



2017 ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2017



SIMPLY BETTER BACKUP



Our mission is to ensure small businesses never lose data again. Dropsuite helps business stay in business.



Dropsuite is a Cloud based software platform that enables SMEs to easily backup, recover and protect their business information.

We do this through a network of reseller partners who have a combined reach of millions of SMEs worldwide.

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CORPORATE DIRECTORY

DIRECTORS

Theo Hnarakis (Non-Executive Chairman)
Charif Elansari (Managing Director)
Dr Bruce Tonkin (Non-Executive Director)

COMPANY SECRETARY

Zoran Grujic

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Dropsuite Limited – formerly called Excalibur Mining Corporation Ltd

ABN 91 008 021 118
ACN 008 021 118
Suite 2 – 16 Ord Street
West Perth, Western Australia, 6008
Telephone: 1800 732 543
Facsimile: 08 9429 1011
Website: www.dropsuite.com

SHARE REGISTRY

Automatic Pty Limited
Level 3
50 Holt Street
Surry Hills NSW 2010

AUDITOR

Greenwich and Co Audit Pty Ltd
Level 2
35 Outram St
West Perth, WA 6005

STOCK EXCHANGE LISTING

Dropsuite Limited shares are listed on the Australian Securities Exchange	ASX code	FPO	DSE
	DSE	Option	



CHAIRMAN'S LETTER

Dear Shareholders,

Firstly, I would like to acknowledge you, the Stakeholders, who continue to place trust in Dropsuite Limited and your Board, and I hope you garner as much satisfaction from the Company's success over the past 12 months as we have.

I would like to reflect on the journey we have all experienced since we listed on the Australian Securities Exchange in December 2016, and the milestones that we have achieved up until this point.

Dropsuite was founded with a simple, yet critical mission: to help protect the digital information of small and medium-sized businesses by offering highly usable and affordable backup solutions in the cloud for this under-served sector of the world's economy.

We closely abide by the mission statement to "ensure businesses never lose data again", and we continued to fulfil our mission in 2017, a successful productive year for Dropsuite

We have experienced significant growth across our Key Performance Indicators, and we have built a highly usable cloud backup platform that is also robust and secure. The platform is becoming a leading platform adopted by IT Service Providers and then resold to small and medium businesses world-wide.

We count some of the largest IT service providers in the world as partners, while our performance across all facets of the business improved exponentially in 2017. Our revenue and the number of paid users both almost doubled, while average revenue per user (ARPU) also improved year on year. Furthermore, we are seeing encouraging traction on email backup and archiving which will contribute to expanding Dropsuite's channel presence and, as importantly, enhancing the Average Revenue Per User (ARPU) growth

But core to our business and its strength is the quality of our people, our customers, our best practice backup solution, and our annuity-based business and revenue model. It has been the backbone of the Company's rapid growth over the past 12 months, supported by a strong and experienced Board and Executive team.

Our company has high expectations for growth opportunities and we continue to invest in product innovation to stay true to our core culture of engineering the best backup solutions for our customers. There is significant opportunity at our disposal to expand Dropsuite's global footprint, and that prospect is most exciting for us.

There is significant room for further growth in current and new markets, and while Dropsuite has certainly carved out a prominent niche, I am confident that the Company will continue to play an important role in the data protection industry with its market-leading product offerings.

Lastly, I want to once again thank you for maintaining confidence in the Company and its growth strategy, as we move into another exciting period. I would also like to thank the CEO for his hard work and dedication and thank his team for building a great Company which remains a constant work-in-progress.

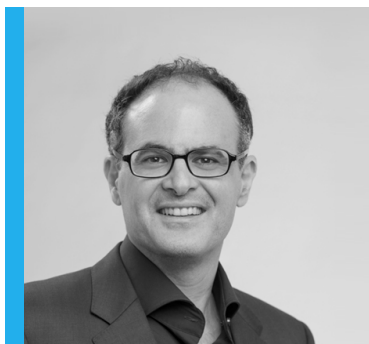
Sincerely,

A handwritten signature in black ink, appearing to read 'Theo Hnarakis', with a long horizontal stroke extending to the right.

Theo Hnarakis

Chairman

29 March 2018



MANAGING DIRECTOR'S REPORT

Dear Shareholders,

I am pleased to be providing you with the operational overview for the 2017 annual report,

In this day and age, our world economy runs on information and knowledge, which mostly exists in digital format. At the same time, we have never been more vulnerable to cyber security threats and challenges, and 2017 has been a notable year in this regard.

Aside from the continued growth of the Dropsuite footprint across the globe, we also achieved encouraging milestones during the year:

- The number of users utilising our cloud backup service almost doubled (~**220,000**), as did revenue (~**\$2.55M**) year-on-year.
- The development of relevant product offerings especially around email and Microsoft Office 365 (O365) applications such as SharePoint that are resonating really well with IT Service Providers.
- The expansion of our partnerships with leading IT Service Providers globally.
- Successfully raised new funds and strengthened our shareholder base to support Dropsuite's growth plans for 2018 and beyond.

That said, and notwithstanding the successes in 2017, we will be mindful to proactively address any challenges that may affect our business around retaining talented staff and key partners as well as delivering on our product plans. We do this by hiring new talent, diversifying our product portfolio, and expanding our partner base globally.

Key Metrics 2017 vs 2016

A solid increase in Revenue and ARPU

Key performance indicators across the Company in the past 12 months have been encouraging, with cumulative cash receipts from revenues increasing 95% year-on-year being a standout. This revenue performance was underpinned by significant user growth (see *Figure 1*).

The Average Revenue Per User (ARPU) was also higher this calendar year, a testament to the quality of our products.

Metrics	2017	2016	Year on Year
Total Revenue (\$)	\$2.55M	\$1.31	95%
Dec. Annualized Revenue	\$3.28M	\$1.65M	99%
Total Cash Receipts	\$2.3M	\$1.18M	95%
Average Revenue per user	\$1.24	\$1.23	\$0.01
# of Partnerships	87	57	53%

Figure 1

Paid User Growth

From December 2016 to December 2017, the Company experienced a 73% increase in the number of paid users utilising Dropsuite's cloud backup service, from approximately 127,000 in December 2016 to around 220,000 in December 2017.

In the meantime, we continue building a strong funnel of new partners, especially around our email business, where the size of the addressable market is larger and the average revenue per user is considerably higher.

Additional Growth Drivers

Dropsuite prides itself on its **product**, its **people** and its **partners**, and these are the key components to our continued growth, as well as the successful completion of funding initiatives.

Product: Best backup solutions for small and medium businesses

Dropsuite has carved out an impressive niche in its business, targeting those small and medium-sized non-tech savvy businesses where a simple and intuitive user interface is key. As such, the Company has been focused relentlessly on delivering a world-class user experience – and this element has delivered as evident in the quality of existing partners

This month (March'18) we have introduced Insights and Analytics into our email and O365 backup offerings, effectively leveraging the (Big) Data collected for backup to present insightful and actionable business insights to our partners and users.

Dropsuite has continued to invest in backing up services in the Microsoft ecosystem, with the addition of two additional back-up solutions, and we will continue expanding our email and O365 offerings to appeal to our growing user-base, and

People: Committed Global Team

To echo the Chairman's comments on the Dropsuite team, securing high-quality new team members in key departments of engineering, sales and marketing has been fantastic. With the Dropsuite footprint expanding to other lucrative global markets, we are always striving to improve our management and communication system as the team expands globally.

One of the key outcomes we will strive to achieve over the next 12 months is the expansion of the new software engineering centre in Indonesia.

With a highly-experienced executive team, Dropsuite looks forward to continuing its collaborative and winning culture.

Partner: Continue winning in Web Hosting and expand into new reseller channels

The success over the past 12 months in growing our user and partner base can be attributed to the flawless execution by the business development sales and marketing team to expand and sell into managed service provider channel.

We pride ourselves on targeting the small and medium-sized business market, but marketing and selling Website Backup services to our large partners' existing users is a critical part of our ongoing growth.

Through launching new meaningful partnerships with large web hosting companies across key geographies and cross-selling email backup to our existing and new hosting partners, we will continue to experience exponential growth.

Key attributes that sets Dropsuite apart from the rest

It is also important to remind our shareholders and investors of the attributes that set our cloud backup platform apart from the competition as we continue on this journey:

Global, scalable and secure: Leveraging the speed and performance of the Public Cloud, coupled with rigorous security practices at Dropsuite and Amazon Web Services.

Modular architecture: Built-in customization allows partners to define their end-user experience with just a few clicks.

Seamless Partner Integration: Seamlessly integrates with leading IT Reseller platforms, enabling rapid rollout, recurring revenue streams and lower support costs and zero development costs.

Best in Class User Experience: We constantly hear this from our partners, our backup platform wins the day for its simple and intuitive user interface.

We believe that the demand for our backup platform will only grow as businesses expand their digital footprint and require easy-to-use, secure and affordable solutions to protect them, not only from cyber security threats but from human error.

The size of the market is massive, and we will continue to have huge headroom to grow in the future:

Microsoft Office 365 sold: **120 MILLION subscribers in 2016**

Information Archiving Market: **\$7.1B IN 2020**

Data protection and recovery solution market: **USD \$14 BILLION BY 2025**

Aided by a strong balance sheet, a growing revenue base and our expanding geographical footprint, Dropsuite will continue to strive and deliver on its clearly defined mission statement.

