APPENDIX 4D

Half-Year Report for the period ended 30 June 2018

Results for announcement to the Market

Financial Performance:

SPOOKFISH LIMITED (ASX: SFI) - Consolidated			
(AUD)	**Half-year ended 30 June 2018 $**	**Half-year ended 30 June 2017 $**	**Movement %**
Revenue	4,079,774	4,125,069	-1.1%
(Loss) before tax attributable to members	(4,524,030)	(5,921,412)	-23.6%
(Loss) after tax attributable to members	(4,524,030)	(5,921,412)	-23.6%

Review of Operations

Refer to Directors' Report included in the attached half-year financial report.

Dividends

No dividends were paid or declared for payment during the half-year period under review.

Earnings Per Share

	Half-year ended 30 June 2018		Half-year ended 30 June 2017
Loss per share (Basic & Diluted)	(0.40) cents		(0.67) cents

Net Tangible Asset Backing

	Half-year ended 30 June 2018		Half-year ended 30 June 2017
Net tangible asset backing	0.46 cents		1.20 cents

Entities Acquired and Disposed During the Period

None.

Compliance Statement

The report is based on financial statements reviewed by the auditor, a copy of which is attached.

Signed in accordance with a resolution of directors.
On behalf of the Directors:

Jason Marinko
Chairman
Signed at Perth this 30th day of August 2018

SPOOKFISH LIMITED

AND CONTROLLED ENTITIES

ABN 24 123 511 017

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2018

Contents

Corporate Information

Directors
Jason Marinko (Chairman)
Shannon Robinson (Non-Executive Director)
Simon Cope (Executive Director)
Martin Ripple (Non-Executive Director)

Company Secretaries
Shannon Robinson
Ian Magee

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***ASX Code**: SFI*

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172 St George's Terrace
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WA 6000

Directors' Report

Your directors present their report, together with the interim financial statements, on the consolidated entity of Spookfish Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

Directors

The following persons held the office of director of Spookfish Limited during the half-year and up to the date of this report:

Mr Jason Marinko (Chairman)
Ms Shannon Robinson (Non-Executive Director)
Mr Simon Cope (Executive Director)
Mr Martin Ripple (Non-Executive Director)

Principal Activities

The principal activities of the Group during the period were the development and commercialisation of premium geospatial imagery products and services.

Review of Operations for the Half Year ended 30 June 2018

Capture & Production

In 2018 the Company scaled up its national data capture program across Australia. During the Half Year captures of Adelaide, Melbourne, Perth and Canberra were completed and captures of Sydney and Brisbane were commenced, and subsequently Sydney has now been completed. In addition, Spookfish has made solid progress on its regional capture program with large areas covered in non-metropolitan regions across WA, Victoria, SA and NSW.

An additional Aztec aircraft was acquired during the period and has been fitted with a Spookfish capture system and commissioned and has added to the capture capacity in the current quarter.

Importantly, the Company also significantly streamlined its post-capture processing and systems resulting in a large reduction in time from capture to publication.

Australian Sales

During the period, Spookfish expanded and trained its national sales team and restructured under a new National Sales Manager position. Recruiting continues for further sales staff as its capture area and product offering increases.

Data sales have grown steadily over the period and a number of significant contracts have been won, as follows:

- A contract to deliver aerial imagery over Sydney and surrounding areas for NSW Government Spatial Services, part of the NSW Department of Finance, Services and Innovation;
- Qualification for the Landgate Capture WA Panel, with an opportunity pipeline already underway;
- A national contract with leading navigation and map-making technology company, TomTom Global Content B.V.;
- A major State government department with Main Roads Western Australia; and
- A value-added reseller agreement with Urbis Pro.

Spookfish has also recently won further contracts with city councils, including regional centres, and a range of medium to large civil engineering and development firms. Additionally, direct sales and Value-Added Reseller (VAR) agreements have been signed with organisations who have domain expertise with Artificial Intelligence (AI) products that rely on big data from aerial imagery.

