	50,000	-
Amortisation expense for the period	(500,046)	(147,487)
<b>Closing balance</b>	<b>1,332,131</b>	<b>514,452</b>

Development asset comprises of total direct costs and portion of other indirect costs relating to the development of Flamingo's Cognitive Virtual Assistant platform. It also includes the costs associated with the acquisition of Agenda. Flamingo development costs are capitalised using the sprints methodology and are amortised over a three year period from the date of capitalisation.

Management has considered if any indicators of impairment exist at 30 June 2017 and subsequent to this date and have determined that no indicators of impairment existed and that the carrying value of the asset can be carried forward.

## NOTE 13: TRADE AND OTHER PAYABLES

	30 June 2017	30 June 2016
	\$	\$
<b>CURRENT</b>		
Trade payables	254,109	167,711
Accruals	45,000	79,343
PAYG withholdings	116,055	26,079
Others	54,496	31,216
	<b>469,660</b>	<b>304,349</b>

All trade and other payable amounts are short-term. The net carrying value is considered a reasonable approximation of fair value.

## NOTE 14: DEFERRED INCOME

	30 June 2017	30 June 2016
	\$	\$
<b>CURRENT</b>		
Deferred income	292,309	95,732
<b>Total deferred income</b>	<b>292,309</b>	<b>95,732</b>

Deferred income relates to Grant Income received from the Australian Government as R&D Tax Credit. As detailed in Note 1 (I), Grant Income is recognized on a systematic basis over the period in which the entity recognises the expenses related to which the Grant is intended to compensate. During the year ended 30 June 2017, the entity received an R&D grant totalling to \$723,368, out of which \$240,761 was recognised as deferred income. The remaining balance of the deferred income at 30 June 2017 relates to the amounts deferred from prior periods.

## NOTE 15: PROVISIONS

	30 June 2017	30 June 2016
	\$	\$
<b>CURRENT</b>		
Provision for annual leave	163,837	39,023
<b>Total provisions</b>	<b>163,837</b>	<b>39,023</b>

## NOTE 16: BORROWINGS

	30 June 2017	30 June 2016
	\$	\$
<b>CURRENT</b>		
Unsecured loans from shareholders (a)	-	281,167
Other unsecured loans (b)	-	150,000
Other borrowings	-	1,543
<b>Total borrowings</b>	<b>-</b>	<b>432,710</b>

- (a) Unsecured loans from shareholders relates to a loan received by Flamingo Ventures Pty Ltd from Meerkat 31 Pty Ltd, a company related to director Ms Cathie Reid. The loan was repaid by the company during the year.
- (b) Other unsecured loans relates to a loan Cre8tek Limited provided to Flamingo Ventures Pty Ltd prior to the reverse acquisition. Due to the reverse acquisition, this loan is eliminated on consolidation at 30 June 2017.

## NOTE 17: ISSUED CAPITAL

	30 June 2017	30 June 2016
	\$	\$
<b>(a) Share Capital</b>		
687,282,551 (30 June 2016: 4,939,843) fully paid ordinary shares	19,913,416	3,594,442
	<b>No.</b>	<b>\$</b>
<b>(b) Movements in fully paid Ordinary Capital</b>		
Opening balance at 1 July 2015	4,259,718	2,669,442
Issue on 31 August 2015	680,125	925,000
<b>Closing balance at 30 June 2016</b>	<b>4,939,843</b>	<b>3,594,442</b>
<b>Opening balance at 1 July 2016</b>	4,939,843	3,594,442
Elimination of Flamingo Customer Experience Inc. shares on acquisition of Cre8tek Limited	(4,939,843)	-
Existing shares of Cre8tek Limited	234,426,409	-
Acquisition of Flamingo Customer Experience Inc. (Note 2)	272,727,273	9,377,056
Shares issued to facilitators	13,286,364	531,455
Shares issued under the Public Offer	75,000,000	3,000,000
Shares issued under Private Placement	87,500,000	3,500,000
Shares issued to Clarion	940,540	37,622
Shares issued under the Shortfall Offer	3,401,965	136,079
Less: capital raising costs	-	(263,238)
<b>Closing balance at 30 June 2017</b>	<b>687,282,551</b>	<b>19,913,416</b>

## NOTE 17: ISSUED CAPITAL (CONTINUED)

### (c) Capital Management

Due to the nature of the Group's activities, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development programs and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

### Performance Shares

In addition to the number of shares disclosed above, there are also 279,877,273 performance shares which have been issued as part of the reverse takeover transaction (272,727,273 issued to the vendor and 7,150,000 to the facilitators).