Lastly, I want to thank our Dropsuite team, Management and Board for their commitment in 2017, and I also want to express my gratitude to our shareholders and investors for their support over the last year.

Sincerely,



Charif Elansari

Managing Director

29 March 2018

Directors' Report

Your directors submit the financial report of Dropsuite Limited ('Company') and its controlled entities ('Group' or 'Dropsuite') for the year ended 31 December 2017.

Directors:

The names of directors who held office during the year and up to the date of this report:

Theo Hnarakis	Non-Executive Chairman
Charif el Ansari	Managing Director
Bruce Tonkin	Non-Executive Director (appointed 22 February 2017)
Alex Bajada	Non-Executive Director (resigned 30 June 2017)

Principal Activity:

Dropsuite's engineering team has developed the backup technology on a state-of-the-art software architecture that is both modular and scalable. Dropsuite's software architecture has been built for successful horizontal scaling and has demonstrated strong ability to scale to hundreds of thousands of users worldwide.

Dropsuite delivers its back-up experience for small and medium enterprise businesses (SME's) by providing users with an easy-to-use, platform that enables them to backup their key business information.

Dropsuite's current products include:

- Dropsuite Website Backup
 - a Cloud-based website and database backup and monitoring service that allows website owners to automatically backup their website files and databases, monitor website availability and performance worldwide, and restore lost or corrupted data with a single click
- Dropsuite Email Backup and Archiving;
 - a Cloud-based email backup and archiving solution that helps SMEs and even consumers securely backup, manage, recover, comply and protect their email data. The solution simplifies provisioning and managing email backup and archiving. The user interface provides anywhere access to view, search, migrate, download and restore emails and file attachments
- Dropsuite for Office 365
 - Complete backup and archiving solution for Microsoft's fast growing O365 suite of products, including Sharepoint and One Drive.
- Dropmymobile (backup for Android mobile phones)
 - a mobile data backup app for Android. Dropmymobile provides automatic and secure backups of contacts, SMS messages, photos, videos and call logs in the Cloud. Phone data can be viewed, migrated to another device or restored back into the user's phone.

Dropsuite deploys military-grade encryption to protect user data and AES (Advanced Encryption Standard) 256-bit encryption, at rest and in transit, as well as Secure Sockets Layer endpoints.

Dropsuite's service is already deployed to users globally, in multiple languages.

Operating Results:

The financial results for the year

The financial results for the year include expenses for the build of operations infrastructure and market growth activities.

The operating loss after income tax of the consolidated group for the year ended 31 December 2017 was \$2,175,919 and the prior year loss after tax was \$7,351,326.

Review of Operations

Dropsuite aims to simplify the backup experience for SMEs by providing users with an easy-to-use, unified platform that enables them to backup their key business information.

Dropsuite's service is already deployed to users globally, in multiple languages.

Dropsuite deploys military-grade encryption to protect user data and AES (Advanced Encryption Standard) 256-bit encryption, at rest and in transit, as well as Secure Sockets Layer (**SSL**) endpoints.

Dropsuite's technology has all been built in-house under the supervision of its CEO, Charif Elansari, who previously held senior roles at Google and Dell, and co-led by a core team of cloud computing veterans including Ronald Hart (Chief Technology Officer) and Ridley Ruth (Chief Operating Officer).

Dropsuite's Cloud-based suite of backup solutions has been built to scale from the smallest to the world's largest Partners by leveraging the latest in Cloud technology as well as a state-of-the-art unique horizontal scaling architecture. The result is a platform that can scale on demand at a very low-cost point with the ability to bring systems online dynamically during peak load hours. Dropsuite's Cloud backup system is deployed worldwide allowing the backed up data to remain in the Partner's region of choice as well as providing the shortest network hops to reach their data resources.

Dropsuite Website Backup

Dropsuite Website Backup is a Cloud-based website (and database) backup and monitoring service that allows website owners to automatically backup their website files and databases, monitor website availability and performance worldwide, and restore lost or corrupted data with a single click.

This product's unique data granularity allows the end users to access to download/restore single files instantaneously as well as selected directories or the entire site all in a simple to use backup manager.

Features include:

- Secure self-service backup with one-click restoration / migration for databases and websites
- Restore files from any point in time (up to 30 versions)
- Track, Review and manage file revision history
- End-to-end 256 bit AES encryption
- Easy-to-use web-based interface and file browser
- Backup Data is accessible a from any device / location with an internet connection
- Automated cloud backups ideal for business continuity and disaster recovery
- Central point of management via admin panel

Dropsuite Email Backup and Archiving

Dropsuite Email Backup and Archiving is a Cloud-based email backup and archiving solution that helps SMEs and even consumers securely backup, manage, recover and protect all of their email data. This product simplifies securing and managing email continuity for businesses and even consumers. The user interface provides anywhere access to view, search, migrate, download and restore emails and file attachments. The very recent launch of Insights and Analytics uses Big Data to provide actionable insights to business owners as well as our partners

Features include:

- Automated Incremental Email Backup & Archiving
- Central point of management through an admin panel
- Download, Restore & Migrate emails with One Click
- End to end 256 bit AES encryption
- Ideal for compliance and business continuity
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advance Search, eDiscovery, and Alert creations
- Unlimited storage & retention period

Dropsuite for Office 365

Dropsuite for O365 is a complete Cloud-based backup and archiving solution that especially built for Microsoft Office 365. it securely backup, manage, recover, comply and protect all of their O365 data including One Drive and Sharepoint. The product uniquely provides a single pane of glass throughout the O365 suite of products. The very recent launch of Insights and Analytics uses Big Data to provide actionable insights to business owners as well as our partners Features include:

- Automated Incremental Email Backup & Archiving
- Central point of management through an admin panel
- Download, Restore & Migrate emails with One Click
- End to end 256 bit AES encryption
- Ideal for compliance and business continuity
- Admin Panel and Multiple User Access Manager
- Viewable from any device / location
- Advance Search, eDiscovery across O365 suite of products
- Unlimited storage & retention period

Droptymobile

Droptymobile is a mobile data backup app for Android. Droptymobile provides automatic and secure backups of contacts, SMS, media (pictures / videos) and call logs in the Cloud. Phone data can be viewed, migrated to another device or restored back into the user's phone.

Features include:

- Multiple devices backup
- One-click data restore
- Paranoid (highly-encrypted) mode
- End-to-end encryption

WHY IT WORKS

FULLY DEVELOPED TECHNOLOGY

Backup platform that is robust and secure, and has demonstrated strong capability to scale globally.

SEAMLESS INTEGRATION

Seamlessly integrates with leading IT Reseller platforms, enabling rapid rollout, recurring revenue streams and lower support costs.

SMALL BUSINESS DNA

Designed for non-tech savvy businesses where a simple and intuitive user interface is key.

MODULAR ARCHITECTURE

Built-in customisation allows partners to define their end-user experience with just a few clicks.



Why It Works Diagram: Dropsuite's backup products are built for SMEs and are seamlessly integrated into the IT Service Providers platforms.

HOW IT WORKS



1

USERS SET UP DROPSUITE TO BACK UP THEIR WEBSITE, EMAIL, MOBILE OR SERVER DATA



2

DATA IS STORED SECURELY IN THE CLOUD OR PARTNER LOCATION



3

INCREMENTAL BACKUPS TAKEN WITHOUT THE NEED FOR USER INTERVENTION



4

USERS ACCESS AND RESTORE THEIR DATA FROM ANY DEVICE (INCL MOBILE PHONE) ON DEMAND

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

Financial position

The net assets of the consolidated group have increased by \$2,319,101 from 31 December 2016 to \$6,284,881 as at 31 December 2017. This increase was largely due to the proceeds from the issue of shares.

The directors believe the consolidated entity is in a stable financial position and able to expand and grow its current operations.

Capital Structure and Performance Shares

Capital structure	Number of securities on issue
SHARES	
Shares on issue 1 January 2017	386,022,667
Issue of Shares under the Public Offer	80,041,199
Performance shares exercised	14,183,334
TOTAL SHARES on Issue 31 December 2017	480,247,200
OPTIONS	
Options on issue 1 January 2017	22,334,167
Options expired during the year	2,334,167
TOTAL OPTIONS as at 31 December 2017	20,000,000

PERFORMANCE SHARES	
Opening Performance Shares on issue	47,050,000
Issue of Performance Shares under the Vendor Offers	0
Performance Shares Exercised	14,183,334
TOTAL PERFORMANCE SHARES	32,866,666

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

Each performance security, upon conversion, is equivalent to one Dropsuite Ltd fully paid ordinary share. The number of performance share and the specific performance share obligation (milestones) are itemised below:

1,500,000 Class A Performance Shares - A Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$15,000 or more per month for a minimum of three consecutive months.

1,500,000 Class B Performance Shares - B Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$30,000 or more per month for a minimum of three consecutive months

1,500,000 Class C Performance Shares - C Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$60,000 or more per month for a minimum of three consecutive months

14,183,333 Class E Performance Shares - E Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited monthly revenues of \$300,000 or more for a minimum of three consecutive months

14,183,333 Class F Performance Shares - F Performance Share Milestone will be taken to have been satisfied upon Dropsuite achieving audited monthly revenues of \$600,000 or more for a minimum of three consecutive months.

Significant changes in the state of Affairs

There were no significant changes in the state of affairs of the group occurred during the financial year.

Litigation:

There is a legal action from a contractor against Dropsuite Ltd and GCP Capital Pty Ltd as mentioned in the prospectus dated 6 September 2016. GCP Capital Pty Ltd has indemnified Dropsuite Ltd for any liability and cost associated with the dispute.