Directors' Report

EagleView

During the first quarter of 2018, the Company's North American partner EagleView Technologies Inc. ('EagleView') placed its second large-scale block order to accelerate the rollout of Spookfish technology in North America. The purchase order is well advanced with several systems now delivered, and it further reinforces EagleView's commitment to Spookfish technology and will strengthen Spookfish's US revenue stream as more of the Company's camera systems become operational during 2018 in time to accelerate the upcoming capture program in North America.

Technology

During the period the Civil Aviation Safety Authority (CASA) in Australia and the Federal Aviation Authority (FAA) in the U.S. approved the final stage of the Supplemental Type Certificate (STC) programme for the Spookfish camera system. This allows the large-scale manufacture and deployment of the complete camera system, streamlines the installation of the camera system onto aircraft in both counties and simplifies the production and supply of spare parts over the life of the system across the entire fleet. It also simplifies the approval process in other countries which have bilateral arrangements with regard to FAA certification.

Upgrades to Spookfish's sensor and lens technology during the period delivered increased capture productivity and image quality and updated control systems also delivered enhanced productivity.

In addition, Spookfish continues to develop its machine learning and AI learning capabilities to open new market opportunities. The Company is working with third parties to leverage its data to progress its AI strategy.

Financial

The loss of the Group after income tax for the half-year was $4,524,030 (2017: $5,921,412).

Subsequent Events

On 26 July 2018, Spookfish announced that it had entered into a Scheme Implementation Agreement with EagleView, under which EagleView has agreed to acquire all of the remaining issued ordinary shares in Spookfish that it does not already own for a cash price of A$0.08 per share, by way of a scheme of arrangement ("Scheme").

The implementation of the Scheme is subject to a number of customary regulatory and other conditions. Further details of the Scheme will be in the Scheme Booklet (which will include an Independent Expert's Report) that will be released to the ASX and despatched to Spookfish shareholders after it is approved at the first Court date and registered by ASIC.

The Directors of Spookfish unanimously recommend that Spookfish shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding the Scheme is in the best interests of Spookfish's shareholders.

Subsequent to the end of the period, the Company has issued the following securities:

- 5,000,000 unlisted options over ordinary shares exercisable at $0.055 within 5 years as consideration for a consulting mandate with Kaizen Capital Limited;
- 20,000,000 unlisted options over ordinary shares exercisable at $0.10 within 4 years under the terms of an employment agreement with Mr. Jason Waller (Chief Executive Offer);
- 324,908 ordinary shares on the exercise of vested performance rights; and
- 4,580,000 ordinary shares on the exercise of unlisted options.

Directors' Report

Other than the above, there are no other matters or circumstances which have arisen since 30 June 2018 to the date of this report which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Jason Marinko
Chairman

Perth, Western Australia, 30th August 2018

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Spookfish Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2018

		Consolidated	
		Half Year	Half Year
		30 June 2018	30 June 2017
		$	$
REVENUES			
Development & production of capture systems		1,194,029	3,910,631
Data sales		154,135	1,694
Interest revenue		33,562	59,642
Research & development incentive rebate		2,698,048	-
Other revenue		-	153,102
		4,079,774	4,125,069
COSTS OF SALES			
Development & production of capture systems		(1,194,161)	(3,910,631)
Net Income		**2,885,613**	**214,438**
EXPENSES			
Employee benefit expenses		(3,319,477)	(2,173,436)
Share based payments expense	7	(372,916)	(1,128,596)
Depreciation & amortisation expense		(1,530,718)	(432,804)
Technology development & operating expenses		(1,534,122)	(1,911,434)
Advertising & marketing expenses		(128,233)	(140,370)
Travel expenses		(188,641)	(64,321)
Occupancy expenses		(136,828)	(118,220)
Corporate & other expenses		(198,708)	(166,669)
Total Expenses		**(7,409,643)**	**(6,135,850)**
(Loss) before income taxes		**(4,524,030)**	**(5,912,412)**
Income tax expense		-	-
(Loss) for the period		**(4,524,030)**	**(5,912,412)**
Other comprehensive income		-	-
Total comprehensive (loss) for the period		**(4,524,030)**	**(5,912,412)**
Basic and diluted loss per share (cents)		**(0.40)**	**(0.67)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2018

