

Appendix 4E
Preliminary Final Report
for the year ended 30 June 2018

Name of entity

Serpentine Technologies Limited

ACN	Reporting Period	Previous Corresponding Period
158 307 549	30 June 2018	30 June 2017

(1) Results for Announcement to the Market

Financial Results				\$A
Revenues from ordinary activities (<i>item 2.1</i>)	Down	77%	to	1,265
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	469%	to	(4,966,803)
Net (loss) for the period attributable to members (<i>item 2.3</i>)	Down	83%	to	(880,332)
Final and interim dividends (<i>item 2.4</i>)	It is not proposed that either a final or interim dividend be paid.			
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	N/A			

Brief explanation of any of the figures reported above (*item 2.6*):

Revenue comparable to prior period attributable to Design Campus business which is a database of professional designers and an online education platform.

Loss from ordinary activities decreased due to efforts by management to reduce operating expenditure to conserve cash. The majority of cost reduction was expenditure on advertising & promotion, consulting services and general administration costs.

	Current Period	Previous Corresponding Period
Net tangible assets/(liabilities) per ordinary share	0.06 cents	0.13 cents

Details of entities over which control has been gained or lost

- Kabuni Technologies (India) Private Limited	Lost Control	18 October 2017
- Kabuni Technologies Inc.	Lost Control	18 October 2017

Contributions of entities to the reporting entity's profit / (loss) before income tax (\$6,948)

Details of dividends or distribution payments

- **No dividends or distributions are payable.**

Details of dividend or distribution reinvestment plans

- **There is no dividend reinvestment program in operation for Serpentine Technologies Limited**

Details of associates and joint venture entities

- **N/A**

Foreign entities to disclose which accounting standards are used in compiling the report

- **International Accounting Standards**

Details of any audit dispute or qualification

- **Unqualified draft**

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the accounts upon which the report is based use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4. This report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|--|
| ☐ | The accounts have been audited. | ☐ | The accounts have been subject to review. |
| ☒ | The accounts are in the process of being audited or subject to review. | ☐ | The accounts have <i>not</i> yet been audited or reviewed. |

Sign here:



Dated: 31 August 2018

(Company Secretary)

Name:

Brett Tucker



SERPENTINE TECHNOLOGIES LIMITED

AND CONTROLLED ENTITIES

ABN 28 158 307 549

PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED
30 JUNE 2018

Serpentine Technologies Limited

Preliminary Financial Report

CONTENTS	PAGE
Corporate Directory	1
Directors' Report	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Consolidated Statement of Financial Position	17
Consolidated Statement of Changes in Equity	18
Consolidated Statement of Cash Flows	19
Notes to the Consolidated Financial Statements	20

CORPORATE DIRECTORY

Directors

Mr. Stuart Carmichael – Non-Executive Chairman
Mr. Colm O'Brien – Non-Executive Director
Mr. Michael Edwards – Non-Executive Director
(appointed 3 November 2017)
Mr. Ajai Sehgal – Non-Executive Director (resigned
24 October 2017)
Mr. Nathan Sellyn – Non-Executive Director
(resigned 3 November 2017)

Company Secretaries

Mr. Brett Tucker
Mr. Chris Huish (appointed 23 Feb 2018, resigned 1
Aug 2018)

Registered Office

Ground Floor, 16 Ord Street,
West Perth, Western Australia,
6005 Australia

Website

<http://serpentinetechnologies.com.au/>

Auditors

Stantons International Audit & Consulting Pty Ltd
Level 2, 1 Walker Avenue
West Perth WA 6005

Solicitors

Jackson McDonald Solicitors
Level 17, 225 St. Georges Terrace,
Perth, WA 6000
Australia

Stock Exchange

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: **S3R** (Previously: **KBU**)

Share Registry

Security Transfer Registrars
770 Canning Highway
Applecross WA 6153

Serpentine Technologies Limited

Directors' Report at 30 June 2018

The Directors present their report for Serpentine Technologies Limited ("Serpentine" or the "Company") and its controlled entities (the "Group") for the year ended 30 June 2018.