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

Events after the Reporting Date:

There has been no matters or circumstance that has arisen since 31 December 2017 which has significantly affected, or may significantly effect, the operations of Dropsuite Ltd and its controlled entities, the results of the operations or the state of affairs of Dropsuite Ltd and its controlled entities in the subsequent financial year.

Dividends:

The Directors do not recommend payment of any dividends at this time and no dividend was paid during the period.

Environment Issues:

The Group has minimal environmental impact. Prudent policies and procedures have been enacted with respect to commonly accepted practice on energy conversation, recycling, and other initiatives to reduce environmental impact of ongoing operations.

The related companies follow similar ethical, environmental and clinical standards.

Information on directors and secretaries:

Mr Theo Hnarakis

Non - Executive Chairman (appointed 20 December 2016)

Qualifications:

B. Accounting

Experience

Theo Hnarakis brings a wealth of experience working in the media industry and scaling Australian ASX listed technology businesses. He graduated from the University of South Australia and held senior roles with News Corporation, Boral Group, the PMP Communications group and was the Managing Director and CEO of Melbourne IT until 2013. He has also held director roles with Neulevel, a JV with US based listed company, Neustar and with Advantate, a JV with Fairfax Media.

Interests in shares and Options

11,085,645 ordinary shares and 900,000 options to acquire further ordinary shares

Other current directorships

Crowd Mobile Ltd

Mr Charif el Ansari

Non - Executive director (appointed 20 December 2016)

Experience

Charif was Head of Business Development, Google Southeast Asia and negotiated and launched key partnerships with top mobile operators, led the company's first Chrome web browser distribution partnership in Asia, built partnerships and alliances with media companies and content owners and led a team to launch the first localized advertising

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

product in Indonesia.

Prior to Google he was Director of Client Marketing in Japan for Dell. Dell Japan was the largest and most mature business in Asia and is the region's most unique and complex market from a competitive and product landscape standpoint. He successfully led two major transitions in first 6 months to identify and fill Dell product gaps in Japanese market, set product strategy selection, positioning, pricing and launching, managed trained and developed 20-person marketing team in two locations and owned country relationship with strategic suppliers Intel, AMD and Microsoft. He had a number of roles with Dell including Production Control Manager, Senior Marketing & Pricing consultant in the USA, Sales director in South Korea, Director Client Marketing in China.

Interests in shares and Options

25,218,773 ordinary shares and 7,200,000 performance shares consisting of Class E 3,600,000 and Class F 3,600,000

Other current directorships

Nil

Dr Bruce Tonkin

Non-Executive Director (appointed 22 February 2017)

Qualifications

B. Electrical and Electronic Engineering (1st class honours), Ph.D. in Electrical and Electronic Engineering from University of Adelaide.

Experience

Dr Bruce Tonkin is currently Project Lead for the .au Registry Transformation Project at .au Domain Administration Limited, where he is responsible for the replacement and major upgrade of the .au domain name registry for Australia. Prior to that he has been chief technology officer and chief strategy officer at Melbourne IT, where he was responsible for managing the development of the company's strategic and operating plans, strategic initiatives with major customers and suppliers, and managing evaluation of merger and acquisition opportunities. Bruce had been at Melbourne IT from 1999 until April 2017, and has gained more than 15 years of experience taking cloud based services to global markets across the USA, Europe, and Asia for both SMBs and Enterprises. In that time annual revenue grew from \$15m to a peak of \$200m with offices in 10 countries, before the sale of its international business.

Bruce also served on the Board of ICANN (Internet Corporation of Assigned Names and Numbers) for 9 years. ICANN manages the global domain name

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

and IP addressing system for the Internet.

Other current directorships	None
Other former directorships in the last three years.	Director of various subsidiary and joint venture companies associated with Melbourne IT Limited (ASX:MLB), and Director and Vice-chair of ICANN (Internet Corporation of Assigned Names and Numbers) based in Los Angeles, USA.

Interests in shares and Options	847,457 ordinary shares
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<u>Mr Zoran Grujic</u>	Company Secretary and Chief Financial Officer (appointed on 22 February 2017)
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Qualifications	Bachelor of Commerce (Accounting), University of Western Sydney. Member of the Chartered Accountants Australia and New Zealand.
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Experience	Zoran spent over a decade at leading Australian accounting firms before launching Corporate Result Group, a successful accounting practice that was later sold. He has also held senior finance roles in a variety of industries, including Moraitis Group, one of the largest fresh produce suppliers to Woolworths and Coles; a peak training organisation, the Australian Institute of Management (AIM); Couriers Please Pty Limited, one of the leading freight distribution businesses in Australia. Currently he is also the CFO at the National Stock Exchange of Australia Limited.
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Other current directorships	8common Ltd
Other former directorships in the last three years.	Nil
Interests in shares and Options	Nil

<u>Mr Alex Bajada</u>	Director since 2004, Executive Chairman appointed 8 June 2008 to 24 February 2017, Non-Executive Director 25 February 2017 (resigned 30 June 2017)
Qualifications	Bachelor of Economics

Experience	Alex is a corporate advisor with over 30 year's experience in the corporate sector and has been involved in the management of ASX listed companies for many years fulfilling the roles of chairman and director.
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Other current directorships	Odin Energy Ltd
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DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

Other former directorships in the last three years. Activistic Ltd

Interests in shares and Options 1,444,735 ordinary shares

Meetings of Directors:

During the financial year, 13 meetings of directors (including circular resolutions) were held. Attendances were:

Director	Number of meetings attended	Number of eligible meetings to attend
Theo Hnarakis	13	13
Charif el Ansari	13	13
Bruce Tonkin (1)	12	12
Alex Bajada (2)	5	6

Notes:

1. Bruce Tonkin was appointed director on 22 February 2017
2. Alex Bajada resigned 30 June 2017

Options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
29/12/2016	31 December 2018	\$0.11	20,000,000
			<u>20,000,000</u>

Option holders do not have any rights to participate in any issue of shares and other interests of the Company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remunerations, refer to the remunerations report.

Remuneration Report (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

The Company's policy for determining the nature and amount of emoluments of Key Management Personnel (or "KMP") of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, will emphasise payments for results through providing various reward schemes.
- The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and to provide a common interest between management and shareholders.
- Establish appropriate performance hurdles in relation to variable remuneration.
- The aim of the policy is to reward employees for the success of the Group and its performance overall.

Remuneration Committee

Due to the current size of the Board and the number of staff, the full Board is responsible for determining and reviewing compensation arrangements for directors, the chief executive officer and all staff. The Board may seek independent expert advice to assess the nature and amount of remuneration of all staff including directors and the chief executive officer by reference to relevant employment market conditions with the overall objective being the retention and attraction of a high quality board, executive and company.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The board considers advice from external consultants when undertaking the annual review process.

Due to tight financial constraints, every effort has been made to reduce all fees, including director compensation.

Each director receives a fee for being a director.

Senior manager and executive director remuneration

Objective

The Company aims to reward and attract senior managers and executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

Structure

In determining the level and make up of senior manager and executive remuneration, the Board may engage external consultants to provide independent advice. Remuneration generally consists of the following elements:

- Fixed remuneration;
- Variable remuneration; and
- Long Term Incentive.

Further details regarding remuneration of senior managers and executive directors for the 12 months ended 31 December 2017 is detailed in below.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. It is reviewed annually and it involves where appropriate the access to external advice.

Variable Remuneration and long term incentive

Structure

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, will seek to emphasise payments for results through providing various reward schemes. The objective of the reward schemes is to both reinforce the short and long term goals of the Group and to provide a common interest between management and shareholders.

No KMP received variable remuneration during the 12 months ended 31 December 2017.

Service agreements

Charif Elansari's remuneration is currently SIN\$24,000 per month (SIN\$ 288,000 per annum). The agreement can be terminated by either party by giving not less than 3 months prior written notice in advance, or in the event of termination by the Company, by payment of an amount equal to 3 months salary in lieu of such notice.

Theo Hnarakis' remuneration is \$12,500 per month, with a one month termination notice period by other party. Bruce Tonkin's remuneration is \$5,833 per month with a one month termination notice period by the other party. Zoran Grujic, appointed as Chief Financial Officer and joint company secretary on 22 February 2017 receives remuneration of \$12,000 per month with a one month termination notice period by the other party.

There are no other service agreements in place with KMP.