		Consolidated	
		30 June 2018	**31 December 2017**
		$	**$**
ASSETS			
Current Assets			
Cash and cash equivalents		5,251,418	5,881,142
Trade and other receivables		2,167,505	1,658,742
Work in progress – capture systems	5	13,663,878	-
Total Current Assets		**21,082,801**	**7,539,884**
Non-Current Assets			
Plant and equipment		3,860,096	2,927,866
Intangible assets		5,776,840	6,496,840
Other assets		604,132	554,132
Total Non-Current Assets		**10,241,068**	**9,978,838**
TOTAL ASSETS		**31,323,869**	**17,518,722**
LIABILITIES			
Current Liabilities			
Trade and other payables		2,552,454	2,457,608
Deferred revenue	6	16,781,342	124,893
Provisions		480,368	316,327
Total Current Liabilities		**19,814,164**	**2,898,828**
TOTAL LIABILITIES		**19,814,164**	**2,898,828**
NET ASSETS		**11,509,705**	**14,619,894**
EQUITY			
Issued capital	8	53,415,985	53,415,985
Reserves		6,143,811	5,733,789
Accumulated losses		(48,050,091)	(44,529,880)
TOTAL EQUITY		**11,509,705**	**14,619,894**

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

Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2018

Consolidated	Note	**Issued Capital**	**Accumulated Losses**	**Share Based Payments Reserve**	**Other Equity**	**Total**
		$	**$**	**$**	**$**	**$**
Balance at 1 January 2017		**37,514,242**	**(33,698,004)**	**4,687,772**	**385,888**	**8,889,898**
Total comprehensive (loss)						
(Loss) for the half-year		-	(5,921,412)	-	-	(5,921,412)
Other comprehensive income		-	-	-	-	-
Total comprehensive (loss) for the half-year		**-**	**(5,921,412)**	**-**	**-**	**(5,921,412)**
Transactions with owners, recorded directly in equity						
Shares issued on exercise of options		398,464	-	-	-	398,464
Securities issued during period		8,870,406	-	-	-	8,870,406
Conversion of convertible notes		6,388,623	-	-	(385,888)	6,002,735
Share based payments		-	-	1,128,596	-	1,128,596
Balance at 30 June 2017		**53,171,735**	**(39,619,416)**	**5,816,368**	**-**	**19,368,687**
Balance at 1 January 2018		**53,415,985**	**(44,529,880)**	**5,733,789**	**-**	**14,619,894**
Impact of change in accounting policy	4	-	1,003,819	-	-	1,003,819
Restated balance at 1 January 2018		**53,415,985**	**(43,526,061)**	**5,733,789**	**-**	**15,623,713**
Total comprehensive (loss)						
(Loss) for the half-year		-	(4,524,030)	-	-	(4,524,030)
Other comprehensive income		-	-	-	-	-
Total comprehensive (loss) for the half-year		**-**	**(4,524,030)**	**-**	**-**	**(4,524,030)**
Transactions with owners, recorded directly in equity:						
Share based payments		-	-	410,022	-	410,022
Balance at 30 June 2018		**53,415,985**	**(48,050,091)**	**6,143,811**	**-**	**11,509,705**

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

Consolidated Statement of Cash Flows
For the half-year ended 30 June 2018

	Consolidated	
	Half Year 30 June 2018 $	**Half Year 30 June 2017 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	11,091,166	3,148,454
Interest received	33,562	62,883
Grant funds received	2,698,048	55,580
Payments to suppliers and employees	(12,902,225)	(7,141,089)
Net cash provided by/(used in) operating activities	**920,551**	**(3,874,172)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(1,500,275)	(1,150,543)
Payment for security deposit	(50,000)	(54,132)
Net cash used in investing activities	**(1,550,275)**	**(1,204,675)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares (net)	-	8,870,406
Proceeds from exercise of options	-	579,214
Net cash provided by financing activities	**-**	**9,449,620**
Net (decrease)/increase in cash held	**(629,724)**	**4,370,773**
Cash and cash equivalents at the beginning of the half-year	5,881,142	6,788,249
Cash and cash equivalents at end of half-year	**5,251,418**	**11,159,022**

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

Notes to the Financial Statements

For the half-year ended 30 June 2018

Note 1 – Reporting Entity

Spookfish Limited is a company domiciled in Australia. These interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2018, comprise the Company and its controlled entities (together referred to as the 'Group').