The performance shares will convert to ordinary shares on 1:1 basis subject to the performance milestones being met prior to the expiry date, being 3.5 years from the date of the issue of performance shares.

The terms of the performance shares are summarised in the following table.

Class	Number of Performance Shares	Period Escrowed	Performance Hurdles
Class A	93,292,459	29,146,358 escrowed for a period of 12 months 64,146,101 escrowed for a period of 24 months.	Flamingo executes a legally binding Master Service Agreement (MSA) and completes a security audit with a substantial US corporation, and either: <ul style="list-style-type: none"><li>that MSA remains valid, binding and enforceable for at least 12 months after its execution; or</li><li>the Flamingo Platform technology is applied in another business vertical of the substantial US corporation outside any business unit where the technology is being trialled;</li></ul>
Class B	93,292,407	29,146,311 escrowed for a period of 12 months 64,146,096 escrowed for a period of 24 months.	Flamingo achieves \$13,000,000 in Revenue in any 12 months period within 36 months of Completion; and
Class C	93,292,407	29,146,311 escrowed for a period of 12 months 64,146,096 escrowed for a period of 24 months.	Flamingo achieves \$28,000,000 in Revenue in any 12-month period within 36 months of Completion.

The fair value of Performance Shares was determined to be nil at the date of acquisition due to uncertainty of meeting the performance milestones, which are based on future events.

## NOTE 18: PERFORMANCE RIGHTS

The Company has the following performance rights on issue:

Grant Date	Performance Right	Expiration dates	Number of rights issued	Milestones
22-Jan-16	Class A	05-Feb-18	9,999,999	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 3 cents
22-Jan-16	Class B	05-Feb-18	9,999,999	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 4 cents
22-Jan-16	Class C	05-Feb-18	10,000,002	Upon volume weighted average price (VWAP) for 10 consecutive trading days of shares equals or exceeds 5 cents
<b>Total</b>			<b>30,000,000</b>	

At 30 June 2017, 23,333,333 performance rights have vested and are exercisable and 6,666,667 performance rights are vested and not exercisable.

## NOTE 19: RESERVE

	30 June 2017	30 June 2016
	\$	\$
<b>a) Reserves</b>		
Option reserve 165,769,206 (30 June 2016: 178,750) options on issue	180,708	75,628
Foreign currency reserve	(4,358)	10,301
<b>Total reserves</b>	<b>176,350</b>	<b>85,929</b>
<b>b) Movement in Option Reserve</b>	<b>No.</b>	<b>\$</b>
<b>Opening balance at 1 July 2015</b>	-	-
Issue on 1 July 2015	178,750	75,628
<b>Closing balance at 30 June 2016</b>	<b>178,750</b>	<b>75,628</b>
<b>Opening balance at 1 July 2016</b>	<b>178,750</b>	<b>75,628</b>
Options expired	(46,163)	(1,082)
Elimination of Flamingo Customer Experience Inc. options on acquisition of Cre8tek Limited	(132,587)	-
Existing options of Cre8tek Limited	75,475,453	-
Existing performance rights of Cre8tek Limited	30,000,000	-
Issue of \$0.029 employee options under the Employee Offer	6,077,375	38,669
Issue of fee attaching options under the Private Placement	45,451,015	-
Issue of \$0.04 employee options under the Employee Offer	5,865,363	43,579
Issue of \$0.08 employee options under the Employee Offer	900,000	4,126
Issue of options to a consultant	2,000,000	19,788
<b>Closing balance at 30 June 2017</b>	<b>165,769,206</b>	<b>180,708</b>

## NOTE 20: SHARE BASED PAYMENTS

During the year ended 30 June 2017, the following share based payments were made:

- 178,750 Employee Options were issued on 1 July 2015 of which 49,039 have been forfeited and an additional 2,876 issued. This gives rise to 132,587 options which were replaced at acquisition date with Cre8tek options. At replacement date, the fair value calculated on the original options exceeded the fair value of the replacement options (calculated at replacement date), and as a result the fair value of the original grant will continue to be expensed over the remainder of the vesting period as if the modification did not occur. This is in-line with the requirements of AASB 2, *Share-Based Payments*.
- 6,077,375 Employee Options were issued on 3 November 2016 at \$0.029 each expiring 3 November 2021 under the Employee Share Option Plan. These options have been valued using the Black and Scholes option valuation methodology taking into accounts the terms and conditions upon which the options were granted.
- On 30 November 2016, the shareholders of Cre8tek have approved the issue of 9,000,000 Performance Rights to Cathie Reid, Bryn Hardcastle and Faldi Ismail. These Performance Rights have the same performance milestones as the Performance Shares as noted in Note 17 c. As at 30 June 2017 the performance rights have been valued at nil due to the uncertainty regarding the milestone targets. As at 30 June 2017 these performance rights were not issued.
- 5,865,363 Employee Options were granted on 16 December 2016 at \$0.04 each expiring 16 December 2021 under the Employee Share Option Plan. These options have been valued using the Black and Scholes option valuation methodology taking into accounts the terms and conditions upon which the options were granted.
- 2,000,000 Options were granted on 23 December 2016 at \$0.08 each expiring 23 December 2019 to a consultant under the Consultancy Agreement. These options have been valued using the Black and Scholes option valuation methodology taking into accounts the terms and conditions upon which the options were granted.
- 900,000 Employee Options were granted on 16 February 2017 at \$0.08 each expiring 30 June 2020 under the Employee Share Option Plan. These options have been valued using the Black and Scholes option valuation methodology taking into accounts the terms and conditions upon which the options were granted.

During the year ended 30 June 2017, the following shares were issued as share based payments:

- 940,540 Shares were issued to The Clarion Group (Clarion) at \$0.04 under the Customer Referral Agreement.

A summary of the inputs used in the valuation of the options and shares is as follows:

Options	Flamingo Employee Original Options	Cre8tek Employee Replacement Options	Employee Options	Consultant Options	Employee Options
Exercise price	\$1.403	\$0.029	\$0.04	\$0.08	\$0.08
Grant date	01-Jul-15	03-Nov-16	16-Dec-16	23-Dec-16	16-Feb-17
Expected volatility (i)	100%	100%	100%	100%	100%
Expiry date	20-Jul-25	03-Nov-21	16-Dec-21	16-Dec-19	30-Jun-20
Expected dividends	Nil	Nil	Nil	Nil	Nil
Value per option	\$1.2693	\$0.0316	\$0.0665	\$0.0396	\$0.0451
Number of options	178,750	6,077,375	5,865,363	2,000,000	900,000
Vesting date	(ii)	(ii)	(ii)	(iii)	(ii)

(i) Volatility was determined in reference to similar companies for the same period.

(ii) All employee options vest on the following basis; 1/3 vest on one-year anniversary of the grant date of the option with 1/36 vesting each month after the initial vesting date until all options have vested.



## NOTE 20: SHARE BASED PAYMENTS (CONTINUED)

- (iii) The consultant options vest as follows; 500,000 vest on continuance of the consultancy agreement for a period of 6 months, 1,000,000 vest on continuance of consultancy agreement for a period of 12 months, 250,000 vest on Flamingo Customer Experience Inc achieving revenue of \$13,000,000; and 250,000 vest on Flamingo Customer Experience Inc achieving revenue of \$28,000,000.

The share based compensation at 30 June 2017 comprises of the following:

Description	30 June 17
	\$
Options issued to employees at exercise price of \$0.029	38,669
Options issued to employees at exercise price of \$0.040	43,579
Options issued to employees at exercise price of \$0.080	4,126
Options issued to consultant at exercise price of \$0.080	19,788
Shares issued to Clarion at \$0.040	37,622
Options lapsed during the year	(1,082)
<b>Total</b>	<b>142,702</b>

## NOTE 21: OPERATING SEGMENTS

The Group has identified its operating segment based on internal reports that are reviewed by the Board and management. The company has determined that it has one operating segment.

## NOTE 22: FINANCIAL INSTRUMENTS

### Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, other debtors and accounts payable. The main purpose of non-derivative financial instruments is to raise finance for Group's operations.

### Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

#### (a) Interest Rate Risk

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

	Floating Interest Rate	Non-interest bearing	2017 Total	Floating Interest Rate	Non-interest bearing	2016 Total
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
- <i>Within one year</i>						
Cash and cash equivalents	3,383,003	-	3,383,003	169,434	-	169,434
Other receivables	-	301,795	301,795	-	15,408	15,408
<b>Total financial assets</b>	<b>3,383,003</b>	<b>301,795</b>	<b>3,684,798</b>	<b>169,434</b>	<b>15,408</b>	<b>184,842</b>
<i>Weighted average interest rate</i>	0.41%			(0.08%)		
<b>Financial Liabilities</b>						
- <i>Within one year</i>						
Trade and other Payables	-	469,660	469,660	-	304,349	304,349
Other liabilities	-	-	-	-	432,709	432,709
<b>Total financial liabilities</b>	<b>-</b>	<b>469,660</b>	<b>469,660</b>	<b>-</b>	<b>737,059</b>	<b>737,059</b>
<i>Weighted average interest rate</i>	n/a			n/a		
<b>Net financial assets</b>	<b>3,383,003</b>	<b>(167,865)</b>	<b>3,215,138</b>	<b>169,434</b>	<b>(721,651)</b>	<b>(522,217)</b>

## NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)

### Sensitivity Analysis

The following table illustrates sensitivities to the Consolidated Entity's exposures to changes in interest rates. The table indicates the impact on how profit or equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Movement in Profit	Movement in Equity
<b>Year ended 30 June 2017</b>	<b>\$</b>	<b>\$</b>
+/-1% in interest rates	17,762	17,762
<b>Year ended 30 June 2016</b>		
+/-1% in interest rates	(4,172)	(4,172)

### (b) Credit risk

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	30 June 2017	30 June 2016
		\$	\$
Cash and cash equivalents - AA Rated	8a	3,383,003	169,434

### (c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place. The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

**NOTE 22: FINANCIAL INSTRUMENTS (CONTINUED)**

30 June 2017	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		\$	\$	\$	\$	\$	\$	\$
Financial liabilities at amortised cost								
Trade and other payables		469,660	-	-	-	-	469,660	469,660
Borrowings	n/a%	-	-	-	-	-	-	-
		469,660	-				469,660	469,660

30 June 2016	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets/ (liabilities)
		\$	\$	\$	\$	\$	\$	\$
Financial liabilities at amortised cost								
Trade and other payables		304,349	-	-	-	-	304,349	304,349
Borrowings	Nil%	432,709	-	-	-	-	432,709	471,733
		737,059	-	-	-	-	737,059	737,059

**(d) Net fair Value of financial assets and liabilities**
**Fair value estimation**

Due to the short term nature of the receivables and payables the carrying value approximates fair value.

**(e) Financial arrangements**

The company had no other financial arrangements in place at 30 June 2017 based on the information available to the current board.

**(f) Currency risk**

The currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar.

The Company's policy is not to enter into any currency hedging transactions.

	30 June 2017		30 June 2016	
Cash and cash equivalents	Foreign Currency	AUD Equivalent	Foreign Currency	AUD Equivalent
US Dollar	119,530	155,527	52,893	70,900

## NOTE 23: PARENT ENTITY FINANCIAL INFORMATION

The following information has been executed from the books and records of the legal parent Cre8tek Limited have been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in Note 1.

### (a) Financial Position of Cre8tek Limited

	30 June 2017	30 June 2016
	\$	\$
<b>ASSETS</b>		
Current assets	2,532,501	2,526,464
Non-current assets	2,097,337	200,000
<b>TOTAL ASSETS</b>	<b>4,629,838</b>	<b>2,726,464</b>
<b>LIABILITIES</b>		
Current liabilities	351,333	143,894
<b>TOTAL LIABILITIES</b>	<b>351,333</b>	<b>143,894</b>
<b>NET ASSETS</b>	<b>4,278,505</b>	<b>2,582,570</b>
<b>SHAREHOLDERS' EQUITY</b>		
Issued capital	227,077,797	220,279,667
Reserves	3,880,249	3,790,892
Accumulated Losses	(226,679,541)	(221,487,989)
<b>SHAREHOLDERS' EQUITY</b>	<b>4,278,505</b>	<b>2,582,570</b>

### (b) Statement of profit or loss and other comprehensive income

Profit / (Loss) for the year	(4,693,534)	1,056,283
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>(4,693,534)</b>	<b>1,056,283</b>

### (c) Guarantees entered into by Cre8tek Limited for the debts of its subsidiary

There are no guarantees entered into by Cre8tek Limited

### (d) Contingent liabilities of Cre8tek Limited

There were no known contingent liabilities as at 30 June 2017 (30 June 2016: Nil).