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

Remuneration of KMP:

For 12 months ended 31 December 2017

Non-Exec Directors	Salary and fees	Super-annuation	Bonus	Sub total	Share based payments	Total
Theo Hnarakis	121,644	11,556	-	133,200	-	133,200
Bruce Tonkin (i)	51,151	4,859	-	56,010	-	56,010
Alex Bajada (ii)	40,000	-	-	40,000	-	40,000
Total	212,795	16,415	-	229,210	-	229,210

(i) Appointed 22 February 2017

(ii) Resigned as director 30 June 2017

Executives	Salary and fees	Super-annuation	Bonus	Sub total	Share based payments	Total
Charif el Ansari (MD)	277,861	-	25,857	303,178	-	303,178
Zoran Grujic (CFO & Company Secretary) (i)	123,000	-	-	123,000	-	123,000
	400,861	-	25,857	426,718	-	426,718

(i) Appointed 22 February 2017

For 6 months ended 31 December 2016

Non-Exec Directors	Salary and fees	Super-annuation	Sub total	Share based payments	Total
Theo Hnarakis (i)	1,644	156	1,800	-	1,800
Alex Bajada	70,000	-	70,000	-	70,000
Angus Middleton (ii)	-	-	-	-	-
Roland Berzins (iii)	19,998	-	19,998	-	19,998
Total	91,642	156	91,798	-	91,798

(i) Appointed 20 December 2016

(ii) Resigned 20 December 2016

(iii) Resigned as director 20 December 2016

Executives	Salary and fees	Super-annuation	Sub total	Share based payments	Total
Charif el Ansari (MD) (iv)	8,462	-	8,462	-	8,462
	8,462	-	8,462	-	8,462

(iv) Appointed 20 December 2016

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

(i) Ordinary Shareholdings

The number of ordinary shares held in Dropsuite Ltd by each KMP during the 12 months to 31 December 2017 is as follows:

Name and Position held	Balance 01/01/2017 or at date of appointment	Purchases	Received on exercise of options	Received on vesting and exercise of performance shares	Balance 31/12/17 or date of retirement
Theo Hnarakis	6,000,000	5,084,745	-	-	11,084,745
Charif el Ansari	20,616,316	1,002,457	-	3,600,000	25,218,773
Bruce Tonkin	-	847,457	-	-	847,457
Alex Bajada (i)	1,444,735	-	-	-	1,444,735
Total	28,041,115	6,954,595	-	3,600,000	38,595,710

(i) Resigned 30 June 2017

(ii) Options

All options were issued by Dropsuite Limited and entitle the holder to one ordinary share in Dropsuite Limited for each option exercised.

There have not been any alterations to the terms or conditions of any *grants* since grant date.

Name and position held	Balance 01/01/2017	Granted as remuneration during period	Exercised	Other changes	Balance at 31/12/17
Theo Hnarakis	900,000	-	-	-	900,000
Charif el Ansari	-	-	-	-	-
Bruce Tonkin	-	-	-	-	-
Alex Bajada (i)	-	-	-	-	-
Total	900,000	-	-	-	900,000

(i) Resigned 30 June 2017

DROPSUITE LIMITED

DIRECTORS' REPORT (cont.)

For the year ended 31 December 2017

(iii) Performance shares

2017	Balance 01/01/2017 or at date of appointment	Granted Details	Class D milestone reached achieving audited monthly revenues of \$150,000 or more for a minimum of three consecutive months	Lapsed	Balance at 31/12/17 or date of resignation
Theo Hnarakis	-	-	-	-	-
Charif el Ansari	10,800,000	-	(3,600,000)	-	7,200,000
Bruce Tonkin	-	-	-	-	-
Total	10,800,000	-	(3,600,000)	-	7,200,000

Performance shares on issue at 31 December 2017 held by Charif el Ansari are as follows: (i)

Class A Performance shares	-
Class B Performance shares	-
Class C Performance shares	-
Class E Performance shares	3,600,000
Class F Performance shares	3,600,000
	7,200,000

(i) Refer to Note 12 for terms and conditions

Other Equity – related KMP transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and / or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more than those reasonably expected under arm's length dealings with unrelated persons.

Remuneration Consultants

The Company did not engage any remuneration consultants during the 12 months ended 31 December 2017.

Voting and comments made at the Company's 2016 Annual General Meeting ("AGM")

At the 2016 AGM, the voters supported the adoption of the remuneration report for the year ended 31 December 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

End of Remuneration Report (Audited)

Indemnities and insurance officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the 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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-Audit Services

The Company's auditor provided no non-audit services during the year.

Auditor's Declaration:

The auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 41 for the year ended 31 December 2017.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Theo Hnarakis
Non-Executive Chairman
Date: 29 March 2018

DROPSUITE LIMITED

CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

The Board of Directors of Dropsuite Limited (“Dropsuite” or “the Company”) is committed to conducting the Company’s business in accordance with the highest standards of corporate governance. The Board is responsible for the Company’s Corporate Governance and the governance framework, policy and procedures, and charters that underpin this commitment. The Board ensures that the Company complies with the corporate governance requirements stipulated in the Corporations Act 2001 (Cth), the ASX Listing Rules, the constitution of the Company and any other applicable laws and regulations.

The table below summarises the Company’s compliance with the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations (3rd Edition), in accordance with ASX Listing

Rule 4.10.3

Principles and Recommendations		Disclosure	Comply
Principle 1 – Lay solid foundations for management and oversight			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management	These matters are disclosed in the Company’s Board Charter, which is available on the Company’s website.	Complies
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether to not to elect or re- elect a director	When a requirement arises for the selection, nomination and appointment of a new director, the Board forms a sub-committee that is tasked with this process, and includes undertaking appropriate checks and any potential candidates. When directors retire and nominate for re-election, the Board does not endorse a director who has not satisfactorily performed their role.	Complies Complies
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company executes a letter of appointment with each director and services agreements with senior executives.	Complies

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair; on all matters to do with the proper functioning of the board.	The Company Secretary reports to the chair of the board on all matters to do with the proper function of the board.	Complies
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DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objective for achieving gender diversity set by the boards or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.	The Company's diversity policy is on the website under Corporate Governance	Complies
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DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

Principles and Recommendations	Compliance	Comply
1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Currently, the Board does not formally evaluate the performance of the Board and individual directors, however the Board Chairman provides informal feedback to individual Board members on their performance and contribution to Board meetings, on an ongoing basis.	Does not comply
1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The current Managing Director Mr Charif el Ansari was appointed on 20 December 2016. In November 2017 a 360-degree leadership assessment was conducted on his performance.	Complies

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

Principle 2 – Structure the board to add value			
2.1	A listed entity should: (a) have a nomination committee which; (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Due to its size and limited scope of operations, the Company does not currently have a nomination committee, however board sub-committees are formed, as required, to manage matters that would normally be dealt with by a formally constituted nomination committee. As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a nomination committee.	Does not comply
2.2	A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.		Complies

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; and (b) if a director has an interest, position, association or relationship of the type described in Box .2.3 but the board is of the opinion that it does no compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	The commencement date of service of each director is disclosed in the Company's annual and half yearly director reports and in notices of meetings when directors are nominated for re-election.	Complies
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Principles and Recommendations		Compliance	Comply
2.4	A majority of the board of a listed entity should be independent directors.	There are two independent non-executive directors. The Board believes this is satisfactory given the Company’s size and its current operations.	Complies.
2.5	The chair of the board of a listed entity should be an independent director and, in particular; should not be the same person as the CEO of the entity.	Mr Theo Hnarakis is the Chairman and is an independent non-executive director.	Complies.

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

2.6	A listed entry should have a program for including new directors and provide appropriate professional development, opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively	New directors are encouraged to do either the Kaplan course or the AICD course.	Complies
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Principle 3 – A listed entity should act ethically and responsibly			
3.1	A listed entity should: (a) have a code of conduct of its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company code of conduct is available on the Company web site.	Complies

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

Principle 4 – Safeguard integrity in corporate reporting			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director; who is not the chair of the board, and disclose (3) the relevant qualifications and experience of the members of the committee; and (4) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotations of the engagement partner.	Due to its size and limited scope of operations, the Company does not currently have an audit committee, however the auditors do meet with the full board, without management present to its audit report and any other matters that have arisen during its audit work. As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of an audit committee.	Does not comply, however the auditors attend the AGM.

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management, and internal control which is operating effectively.	The Board does receive a statement signed by those performing the roles of the Managing Director and the Chief Financial Officer.	Complies
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DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

Principles and Recommendations		Compliance	Comply
4.3	A listed entity that has an Annual General Meeting (AGM) should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit,	The Company's auditors are present at the Annual General Meeting.	Complies
Principle 5 – Make timely and balanced disclosure			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company does have a Continuous Disclosure policy, which is available on the Company web site.	Complies
Principle 6 – Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investor via its website.	The Company does have a company information and governance statement, which is available on the Company web site.	Complies
6.2	A Listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has implemented an investor relations program targeting retail investors and encourages all investors or potential investors to communicate with the Company via its web site.	Complies
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company Shareholder Communication Policy is available on the Company web site.	Complies

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

6.4	A listed entity should give security holder the option to receive communications from, and send communication to the entity and is security registry electronically.	Security holder can elect to receive communications from the Company electronically either by contacting the Company's share registrar, or the Company directly.	Complies
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Principal 7 – Recognise and manage risk			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Due to its size and limited scope of operations, the Company does not currently have a risk committee; however management does present and discuss risk with the full board. As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a risk committee.	Does not Comply

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The board reviews the company's risk management framework at least annually and disclose this in each periodic report.	Complies
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Principles and Recommendations	Principles and Recommendations	Principles and Recommendations	Principles and Recommendations
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company does not have an internal audit function. As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of an internal audit function.	Does not comply
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Company does make these disclosures.	Complies

DROPSUITE LIMITED
CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

Principle 8 – Remunerate fairly and responsibly			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director and disclose (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Company does not currently have a remuneration committee. As the Company's activities increase in size, scope and/or nature, the board will consider the appropriateness of a remuneration committee.	Does not comply.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive director and other senior executive.	The Company discloses its practices in relation to the remuneration of non-executive directors and senior executives in its annual remuneration report.	Complies

DROPSUITE LIMITED

CORPORATE GOVERNANCE

For the year ended For the year ended 31 December 2017

8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company's Security Trading Policy obliges all directors, officers and employees of the Company to advise the Company, via the Company Secretary, or any securitisation of Company securities. A copy of the policy is available on the Company's web site. As at the date of this statement the Company Secretary has not been advised by an officer or employee of the Company of any securitisation of Company securities that they own.	Complies
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As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

Diversity

The Company and all its related bodies corporate are committed to workplace diversity. The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefitting from all available talent.