Note 2 – Basis of Preparation

Statement of Compliance

These interim financial statements are general purpose financial statements prepared in accordance with requirements of Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These interim financial statements do not include full disclosures of the type normally included in an annual report. It is recommended that these interim financial statements be read in conjunction with the annual financial report for the year ended 31 December 2017 and any public announcements made by Spookfish Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These interim financial statements were authorised for issue on 30th August 2018.

Accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New or amended Accounting Standards and Interpretations adopted

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

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

Notes to the Financial Statements

For the half-year ended 30 June 2018

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

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

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

The impact on the financial performance and position of the Group from the adoption of these Accounting Standards is detailed in note 4.

Notes to the Financial Statements

For the half-year ended 30 June 2018

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally when the goods are deployed into a commercial data capture operation.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or on an hourly rate.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Notes to the Financial Statements

For the half-year ended 30 June 2018

Contract assets
Contract assets are recognised when the Group has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

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

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

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

Right of return assets
Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be 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 a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Notes to the Financial Statements

For the half-year ended 30 June 2018

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Contract liabilities
Contract liabilities are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Group has transferred the goods or services to the customer. The liability is the Group's obligation to transfer goods or services to a customer from which it has received consideration.

Refund liabilities
Refund liabilities are recognised where the Group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Group does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

Intangible assets

Intellectual property rights - Geospatial imagery capture & processing technology

Intellectual property rights are recognised at cost of acquisition less accumulated amortisation and any impairment losses. Intellectual property rights are amortised over 4.5 years on straight line basis.

Note 3 – Segment Information

During the period the business of the Group consisted of one operating segment, namely the commercialisation of premium geospatial imagery products and services, and in one geographical segment, being Australia.

Notes to the Financial Statements

For the half-year ended 30 June 2018

Note 4 – Changes in Accounting Policies

Adoption of *AASB 15 Revenue from Contracts with Customers* with effect from 1 January 2018 has resulted in the following changes to accounting policies, and the impacts of adoption of AASB 15 are reflected below.

a) Changes to Accounting Policies

(i) Manufacture of Capture Systems

The Group manufactures batches of its proprietary design of spatial data capture systems for use by partner company EagleView Technologies Inc. ('EVT') in North America. The Group retains title to the data systems and EVT pays royalties to the Group when they are used for commercial data capture. EVT also pays pre-agreed amounts at certain milestones during the manufacture of each order, approximately equivalent to their cost of production.

Under AASB 118 the manufacture of capture systems was accounted for on a contract accounting basis. Sales and corresponding costs of sale were recognised as costs of manufacture were incurred.

Under AASB 15, a review of contract terms and conditions has determined that the Group's performance obligations are not considered to be fully discharged until systems are able to generate revenue for EVT from sales of spatial data. Accordingly, revenue and corresponding costs of sale for amounts received and paid for manufacture are now not recognised until systems have been successfully deployed by EVT into commercial data capture.

(ii) Share Based Payment Costs – EVT Options

Under the terms of agreements between the Group and EVT in May 2016, EVT were granted two tranches of options over ordinary shares in Spookfish Limited. Vesting of EVT's options is dependent on certain hurdles being met in terms of the amount of royalty income paid to the Spookfish Group during a twelve-month period.

Previously the fair value of these options was being expensed as a share-based payment over the vesting period.

Under AASB 15, it has been determined that the cost of these options effectively represents a sales rebate to be expensed pro rata against royalty revenues from EVT.

b) Impact of Adoption

In accordance with the transition rules of AASB 15, the Group has adopted the modified retrospective approach by showing the impact of changes as adjustments against opening accumulated losses at 1 January 2018 and not restating the balances from prior periods.