### (e) Commitments by Cre8tek Limited

Known commitments as at 30 June 2017 are disclosed in the consolidated entities in Note 25 below.

## NOTE 24: CONTROLLED ENTITIES

Controlled entity	Country of Incorporation	Percentage Owned	
		30 June 2017	30 June 2016
Global Agenda Technologies Pty Ltd	Australia	100%	100%
Flamingo Ventures Pty Ltd	Australia	100%	-
Flamingo Customer Experience Inc	USA	100%	-

## NOTE 25: COMMITMENTS

	30 June 2017	30 June 2016
	\$	\$
Commitments under the Gartner Australasia Pty Ltd Service Agreement for Flamingo Ventures Pty Ltd		
No longer than 1 year	64,075	-
Longer than 1 year and not longer than 5 years	93,975	-
Longer than 5 years	-	-
	<b>158,050</b>	-

There are no commitments for office lease because all leases are on a month to month basis.

## NOTE 26: CONTINGENT LIABILITIES

The Group has no known contingent liabilities as at 30 June 2017.

## NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

Since the reporting date the following significant events have occurred:

On 10 August 2017, the Company announced that It had signed a Production Statement of Work (SoW) with a US based client Nationwide Insurance. The execution of this agreement means that the Flamingo platform, constituting the Cognitive Virtual Sales Assistant will be integrated into Nationwide systems ready to go-live where Nationwide customers will interact with the Flamingo Platform. This contract will provide monthly recurring revenue for the Company.

There were no other significant events after the reporting date.

## NOTE 27: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2017. Relevant Standards and Interpretations are outlined in the table below.

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
AASB 9 Financial Instruments	<p>AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139</p>	1 January 2018	1 July 2018
AASB 9 Financial Instruments	<p><b>Impact on Cre8tek Limited</b></p> <p>The company have assessed that there is no expected material impact of the above standard.</p>	1 January 2018	1 July 2018
AASB 15	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the	1 January 2018	1 July 2018



New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
Revenue from Contracts with Customers	<p>Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul> <p><b>Impact on Cre8tek Limited</b></p> <p>The company has assessed that there is no expected material impact of the above to the existing operations due to the nature of revenue still being in early stages. Management will continue to assess the impact of these changes on any new contracts going forward.</p>		
AASB 16 Leases	<p>AASB16 requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p>	1 January 2019	1 July 2019
AASB 16 Leases	<p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases</p> <p><b>Impact on Cre8tek Limited</b></p>	1 January 2019	1 July 2019

New/revised pronouncement	Explanation of amendments	Application Date of Standard	Application Date of Group
	The company have assessed that there is no expected material impact of the above standard.		
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based payment transactions	<p>This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>► Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul> <p><b>Impact on Cre8tek Limited</b></p> <p>The company have assessed that there is no expected material impact of the above standard.</p>	1 January 2018	1 July 2018

The Group has decided not to early adopt any of the new and amended pronouncements. The impact of the above standards is yet to be determined unless noted otherwise above.

## DIRECTORS' DECLARATION

In the Director's opinion:

1. The consolidated financial statements and notes set out on pages 23 and 57 are in accordance with the Corporations Act 2001, including:
  - a) complying with Australian Accounting Standards and Corporations Regulations 2001, noting the matters documented in Note 1 (a);
  - b) giving a true and fair view, the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Dr Catriona Wallace**

**Chief Executive Officer and Managing Director**

30 August 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of Cre8tek Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Cre8tek Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Reverse Acquisition Accounting - Flamingo