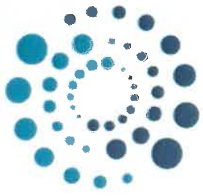
Diversity includes, but is not limited to gender, age, ethnicity and cultural background. The Diversity Policy is available on the Company's website.

As stated earlier, the Company is at a stage of its development that the application of measurable objectives in relation to gender diversity, at the various levels of the Company's business, are not considered to be appropriate nor practical.

The participation of women in the Company and consolidated entity at 31 December 2017 was as follows:

- *Women employees in the consolidated entity* 12%
- *Women in senior management positions* 0%
- *Women on the board* 0%

Further details of the Company's corporate governance policies and practices are available on the Company's website at www.dropsuite.com



Auditor's Independence Declaration

As auditor for the audit of Dropsuite Limited for the period ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- I) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- II) no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Andrew May
Audit Director

29 March 2018
Perth

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2017

		CONSOLIDATED	
		2017	2016
		\$	\$
Income			
Sales revenue	4(a)	2,555,159	1,316,384
Other income	4(a)	6,452	65,555
Total Income		<u>2,561,611</u>	<u>1,381,939</u>
Expenses			
Hosting fees		577,717	337,656
Advertising and marketing expenses		246,809	178,515
Conference and exhibition expenses		78,900	57,896
Professional fees	4(b)	292,398	350,470
Employee and director expenses	4(b)	2,337,784	1,548,223
Listing fee expense	17	-	5,410,753
Depreciation expense		19,479	4,458
Amortisation expense	8	268,367	194,747
Research expenses		-	44,276
Office expenses	4(b)	402,881	152,590
Other expenses	4(b)	513,195	453,681
Total expenses		<u>4,737,530</u>	<u>8,733,265</u>
Loss before income tax			
Income tax expense	14	-	-
Loss for the year		<u>(2,175,919)</u>	<u>(7,351,326)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit and loss</i>			
Exchange differences in translating foreign operations		(3,290)	1,705
Total other comprehensive income		<u>(3,290)</u>	<u>1,705</u>
Total comprehensive loss for the year			
		<u>(2,179,209)</u>	<u>(7,349,621)</u>
Basic Loss per share			
Basic Loss per share	5	(0.53)	(22.85)
Diluted loss per share			
Diluted loss per share	5	(0.53)	(22.85)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2017

	Note	CONSOLIDATED	
		2017	2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	4,962,123	5,338,507
Trade and other receivables	7	471,018	322,407
Other assets		83,118	96,472
Total current assets		5,516,259	5,757,386
NON-CURRENT ASSETS			
Property, plant and equipment		23,557	9,108
Intangible Assets	8	1,351,192	1,142,632
Investments		9,616	9,135
Total non-current assets		1,384,365	1,160,875
Total assets		6,900,624	6,918,261
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	411,180	2,611,823
Deferred income		54,563	45,542
Borrowings	10	-	295,116
Provisions	11	150,000	-
Total current liabilities		615,743	2,952,481
Total liabilities		615,743	2,952,481
Net assets		6,284,881	3,965,780
EQUITY			
Contributed equity	12	21,138,601	16,640,291
Reserves	12	(11,239)	(7,949)
Accumulated losses	13	(14,842,481)	(12,666,562)
Total equity		6,284,881	3,965,780

The above statement of financial position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2017**

2017 CONSOLIDATED	Issued capital	Foreign exchange reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 January 2017	16,640,291	(7,949)	(12,666,562)	3,965,780
Comprehensive income				
Loss for the year	-	-	(2,175,919)	(2,175,919)
Other comprehensive income (loss) for the year	-	(3,290)	-	(3,290)
Total comprehensive loss for the year	-	(3,290)	(2,175,919)	(2,179,209)
Transactions with owners in their capacity as owners:				
Issue of share capital	4,498,310	-	-	4,498,310
Exercise of options	-	-	-	-
Total transactions with owners and other transfers	4,498,310	-	-	4,498,310
Balance at 31 December 2017	21,138,601	(11,239)	(14,842,481)	6,284,881

Consolidated Statement of Changes in Equity

2016 CONSOLIDATED	Issued capital	Share based payment reserve	Foreign exchange reserve	Accumulated Losses	Non- controlling interest	Total
	\$	\$	\$	\$		\$
Balance at 1 January 2016	3,802,239	2,083,051	-	(5,324,890)	119,718	680,118
Comprehensive income						
Loss for the year	-	-	-	(7,351,326)	-	(7,351,326)
Other comprehensive income (loss) for the year	-	-	(7,949)	9,654	-	1,705
Total comprehensive loss for the year	-	-	(7,949)	(7,341,672)	-	(7,349,621)
Transactions with owners in their capacity as owners:					-	
Issue of share capital	10,755,001	-	-	-	-	10,755,001
Derecognition of non-controlling interest on deregistration of subsidiary	-	-	-	-	(119,718)	(119,718)
Conversion of notes	2,057,604	(2,057,604)	-	-	-	-
Exercise of options	25,447	(25,447)	-	-	-	-
Total transactions with owners and other transfers	12,838,052	(2,083,051)	-	-	(119,718)	10,635,283
Balance at 31 December 2016	16,640,291	-	(7,949)	(12,666,562)	-	3,965,780

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2017

	Note	CONSOLIDATED	
		2017	2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales		2,303,913	1,179,971
Payments to suppliers and employees		(6,370,549)	(2,443,390)
Interest paid		(1,840)	(1,558)
Net cash used in operating activities	6	(4,068,476)	(1,264,977)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(34,175)	(9,108)
Cash acquired on acquisition of Dropsuite		-	5,307,265
Loans to related parties		-	-
Payment for development costs		(476,927)	(531,586)
Net cash provided by/(used in) financing activities		(511,102)	4,766,571
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from capital raising		4,498,310	412,735
Proceeds from borrowings		-	1,408,027
Payment of borrowings	10	(295,116)	-
Net cash provided by financing activities		4,203,194	1,820,762
Net increase/(decrease) in cash and cash equivalents held		(376,384)	5,322,356
Cash and cash equivalents at the beginning of the financial year		5,338,507	16,151
Cash and cash equivalents at the end of the financial year	6	4,962,123	5,338,507

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

DROPSUITE LIMITED**Notes to the Financial Statements****NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements and notes represent those of Dropsuite Limited (or “the Company”) and Controlled Entities (“the Consolidated group” or “Group”). Dropsuite Limited is a public listed company, incorporated and domiciled in Australia. These consolidated financial statements were authorised for issue on 29 March 2018.

The separate financial statements of the parent entity, Dropsuite Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The address registered office is Suite 2, 16 Ord Street, West Perth, Western Australia 6005.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Going concern

The financial report has been prepared on the going concern basis, which contemplated the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate, based upon the following:

- Current cash and cash equivalents on hand;
- The ability of the Company to obtain funding through various sources, including debt and equity;
- The ability to further vary cash flow depending upon the achievement of certain milestones within the business plan; and
- The expected receipt of sale proceeds.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards and the financial report has been prepared on a historical cost basis.

The financial report has been presented in Australian Dollars.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material

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accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 2.

(c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries ('Group') as at 31 December each year. 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 and 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-assess 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 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 assets and liabilities, equity income, expenses and cash flows relating to transactions between members of the Consolidated Entity are eliminated in full on consolidation.

DROPSUITE LIMITED**(d) Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non – controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non – controlling interests in the acquiree at fair value or at the proportionate shares of the acquiree identifiable net assets. Acquisition – related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed to be appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at the fair value at the acquisition date. Contingent conditions classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit and loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non – controlling interest) and any previous interest held over the net identifiable assets acquired and liability assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re- assesses whether it has correctly identified all of the assets and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. For the purpose of impairment testing, goodwill acquired in a business is, from the acquisition date, allocated to each of the Group's cash – generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU), and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the proportion of cash – generating units retained.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

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

DROPSUITE LIMITED**(f) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises cash at bank and in hand and short term deposits that are readily convertible to known amounts of cash and which are subject to the insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities of the statement of financial position.

(h) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues or incur expenses) including revenues and expenses relating to the transaction with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start – up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

(i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of

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an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(k) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

DROPSUITE LIMITED**(l) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(m) Property, plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on a straight – line basis over the estimated life of the asset which ranges between 3 and 25 years.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continual use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the items) is included in the statement of comprehensive income in the period the item is derecognised.

(n) Intangible Assets

Intangible assets acquired separately are measured at initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit and loss in the period in which the expenditure is incurred. The useful lives of the intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the

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expected pattern of consumption of economic future benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortised expense of intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash – generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supported. If not, the changes in the useful life from indefinite to finite are made on a prospective basis.

Gains or losses arising from derecognition of an indefinite asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit and loss when the asset is derecognised.

(o) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is completed and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in the statement of profit and loss. During the period of development, the asset is tested for impairment annually.

Amortisation

A summary of the current amortisation rates applied to the Group's intangible assets are as follows

	Development costs
Useful life	Finite (5 years)
Amortisation method	Amortised on a straight – line basis over the period of expected future sales from the related project
Internally generated or acquired	Internally generated

DROPSUITE LIMITED**(p) Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, which are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows. The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which were unpaid. The amounts are unsecured.