Notes to the Financial Statements

For the half-year ended 30 June 2018

Note 4 – Changes in Accounting Policies (Continued)

The impact of adoption on the statement of financial position and the adjustments against opening accumulated losses are as follows:

	Brought Forward 1 January 2018 (AASB 118) $	Adjustments $	Restated 1 January 2018 (AASB 15) $
Statement of Financial Position			
Trade & Other Receivables (Current):			
- Progress claims receivable - Note (i)	1,284,176	(1,175,328)	108,848
- Prepaid revenue rebate - Note (ii)	-	1,003,819	1,003,819
Contract Work in Progress - Note (i)	-	7,529,114	7,529,114
Trade & Other Payables (Current);			
- Deferred revenues – Note (i)	(1,175,328)	(6,353,786)	(7,529,114)
	108,848	**1,003,819**	**1,112,667**

ACCUMULATED LOSSES at 1 January 2018			
Brought forward balance		44,529,880	
Restatement of deferred contract revenues	(i)	7,529,114	
Restatement of contract work in progress	(i)	(7,529,114)	
Restatement of deferred share-based payment costs	(ii)	(1,003,819)	
Restated opening balance at 1 January 2018		**43,526,061**	**43,526,061**

(i) Manufacture of Capture Systems

The change in accounting policy required by AASB 15 on the adoption of this standard from 1 January 2018 has resulted in the adjustments shown above to Trade & Other Receivables, Contract Work in Progress, Trade & Other Payables and Accumulated Losses as at that date. AASB 15 has changed the revenue recognition from 1 January 2018 in relation to the partially completed order to manufacture capture systems, none of which had been deployed into commercial capture as at that date. The revenue recognition policy for the year ended 31 December 2017 and prior years is not affected by the adoption of AASB 15. As a result, the audited statement of profit or loss and other comprehensive income for the year ended 31 December 2017 as reported in the annual report is not required to be restated and no adjustments have been made to the comparative information presented in this financial report.

(ii) Share Based Payment Costs – EVT Options

At 1 January 2018, previously expensed share-based payment costs on EVT options were restated as a current asset, being a deferred sales rebate expense to be offset against royalty revenues as and when they accrue.

Notes to the Financial Statements

For the half-year ended 30 June 2018

Note 5 – Work in progress – capture systems

	Consolidated	
	30 Jun 2018 $	**31 Dec 2017 $**
EagleView – Block 0/1	8,798,071	-
EagleView – Block 2/3	4,865,807	-
Total	**13,663,878**	**-**

Note 6 – Deferred revenue

	Consolidated	
	30 Jun 2018 $	**31 Dec 2017 $**
Deferred revenue – Australian data subscriptions	643,280	124,893
Deferred revenue – Block 0/1	8,821,071	-
Deferred revenue – Block 2/3	7,316,991	-
Total	**16,781,342**	**124,893**

Note 7 – Share Based Payments

During the period the company awarded 7,714,504 performance rights to acquire fully paid ordinary shares at $Nil to employees in respect of their employment during 2017. The rights vest subject to continued employment in three tranches on 1 July 2018, 1 January 2019 and 1 January 2020. Each tranche is valued based on the face value of the rights on issue and on estimated probability of vesting. There were no other new share-based payment transactions during the period. During the period the company also cancelled 94,119 performance rights, which were forfeited before vesting conditions had been met.

During the period share based payment transactions were amortised as follows:

	Consolidated	
	Half Year 30 Jun 2018 $	**Half Year 30 Jun 2017 $**
Share based payment expense		
Options – EagleView Technologies Inc.	-	799,788
Options - Directors & Senior Executive	165,477	47,579
Performance rights - Employees	207,439	281,229
	372,916	1,128,596
Current assets - deferred royalty rebate		
Options – EagleView Technologies Inc.	37,106	-
	37,106	-
Total	**410,022**	**1,128,596**

Notes to the Financial Statements

For the half-year ended 30 June 2018

Note 7 – Share Based Payments (continued)