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 1(c) and Note 2 of the financial report, during the year the company acquired Flamingo Customer Experience Inc (incorporated in USA) and a controlled entity, Flamingo Ventures Pty Ltd (incorporated in Australia) for consideration of 272,727,273 shares and 272,727,273 performance shares.</p> <p>The accounting of this acquisition is a key audit matter due to the effect of the arrangement which is accounted for as Flamingo Customer Experience Inc (the accounting parent) issuing a share-based payment in return for the assets acquired in the company and a listing status. Furthermore, judgement is involved in the determination of the value of the purchase consideration settled by way of a share-based payment (see Note 1(v)).</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>Reviewing sale and purchase agreement including holding discussions with management to understand the key terms and conditions of the transaction;</li> <li>Evaluating management's assessment of the accounting acquirer and whether the transaction constituted a business or an asset acquisition by checking against post acquisition shareholding structure and our knowledge of the operations of the legal subsidiaries;</li> <li>Checking the calculation of the share-based payment, net assets and listing expense;</li> <li>Checking that the disclosures in the financial statements were in accordance with the basis of preparation as disclosed in Note 1(c).</li> </ul> <p>We also assessed the adequacy of the related disclosures in Note 1(c), Note 1(v) and Note 2 to the financial report.</p>

## Development Asset Capitalisation

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 12 of the financial report, development costs of \$1,332,131 (2016: \$514,452) have been capitalised as an Intangible Asset.</p> <p>The capitalisation of these development costs is a key audit matter due to the significance of the costs capitalised and the specific criteria that are required to be met for capitalisation under the accounting standard AASB 138 Intangibles.</p> <p>This involves management judgement with respect to the technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future benefits and the ability to measure the costs reliably and whether costs, including payroll costs, were directly attributable to relevant projects.</p> <p>In addition, management judgement is also required in estimation of useful lives of the completed products.</p>	<p>Our procedures included, but were not limited to:</p> <p>Holding discussions with management to understand the nature and feasibility of key products as at 30 June 2017;</p> <p>Evaluating the key assumptions used for estimates made in capitalising development costs, including assessment of whether capitalised costs related to the development phase of the products, the generation of probable future economic benefits and the useful economic life attributed to the asset;</p> <p>On a sample basis, agreeing costs capitalised during the year met the development costs criteria; and</p> <p>Assessing the adequacy of financial report disclosures in Note 12 and Note 1(j).</p>

## Other information

The directors are responsible for the other information. The other information comprises the director's report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Cre8tek Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Neil Smith', with a small 'BDO' stamp above it.

**Neil Smith**

**Director**

Perth, 30 August 2017



## ADDITIONAL ASX INFORMATION AS AT 10 October 2017

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in the Annual Report. The information provided is current as at 10 October 2017.

### REGISTERED OFFICE OF THE COMPANY

Level 19, Alluvion  
58 Mounts Bay Road  
Perth WA 6000, Australia  
Ph: 1300 556 368

### STOCK EXCHANGE LISTING

Quotation has been granted for 627,890,546 ordinary shares and on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Cre8tek Limited.

There are no current on-market buy-back arrangements for the Company.

### VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

### SHARE REGISTRY

The registers of shares and options of the Company are maintained by:-

Automic Registry Services  
Level 2, 267 St Georges Terrace  
Perth WA 6000, Australia  
Ph: 08 9324 2099

### COMPANY SECRETARY

The name of the Company Secretary is Zane Lewis.

### SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

#### Ordinary shares

Holder Name	Holding	% IC
PHOENIXAVIER PTY LTD	115,814,388	14.20%
FLAMINGO 31 PTY LTD	58,577,768	7.18%
BADGER 31 PTY LTD <CGR FAMILY A/C>	5,520,972	0.68%

#### Holding Analysis

	Ordinary Shares	Listed Options @ \$0.06 Expiring May 24 2017
<b>Holding Ranges</b>		
1 - 1,000	374	38
1,001 - 5,000	39	25
5,001 - 10,000	108	2
10,001 - 100,000	935	37
100,001 - 9,999,999,999	744	96
<b>Totals</b>	<b>2,200</b>	<b>198</b>