DROPSUITE LIMITED**(r) Share based payments**

From time to time, the Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. For options, the fair value is determined by using the Binomial method or Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Earnings per share*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, 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.

DROPSUITE LIMITED*(ii) Diluted earnings per share*

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 share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(v) New Accounting Standards for Application in Future Periods

Adoption of new and revised Accounting Standards

The AASB has issued new standards, amendments and interpretations to existing standards which have been published but are not yet effective, and have not yet been adopted early by the Company. The new standards, amendments and interpretations that may be relevant to the Company's financial statements are provided below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 9 <i>Financial Instruments</i> AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets	1 January 2018
AASB 15 <i>Revenue from Contracts with Customers</i> AASB 15 - establishes a new revenue recognition model - changes the basis for deciding whether revenue is to be recognised over time or at a point in time - provides new and more detailed guidance on specific topics - expands and improves disclosures about revenue	1 January 2018
AASB 16 <i>Leases</i> - Recognition of a right-of-use asset and liability for all leases - Depreciation of right-of-use assets in line with AASB 116 - Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability - Inclusion of additional disclosure requirements	1 January 2019

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The Group has yet to determine the impact, material or otherwise, of the new and revised standards and interpretations issued by the AASB that are relevant to its operations.

(w) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Capitalised development costs

The Groups processes for calculating the amount of internally developed software costs to be capitalised is judgemental and involves estimating the time that employees spend developing the products.

Impairment of capitalised development costs

The Group assesses impairment of capitalised development costs for assets available for use at each reporting date by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. If an impairment trigger exists, the recoverable amount of the assets are determined. For capitalised development costs relating to assets not yet available for use, the recoverable amounts are determined annually. The determination of recoverable amount involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Amortisation of capitalised development costs

The useful life used to amortise capitalised development costs is estimated based on an anticipation of future events which may impact their life. The useful life represents managements view of the expected term over which the Group will receive benefits from the development and is regularly reviewed for appropriateness.

Taxation

Balances and notes related to taxation are based on the best estimates of directors, pending further assessment in the next financial year.

(x) Employee Benefits**Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

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The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position under trade and other payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions. No long term employee benefits accounted for during this year.

Defined contribution superannuation benefits

All employees of the Group other than those who receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of:

- (i) the date when the Group can no longer withdraw the offer for termination benefits;
and
- (ii) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits.

In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected.

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Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

(y) 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.

(z) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

DROPSUITE LIMITED**NOTE 2: PARENT ENTITY INFORMATION**

	2017	2016
	\$	\$
Information relating to Dropsuite Limited (the legal parent entity):		
Current assets	4,543,401	5,090,845
Non-current assets	4,049,749	1,667,802
Total assets	8,593,150	6,758,648
Current liabilities	152,638	1,827,134
Non-Current Liabilities	-	-
Total liabilities	152,638	1,827,134
Issued capital	69,882,609	65,160,178
Accumulated losses	(59,122,177)	(58,132,866)
Reserves	(14,680)	(14,680)
Costs of capital	(2,305,240)	(2,081,119)
Total shareholders' equity	8,440,512	4,931,513
Loss of the parent entity	989,311	1,498,232
Total comprehensive loss of the parent entity	989,311	1,498,232

The parent company has not entered into any guarantees, has no significant contingent liabilities, or contractual commitments for the acquisition of property, plant or equipment as at 31 December 2017.

NOTE 3: SEGMENT REPORTING

Based on the information used for internal reporting purposes by the chief operating decision maker (being the Board), the Group operated in one reportable segment during the year ended 31 December 2017, being the provision of backup services.

The reportable segment financial information is therefore the same as the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income.

DROPSUITE LIMITED**NOTE 4: REVENUE AND EXPENSES****4(a) Revenue from continuing operations**

	CONSOLIDATED	
	2017	2016
	\$	\$
Sales income	2,555,159	1,316,384
Other Income	6,452	65,555
Total Income	2,561,611	1,381,939

4(b) Expenses**(i) Professional fees**

Accounting, audit and taxation expenses	120,542	89,372
Sales consulting expenses (i)	-	114,909
Contractor fees (i)	-	73,118
Legal expenses	95,095	25,334
Other consulting expenses	76,761	47,737
Total professional fees	292,398	350,470

(ii) Employee and director expenses

Wages, salaries and superannuation	1,805,396	1,242,104
Directors	532,388	306,118
Total employee benefits expense	2,337,784	1,548,222

(iii) Office expenses

IT expenses	137,311	68,448
Impairment expense	781	9,676
Office rental expenses	58,854	30,964
Bank fees	9,784	6,788
Office services	153,935	-
Other office expenses	42,216	36,714
Total Office expenses	402,881	152,590

(iv) Other expenses

Transportation and travelling expenses	196,207	97,480
Other operating expenses	301,070	315,281
Insurance expense	15,918	40,922
Total other expenses	513,195	453,683

- (i) Sales consulting and contractor fees have been reclassified to wages, salaries and superannuation in 2017 financial year in line with future reporting.

DROPSUITE LIMITED**NOTE 5: LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the net loss and number of shares used in the basic and diluted loss per share computations:

	CONSOLIDATED	
	2017	2016
	\$	\$
Net loss after income tax benefit attributable to members	(2,175,919)	(7,351,326)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS and diluted EPS (i)	409,619,871	32,170,925
Earnings per share (cents)	(0.53)	(22.85)

Notes

As at 31 December 2017 there were 20,000,000 options on issue. These options have not been included in the above calculation of diluted loss per share as they are anti-dilutive.

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTE 6: CASH AND CASH EQUIVALENTS

- Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED	
	2017	2016
	\$	\$
Cash at bank	4,962,123	5,338,507

Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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- **Reconciliation of loss from ordinary activities after income tax to net cash flows from operating activities**

	CONSOLIDATED	
	2017	2016
	\$	\$
Loss after income tax	(2,175,919)	(7,351,326)
Add back non-cash items		
Impairment expense	247	9,676
Listing expense	-	5,410,753
Amortisation and depreciation expense	287,846	199,205
Non-cash – deregistration of subsidiary	-	(118,014)
Foreign exchange	(3,290)	-
Movements in assets and liabilities relating to operating activities		
(Increase) in trade and other receivables	(148,611)	(262,927)
Decrease in other current assets	13,354	5,741
(Increase) in investments	(481)	-
Increase / (Decrease) in trade and other payables	(2,200,643)	796,373
Increase in deferred income	9,021	45,542
Increase in provisions	150,000	-
Cash out flow used in operating activities	<u>(4,068,476)</u>	<u>(1,264,977)</u>

There were nil non- cash investing or financing activities during the financial year.

DROPSUITE LIMITED**NOTE 7: TRADE AND OTHER RECEIVABLES**

	CONSOLIDATED	
	2017	2016
	\$	\$
Trade and other receivables	471,018	322,407
	<u>471,018</u>	<u>322,407</u>

All receivables are current and not impaired.

NOTE 8: INTANGIBLE ASSETS

	CONSOLIDATED	
	2017	2016
	\$	\$
Capitalised software development costs:		
Cost	1,818,764	1,341,837
Accumulated amortisation	(467,572)	(199,205)
	<u>1,351,192</u>	<u>1,142,632</u>

	Capitalised Development Costs
Year ended 31 December 2016	
Balance at the beginning of the year	810,251
Additions	531,586
Amortisation	(199,205)
Closing value as at 31 December 2016	<u>1,142,632</u>
Year ended 31 December 2017	
Balance at the beginning of the year	1,142,632
Additions	476,927
Amortisation	(268,367)
Closing value as at 31 December 2017	<u>1,351,192</u>

NOTE 9: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2017	2016
	\$	\$
Trade creditors	167,273	1,999,163
Other payables and accruals	243,907	612,660
	<u>411,180</u>	<u>2,611,823</u>

Creditors are unsecured, non-interest bearing and are normally subject to net 30 day terms.

DROPSUITE LIMITED**NOTE 10: BORROWINGS**

	CONSOLIDATED	
	2017	2016
	\$	\$
Loan – related parties (Note 15)	-	157,443
Loan – other entities	-	137,673
	-	295,116

NOTE 11: PROVISIONS

	CONSOLIDATED	
	2017	2016
	\$	\$
Provisions (i)	150,000	-
	150,000	-

- (i) Management of Dropsuite has put in a provision of \$150,000 for the current legal action by Paul Carroll against GCP Capital Pty Ltd & Dropsuite Ltd for any potential legal costs, professional costs or other associated costs that may arise due to this case. GCP Capital Pty Ltd has indemnified Dropsuite Ltd for any liability and cost associated with the dispute.