	FY 18 Tranche 1	FY 18 Tranche 2	FY 18 Tranche 3
Number of rights	2,571,512	2,571,503	2,571,491
Exercised to 30 June 2018	-	-	-
Outstanding	2,572,512	2,572,512	2,572,512
Exercise price	$Nil	$Nil	$Nil
Underlying price at grant	$0.05	$0.05	$0.05
Vesting date	1 July 2018	1 Jan 2019	1 Jan 2020
Total value	$128,576	$128,575	$128,575
Expensed to 30 June 2018	$122,985	$13,665	$4,945
Unexpensed balance	$5,591	$114,910	$123,630

Note 8 – Issued Capital

	Consolidated 30 Jun 2018 $	Consolidated 31 Dec 2017 $
Ordinary shares - fully paid	**53,415,985**	**53,415,985**

Movements in issued and fully paid shares	**Number of shares**	**$**
Opening balance at 1 January 2018	1,075,446,204	53,415,985
Milestone 1 shares issued to vendors and advisers under the terms of acquisition agreement of the Spookfish business in 2015	171,200,000	-
Shares issued on exercise of performance rights	3,464,319	-
Closing balance at 30 June 2018	**1,250,110,523**	**53,415,985**

Note 9 – Dividends

No dividend has been declared or paid during the half-year ended 30 June 2018 (2017: Nil).

Notes to the Financial Statements

For the half-year ended 30 June 2018

Note 10 – Options

During the half-year to 30 June 2018, no fully paid ordinary shares (2017: 10,719,286) were issued as a result of the exercise of options. No other options were issued or exercised during the period.

Note 11 – Contingent Liabilities

Under the terms of the Development, License and Royalty Agreement with EagleView Technologies Inc. (‘EVT’), the Group supplies spatial imagery capture systems to EVT and EVT pays the Group amounts equal to the cost of those systems, in progress instalments. If for any reason the Group elects not to renew this agreement on the due date, EVT may elect to return capture systems in use. In this event, EVT are entitled to a refund equal to their book value, based on a straight-line, five-year depreciation schedule. At the reporting date, the gross value of systems manufactured or in progress, for which payments have been received, is $18,343,331 (31 December 2017: $9,705,222). After depreciation the notional contingent liability at reporting date would be $16,983,416 (31 December 2017: $9,451,343).

There were no other changes to contingent liabilities since 31 December 2017.

Note 12 – Commitments

There has been no material change in commitments since the last annual reporting date

Note 13 – Events Subsequent to Reporting Date

On 26 July 2018, Spookfish announced that it had entered into a Scheme Implementation Agreement with EagleView, under which EagleView has agreed to acquire all of the remaining issued ordinary shares in Spookfish that it does not already own for a cash price of A$0.08 per share, by way of a scheme of arrangement (“Scheme”).

The implementation of the Scheme is subject to a number of customary regulatory and other conditions. Further details of the Scheme will be in the Scheme Booklet (which will include an Independent Expert's Report) that will be released to the ASX and despatched to Spookfish shareholders after it is approved at the first Court date and registered by ASIC.

The Directors of Spookfish unanimously recommend that Spookfish shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding the Scheme is in the best interests of Spookfish’s shareholders.

Subsequent to the end of the period, the Company has issued the following securities:

- 5,000,000 unlisted options over ordinary shares exercisable at $0.055 within 5 years as consideration for a consulting mandate with Kaizen Capital Limited;
- 20,000,000 unlisted options over ordinary shares exercisable at $0.10 within 4 years under the terms of an employment agreement with Mr. Jason Waller (Chief Executive Offer);
- 324,908 ordinary shares on the exercise of vested performance rights; and
- 4,580,000 ordinary shares on the exercise of unlisted options.

Notes to the Financial Statements

For the half-year ended 30 June 2018

Other than the above, there are no other matters or circumstances which have arisen since 30 June 2018 to the date of this report which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Directors' Declaration

In the opinion of the directors of Spookfish Limited ('the company'):

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001*, including:

    (a) Complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

    (b) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Jason Marinko
Chairman

Dated this 30th August 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
SPOOKFISH LIMITED

We have reviewed the accompanying half-year financial report of Spookfish Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Spookfish Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Spookfish Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Spookfish Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2018