Holders with an unmarketable parcel

445

## Restricted Securities

Ordinary Shares Escrowed until 05/02/2018: 40,000,000

Ordinary Shares Escrowed until 17/11/2018: 147,462,544

## EQUITY SECURITY HOLDERS

The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Position	Holder Name	Holding	% IC
1	FLAMINGO 31 PTY LTD	45,015,740	7.17%
2	CITICORP NOMINEES PTY LIMITED	29,372,367	4.68%
3	STEPHEN PILLINGER PTY LTD	19,703,351	3.14%
4	GINGA PTY LTD <T G KLINGER SUPER FUND A/C>	11,633,000	1.85%
5	JAM GROUP PTY LTD <A/C MORTON INVESTMENT A/C>	11,317,990	1.80%
6	MR PAUL FREDERICK TOWNSEND	10,100,000	1.61%
7	ILWELLA PTY LTD	10,016,000	1.60%
8	DM CAPITAL MANAGEMENT PTY LTD <MCEVOY FAMILY A/C>	10,000,000	1.59%
9	UBS NOMINEES PTY LTD	9,300,000	1.48%
10	KM CUSTODIANS PTY LTD	7,168,793	1.14%
11	MR LUKE ALEXANDER CARRUTHERS	6,189,162	0.99%
12	PHOENIXAVIER PTY LTD	6,096,373	0.97%
13	BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C>	5,500,000	0.88%
13	MASALI PTY LTD	5,500,000	0.88%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,400,165	0.86%
15	MR REX SEAGER HARBOUR	5,254,899	0.84%
16	MR MARKO BAZDARIC	5,000,000	0.80%
17	MR GRAHAM MCINTYRE	4,800,000	0.76%
18	ELISE HUKINS & NOEL HUKINS <THE HUKINS FAMILY S/FUND A/C>	4,416,776	0.70%
19	KM & EA TAYLOR SUPERANNUATION PTY LTD <TAYLOR FAMILY S/FUND A/C>	3,787,881	0.60%
20	SPESHSTEF PTY LTD <NICHOLSON SUPERFUND A/C>	3,750,000	0.60%
<b>Total</b>		<b>219,322,497</b>	<b>34.93%</b>
<b>Total issued capital - selected security class(es)</b>		<b>627,890,645</b>	<b>100.00%</b>

The names of the 20 largest holders of options, and the number of options and percentage of capital held by each holder is as follows:

Position	Holder Name	Holding	% IC
1	SMOKYTIMES PTY LTD <EVERGREEN INVESTMENT A/C>	2,394,187	5.27%
2	MR STEPHEN SHERRIN	2,263,665	4.98%
3	ALLEKIAN EXCHANGE PTY LTD	2,000,000	4.40%
4	DONKEY TRADING PTY LTD	1,800,000	3.96%
5	ILWELLA PTY LTD	1,250,000	2.75%
6	MR BRIAN JOSEF COLLINS	1,225,000	2.70%
7	MR GRAHAM MCINTYRE	1,001,287	2.20%
8	MR GREGORY MARTIN LYLE & MR BRADLEY GRANT LYLE <B LYLE S/F A/C>	1,000,000	2.20%
8	CLEANWEST PROPERTY SERVICES PTY LTD	1,000,000	2.20%
8	MR ALEXIS ADAMIDES	1,000,000	2.20%
9	MR LLOYD D'MONTE & MS GILLIAN D'MONTE <LD SUPERANNUATION FUND A/C>	885,000	1.95%
10	MR REX SEAGER HARBOUR	865,595	1.90%
11	CRANLEY CONSULTING PTY LTD <CRANLEY CONSULTING A/C>	752,500	1.66%
12	MR BRADLEY GRANT LYLE	700,000	1.54%
13	TEXBRIDGE HOLDINGS PTY LTD <MCCARTHY SUPER FUND A/C>	670,956	1.48%
14	BANDL RETIREMENT PTY LTD <BANDL SUPER FUND A/C>	625,000	1.38%
14	JETMAX TRADING PTY LTD	625,000	1.38%
14	MR POYA JHON OMEEDZADEH	625,000	1.38%
14	MR ZANE LEWIS <RLZ A/C>	625,000	1.38%
14	SKYHAWK PTY LTD	625,000	1.38%
14	FLAMINGO 31 PTY LTD	625,000	1.38%
15	MISS TAMRA JANE CHAPMAN	605,000	1.33%
16	MRS ANNE LINDA ROPER	600,000	1.32%
17	MR STUART BRESLIN	530,000	1.17%
18	MR ANDREW NIKOLAI BOBINSKAS <BOBINSKAS FAMILY A/C>	504,481	1.11%
19	VANCHEM PTY LTD <MADECLAIRE SUPER FUND A/C>	500,000	1.10%
19	MR BENJAMIN JOHN TETT & MRS CLARE ELIZABETH TETT	500,000	1.10%
19	MR ANDREW JAMES SHANKS	500,000	1.10%
19	MR MARK SAVERIO PENSABENE <M & D PENSABENE FAMILY A/C>	500,000	1.10%
19	SILVER KNIGHT HOLDINGS PTY LTD <GANDOSSI FAMILY A/C>	500,000	1.10%
19	NORSTAR MARINE PTY LTD <FREWIN FAMILY A/C>	500,000	1.10%
19	MR DEREK BRANKS COWAN	500,000	1.10%
19	SHARE INVESTING NOMINEES PTY LIMITED	500,000	1.10%
19	MR NIROSHAN N WIJEGUNARATNE	500,000	1.10%