NOTE 12: CONTRIBUTED EQUITY

	CONSOLIDATED	
	2017	2016
	\$	\$
(a) Issued and fully paid up capital		
Ordinary shares	21,138,601	16,614,844

(b) Movements in ordinary shares on issue

SHARES	Date	Number	\$
Shares on issue 1 January 2016 (i)		15,402,723	3,802,239
Conversion of notes (ii)		2,422,854	2,057,604
Conversion of options (iii)		1,398,653	25,447
Share based payments (iv)		441,347	412,735
Elimination of shares on acquisition (v)		(19,665,577)	-
Existing shares of Dropsuite Ltd on acquisition		103,422,663	-
Acquisition of Dropmysite Pte Ltd		282,600,004	10,342,266
TOTAL SHARES ON ISSUE 31 DECEMBER 2016		386,022,667	16,640,291

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Share on issue 1 January 2017		386,022,667	16,640,291
Performance shares exercised	21/06/2017	14,183,334	-
Shared issued for cash	16/10/2017	73,261,540	4,098,310
Shared issued for cash	17/11/2017	6,779,659	400,000
TOTAL SHARES ON ISSUE 31 DECEMBER 2017		480,247,200	21,138,601

- (i) Of Dropmysite Pte Ltd
- (ii) In April 2016, 2,422,854 convertible notes were converted into ordinary shares at SIN\$0.94 per share under the terms of the note agreements. These convertible notes were held by various investors.
- (iii) During 2016, 1,398,653 options that had been issued between October 2013 and January 2015 were exercised for \$0.001 per share. 274,490 of the options exercised were held by the Managing Director, Charif Elansari. The remaining options were held by senior management of Dropmysite Pte Ltd and its controlled entity.
- (iv) Comprises:
 - 148,936 shares issued to settle loans payable to Hatcher Pte Ltd, who was a significant shareholder of Dropmysite Pty Ltd until 29 December 2016
 - 151,064 shares issued to acquire an additional 14.3% interest in Keygo Pte Ltd. Keygo was subsequently wound up during 2016 (Note 14)
 - 141,347 shares awarded to employees, but not Key Management Personnel, of Dropmysite Pte Ltd.
- (v) Comprises:

Shares on issue post August 2016 15:1 consolidation	23,374,286
Issue of shares under the Public Offer – Dec 2016	53,048,377
Issue of shares under the Conversion Offer – Dec 2016	27,000,000

c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder' meetings. In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

d) Performance shares

Performance Shares on issue at 31 December 2017 are as follows:

Class A Performance shares	1,500,000
Class B Performance shares	1,500,000
Class C Performance shares	1,500,000
Class E Performance shares	14,183,333
Class F Performance shares	14,183,333
	32,866,666

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Class	Performance Shares on issue	Share Milestone Conditions	Expiry date
Class A Performance Shares	1,500,000	"Class A Milestone" means Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$15,000 or more per month for a minimum of three consecutive months.	5 years from the date of issue of the Class A Performance Shares
Class B Performance Shares	1,500,000	"Class B Milestone" means Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$30,000 or more per month for a minimum of three consecutive months.	5 years from the date of issue of the Class B Performance Shares
Class C Performance Shares	1,500,000	"Class C Milestone" means Dropsuite achieving audited gross revenue from AAG signed distributors or sales representatives under the master distribution agreement of \$60,000 or more per month for a minimum of three consecutive months.	5 years from the date of issue of the Class C Performance Shares
Class D Performance Shares (i)	nil	"Class D Milestone" means Dropsuite achieving audited monthly revenues of \$150,000 or more for a minimum of three consecutive months.	5 years from the date of issue of the Class D Performance Shares
Class E Performance Shares	14,183,333	"Class E Milestone" means Dropsuite achieving audited monthly revenues of \$300,000 or more for a minimum of three consecutive months.	5 years from the date of issue of the Class E Performance Shares
Class F Performance Shares	14,183,333	"Class F Milestone" means Dropsuite achieving audited monthly revenues of \$600,000 or more for a minimum of three consecutive months.	5 years from the date of issue of the Class F Performance Shares

(i) Class D performance shares of 14,183,334 vested during 2017.

DROPSUITE LIMITED**e) Share options**

Movement in options	Number	Weighted average exercise price (\$)
Options outstanding as at 1 January 2016	2,084,336	0.001
Forfeited	(685,683)	0.001
Exercised	(1,398,653)	0.001
Existing options of Dropsuite Ltd on acquisition	22,334,167	0.11
OPTIONS OUTSTANDING AT 31 DECEMBER 2016	22,334,167	0.11
Forfeited	(267,500)	0.12
Forfeited	(2,066,667)	0.12
OPTIONS OUTSTANDING AT 31 DECEMBER 2017	20,000,000	0.11

No options were granted by Dropsuite Limited during the year to 31 December 2017.

Unissued ordinary shares of Dropsuite Limited under option at 31 December 2017 are as follows:

Type	Expiry Date	Exercise Price	Number of Options
Advisor options (i)	31/12/2018	\$0.11	20,000,000
Total			20,000,000

- (i) Issued on 20 December 2016 to advisors in lieu of corporate advice and lead manager role in relation to the capital raising under the Prospectus dated 6 September 2016.

(f) Capital Risk Management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares, pay dividends or return capital to shareholders.

The consolidated entity monitors capital with reference to the net debt position. The consolidated entity's current policy is to ensure that cash and cash equivalents exceeds debt at all times.

DROPSUITE LIMITED**g) Reserves**

	Foreign exchange reserves \$
Carrying amount at 1 January 2016	(7,949)
Other comprehensive income	(3,290)
Carrying amount at 31 December 2017	(11,239)

NOTE 13: ACCUMULATED LOSSES

	CONSOLIDATED	
	2017	2016
	\$	\$
Balance at beginning of year	(12,666,562)	(5,324,890)
Net (loss) for the year	(2,175,919)	(7,351,326)
Other comprehensive income / (loss) for the year	-	9,654
Balance at end of financial year	(14,842,481)	(12,666,562)

NOTE 14: INCOME TAX EXPENSE

The prima facie tax on loss before income tax is reconciled to income tax as follows:

	CONSOLIDATED	
	2017	2016
	\$	\$
Loss before tax	(2,175,919)	(7,351,326)
Income tax benefit calculated at 30%	(652,776)	(2,205,398)
<i>Effect of non-deductible/ assessable items in calculating taxable income /loss</i>		
Unrealized foreign currency gains	-	(4,801)
Non-deductible items arising from reverse acquisition	-	1,623,226
Share based payments	-	20,676
Other Non-deductible/non-assessable items	81,123	169,959
Deferred tax balances not recognised	571,653	396,338
Income tax attributable to operation loss	-	-

Estimated unused tax losses have not been recognised as a deferred tax asset as the future.

Recovery of these losses is subject to the Group satisfying the requirements imposed by the relevant regulatory authorities in each of the jurisdictions in which the Group operates. Due to the nature of the

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acquisition in December 2016 it is doubtful as to whether a majority of the tax losses accumulated by entities in the Group will be able to be carried forward for recovery in the future. The benefit of deferred tax assets not brought to account will only be brought to account if:

- (i) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be realised;
- (ii) The Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

NOTE 15: RELATED PARTY DISCLOSURE**Particulars in relation to controlled entities of the legal parent entity, Dropsuite Limited**

Controlled entities	Country of Incorporation	Ownership Interest held by the Group	
		2017 %	2016 %
Dropmysite Pte Ltd	Singapore	100	100
Dropmysite Inc	USA	100	100
Greenbase Corporation Pty Ltd	Australia	100	100

\$100,000 as at 31 December 2016 (2017: Nil) was owing to GCP Capital Pty Ltd. Mr Alex Bajada was a director of this company.

\$57,443 as at 31 December 2016 (2017: Nil) was owing to Charif Elansari, the Managing Director of the Group. The funds were lent to Dropmysite Pte Ltd by Mr Elansari during 2016.

There are no other related party transactions other than those disclosed elsewhere in this financial report.

NOTE 16: DIRECTOR AND EXECUTIVE DISCLOSURES**Aggregate remuneration of key management personnel**

	CONSOLIDATED	
	2017 \$	2016 \$
Salary and fees	639,513	318,051
Superannuation	16,415	-
Share based payments	-	-
Total	655,928	318,051

The above disclosure comprises the key management personnel of Dropmysite Pte Ltd and Dropsuite Ltd for the year ended 31 December 2017 and year ended 31 December 2016.

DROPSUITE LIMITED**Granted and exercisable option holdings of directors and executives**

During the reporting period, no options were granted to a director or executive as remuneration, and no options were exercised by a director or executive from options previously granted as remuneration.

NOTE 17: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's principal financial instruments comprise cash, short-term deposits and receivables.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. The main market risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, and liquidity risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Risk management

The Group's exposure to market risk, credit risk, liquidity risk and foreign currency risk and policies in regard to these risks are outlined below:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and receivables. The maximum exposure to credit risk at the reporting to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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, without incurring unnecessary losses or risking damage to the Group's reputation. The Group's objective is to maintain adequate resources by continuously monitoring forecast and actual cash flows and maturity profiles of assets and liabilities.

DROPSUITE LIMITED**Interest rate risk**

The Group does not have significant borrowings and therefore exposure to interest rate risk is minimal. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash balances with floating interest rates.

The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the reporting date are as follows;

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial Instrument	Fixed Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
(i) Financial assets								
Cash	-	-	-	-	4,962,123	5,338,507	4,962,123	5,338,507
Receivables	-	-	-	-	471,018	322,407	471,018	322,407
Total financial assets	-	-	-	-	5,433,141	5,660,914	5,433,141	5,660,914
Weighted average interest rate	-	-	-	-	-	-	-	-
(ii) Financial liabilities								
Payables	-	-	-	-	561,180	2,611,824	561,180	2,611,824
Total financial liabilities	-	-	-	-	561,180	2,611,824	561,180	2,611,824

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

For the year to 31 December 2017, the effect on profit or loss as a result of changes in the interest rate, with all other variables remaining constant would be not be material.

There is no significant impact of interest rate risk as cash is the only asset with interest rate exposure.

(a) Net fair values

The carrying amount approximates fair value for all financial assets and liabilities.

- Foreign currency risk**

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency.