<b>Total</b>	<b>29,774,603</b>	<b>65.51%</b>
<b>Total issued capital - selected security class(es)</b>	<b>45,451,015</b>	<b>100.00%</b>

### CORPORATE GOVERNANCE STATEMENT

The directors of Cre8tek Limited support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement and the appendix 4G released to ASX and posted on the Company website at [www.cre8tek.com.au](http://www.cre8tek.com.au).

The directors are focused on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Recommendations – 3<sup>rd</sup> Edition" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which enables it to meet the principles of good corporate governance.

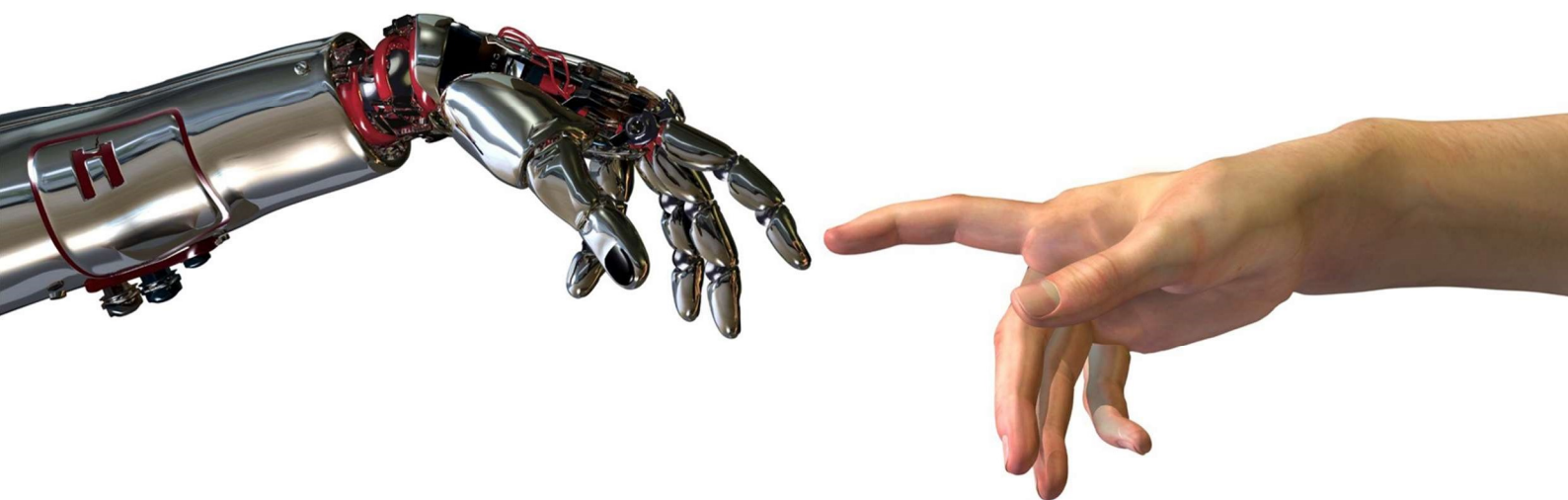
The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it.

### CONSISTENCY WITH BUSINESS OBJECTIVES - ASX LISTING RULE 4.10.19

In accordance with Listing Rule 4.10.19, the Company confirms that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The Company believes it has used its cash in a consistent manner to which was disclosed under the Prospectus dated 14 September 2016.







flamingo