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The functional currency of Dropmysite Pte Ltd is Singaporean dollars.

The cash balances are in Australian dollars.

NOTE 18: AUDITORS' REMUNERATION

	CONSOLIDATED	
	2017	2016
	\$	\$
Audits or review of the financial report of the entity and any other entity in the consolidated group		
- Greenwich and Co Audit Pty Ltd	35,987	32,000
- Kaiden Group	12,659	12,400
	<u>48,646</u>	<u>44,400</u>

NOTE 19: COMMITMENTS AND CONTINGENCIES

- (i) Operating lease commitments

The Group had no future non-cancellable operating lease liabilities at 31 December 2017 (2016: nil).

The Group had no contingent liabilities as at 31 December 2017.

There is a legal action from a contractor against Dropsuite Ltd and GCP Capital Pty Ltd as mentioned in the prospectus dated 6 September 2016.

GCP Capital Pty Ltd has indemnified Dropsuite Ltd for any liability and cost associated with the dispute.

NOTE 20: EVENTS AFTER THE REPORTING DATE

There has been no matters or circumstance that has arisen since 31 December 2017 which has significantly affected, or may significantly effect, the operations of Dropsuite Ltd and its controlled entities, the results of the operations or the state of affairs of Dropsuite Ltd and its controlled entities in the subsequent financial year.

DROPSUITE LIMITED**Directors' Declaration**

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (c) Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Theo Hnarakis
Director
29 March 2018

Independent Audit Report to the members of Dropsuite Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dropsuite Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 statements, 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 31 December 2017 and of its financial performance for the year ended; 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 auditor independence requirements of 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.

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

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

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. We have determined the matters described below to be a key audit matters to be communicated in our report.

Capitalised software development costs

Refer to Note 8, Intangible Assets and accounting policy Notes 1(o) and 1(w)

Key Audit Matter	How our audit addressed the matter
The Group capitalises costs for internally developed software and then amortises the software over its estimated useful life. This is a key audit matter due to the significance of the asset balance to the Group's consolidated statement of financial position and due to judgement involved in: • The decision to capitalise or expense costs • The Group's process for calculating the amount of internally developed software costs, including estimating the amount of time staff spent developing software; and • The Group's assessment of the economic useful life of the Software	Our audit work included, but was not restricted to, the following: • Assessing the nature of projects deemed by management to be capital in nature and evaluating these against the requirements of AASB 138 <i>Intangible Assets</i>; • Matching payroll information to the amounts capitalised by management; • Reviewing job descriptions for staff that had time capitalised to assess whether they were appropriately included in the cost of internally developed software; • Reviewing and challenging management's assumptions and analysing their assessment as to whether impairment indicators exist in relation to the capitalised software costs; and • Assessing the amortisation period established and comparing to revenue forecast prepared by management and benchmarking against similar companies in the industry

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the annual report, (but does not include the financial report and our auditor's report thereon).

Our opinion on the financial report does not cover the other information and accordingly 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 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 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.

Responsibilities of 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 Group's ability 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 have 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the period ended 31 December 2017. The directors of the Dropsuite Limited 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 in accordance with Australian Auditing Standards

Opinion

In our opinion, the Remuneration Report of Dropsuite Limited for the period ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd



Andrew May
Audit Director

29 March 2018

DROPSUITE LIMITED**Additional Shareholders Information**

Additional information required by the Australian Stock Exchange (ASX) listing rules are set out below.

1. Equity Security Holders - Current as at 15 March 2018

The names of the twenty largest holders of quoted equity securities are listed below.

Ordinary Shares

Ranking	Name	Shares Held	% of total shares
1	JOHN ANTHONY FEARON	37,415,184	7.79%
2	QUEK SEOW KEE	24,568,260	5.12%
3	CHARIF EL ANSARI	24,216,316	5.04%
4	AAG MANAGEMENT PTY LTD	19,538,001	4.07%
5	BNP PARIBAS NOMS PTY LTD <DRP>	18,230,019	3.80%
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD	15,937,143	3.32
7	RIDLEY MCLEAN RUTH JR	14,894,468	3.10%
8	JASMEET KAUR	12,500,000	2.60%
9	AUSTRALCO SUPER INVESTMENTS PTY LTD <HNARAKIS FAMILY S/F A/C>	11,085,645	2.31%
10	GALIA HOLDINGS INC	10,867,594	2.26%
11	HATCHER PTE LTD	10,363,022	2.16%
12	PHILLIP CARLTON	9,780,000	2.04%
13	CONTENT AND SYSTEMS PTE LTD	9,774,821	2.04%
14	RONALD THOMAS HART JR	9,594,667	2.00%
15	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,492,317	1.77%
16	MOHAMAD EL ANSARI	7,858,135	1.64%
17	KEHPITAL PRIVATE LTD	6,504,233	1.35%
18	CRYSTAL HORSE INVESTMENTS PTE LTD	5,811,462	1.21%
19	VINCENZO CIUMMO	5,433,797	1.13%
20	MRS TRACEY LEE CUNNINGHAM <THE AVEBURY FAMILY A/C>	5,000,000	1.04%
Total		267,865,084	55.78%

Listed Options Exercise price @ \$0.11, expiry date 31/12/18

Ranking	Name	Shares Held	% of total options
1	MR MARK TRENT	3,300,000	16.5
2	MR NICHOLAS KAPES	3,000,000	15.0
3	TEMOREX PTY LTD	2,000,000	10
4	I LIM	1,500,000	7.5
5	HALLCREST INVESTMENTS PTY LTD	1,200,000	6.0
6	ALL POWER PTY LTD	1,200,000	6.0
7	GRAZIAN PTY LTD	1,000,000	5.0
8	AUSTRALCO SUPER INVESTMENTS	900,000	4.5
9	REBECCA KELLY	600,000	3.0

DROPSUITE LIMITED

10	BRANDON RICHARD PARTINGTON	486,000	2.4
11	JOSEPH ANDARY	471,000	2.4
12	G E EQUITY INVESTMENTS	450,000	2.3
13	J H FUNKY INVESTMENTS PTY LTD	440,000	2.2
14	GAMMA INVESTMENTS PTY LTD	330,000	1.7
15	RED LEAF SECURITIES PTY LTD	325,000	1.6
16	SEALBLUE INVESTMENTS PTY LTD	300,000	1.5
17	RADWAN AL HARIRI	272,000	1.4
18	JOHN ATHANASIOU	245,000	1.2
19	MR AGOSTINO TARULLI	225,000	1.1
20	SANDGROPER PTY LTD	225,000	1.1
		18,469,000	92.4

2. Substantial Shareholders (Current as at 15 March 2018)

Substantial holders of equity securities in the Company are set out below.

Name	Shares held	% of total shares
JOHN ANTHONY FEARON	37,415,184	7.79%
QUEK SEOW KEE	24,568,260	5.12%
CHARIF EL ANSARI	24,216,316	5.04%
AAG MANAGEMENT PTY LTD	19,538,001	4.07%

Distribution of Equity Securities (Current as at 15 March 2018)

Analysis of numbers of equity security holders by size of holdings:

Class of Security – **Ordinary Shares**

Holding Range	Number of shareholders	Number of shares
1 - 1,000	202	52,051
1,001 - 5,000	40	78,698
5,001 - 10,000	42	358,130
10,001 – 100,000	354	13,691,584
100,001 and over	304	466,066,737
	942	480,247,200

Class of Security – **Listed Options Exercise price @ \$0.11, expiry date 31/12/18**

Holding Range	Number of option -holders	Number of option
1 - 1,000	0	0
1,001 - 5,000	2,000	1
5,001 - 10,000	10,000	1
10,001 – 100,000	186,000	4
100,001 and over	19,802,000	28
	20,000,000	34

Enquiries

Shareholders with any enquiries about any aspect of their shareholding should contact the Consolidated Entity's share register as follows:

DROPSUITE LIMITED

Automic Pty Ltd

Tel: +61 2 9698 5414

Web: www.automic.com.au

Electronic Announcements and Report;

Shareholders who wish to receive announcements made to the ASX, as well as electronic copies of the Annual Report and Half Yearly Report, are invited to provide their e mail address to the Company. This can be done in writing to the Company Secretary.

Removal from the Printed Annual Report mailing list

Shareholders who do not wish to receive the Annual report should advise the Share Registry in writing to remove their names from the mailing list. Those shareholders will continue to receive all shareholder information.

Change of name / address

Shareholders who are Issue Sponsored should advise the Share registry promptly of any changes of name and / or address so that correspondence with them does not go astray. All such changes must be advised in writing and cannot be accepted via telephone. Forms can be found on the share Registry website or obtained by contacting the Share registry.

Shareholders who are in CHESS and Brokered Sponsored should instruct their sponsoring brokers in writing to notify the Share Registry of any changes of name and / or address.

In the case of a name change, the written advice must be supported by documentary evidence.

Consolidation of Shareholdings

Shareholders who wish to consolidate their separate shareholdings into one account should write to the Share Registry or their sponsoring broker, whichever is applicable.

Stock Exchange Listing

The Consolidated Entity's shares are listed on the ASX. Details of share transactions and prices published in the financial papers of the daily capital city newspapers under the code DSE.

Registered Office

The registered office of the Consolidated Entity is: Dropsuite Limited
Suite 2, 16 Ord Street
West Perth WA 6005

Telephone:	+61 8 9429 2900
Fax :	+61 8 9486 1011
Website :	www.dropsuite.com
Company Secretary:	Zoran Grujic