CORPORATE INFORMATION

The Company is a company limited by shares, which was incorporated under the Australian Corporations Act 2001 (the "Corporations Act") on 11 May 2012, as "Magnolia Resources Limited". On 25 August 2015, the Company changed its name to "Whole New Home Ltd" and on 13 November 2015, the Company changed its name to "Kabuni Ltd." On 14 December 2017, the Company changed its name to "Serpentine Technologies Limited". The Company is listed on the Australian Securities Exchange ("ASX") under the name "Serpentine Technologies Limited". The Company's registered office is at Ground Floor, 16 Ord Street, West Perth, Western Australia, 6005, Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Description of Business

Serpentine Technologies Limited (formerly Kabuni Ltd) holds the 'Design Campus' business, which is a database of professional designers and an online education platform. Its platform Design Campus enables members to subscribe to design courses that feature relevant training content, including courses accredited by both the Interior Design Continuing Education Council ("IDCEC") and the Architects Institute of America ("AIA").

The company is currently assessing development options for its Design Campus platform as well as actively seeking acquisition opportunities across all sectors, including technology, that will add value for shareholders.

The Company's registered office is at Ground Floor, 16 Ord Street, West Perth, Western Australia, 6005, Australia.

Serpentine Technologies Limited shares trade on the Australian Securities Exchange (the "ASX") under the trading ticker "S3R".

Transaction with Print the Future, Inc. ("PTF")

Print The Future, Inc. entered into a Share Purchase Agreement ("SPA") with Serpentine Technologies Limited on 1 May 2017 to acquire all of the issued capital of Kabuni Technologies, Inc. ("KTI", Kabuni Technologies (India) Private Limited ("KT India") and Kabuni USA Inc.

On 21 June 2017 the Company announced that it had revised terms under the SPA with PTF, agreed within an Amended Share Purchase Agreement ("Amended SPA"). Under the Amended SPA, Kabuni USA was excluded from the sale to PTF, which owns the Design Campus business. The SPA was further amended on 30 June 2017, with final terms summarised as:

- PTF agreed to acquire from the Company all of the issued and outstanding shares of capital stock of the Sale Corporations (the "Shares"), for a purchase price of Australian Dollars ("AUD") \$4,500,000 (the "Purchase Price");
- In part payment of the Purchase Price, PTF delivered to the Company a convertible promissory note, in a principal amount that shall equal the total amounts outstanding under the Temporary Services Agreement dated as of 3 April 2017 between PTF and KTI (the "TSA"), including accrued interest, as at 30 June 2017 (the "TSA Note"). The TSA Note will not accrue interest before default. After default, it will bear interest of 22% per annum (as per existing note terms).
- The TSA Note was to be repaid as follows: (a) \$150,000 on 15 July 2017 (b) \$175,000 on 15 August 2017, and (c) the balance and all accrued and unpaid interest on 15 September 2017. 100% of any capital raised by PTF must be applied to the fixed repayments on the dates set forth above. In addition, 50% of any capital raised by PTF in excess of \$750,000 must be applied to the repayment of the TSA Note within 3 business days of being received. The note will be convertible and secured on the same terms as the Purchase Note (see below).

Serpentine Technologies Limited

Directors' Report at 30 June 2018

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES (CONTINUED)

On October 18, 2017, the transaction with PTF completed and the Company received an additional convertible promissory note from PTF with a principal amount of \$3,728,041.24 (the "Note") which is secured by a guarantee and security agreements over the shares in and assets of KTI and KB India. This Note was repayable on 30 November 2017. As announced on 4 December 2017, PTF failed to repay the Note when due. Accordingly, the Company has provided PTF with formal notice that an event of default has occurred under the Note, confirming that the Company has not waived the default and expressly reserving all of the Company's rights, powers, privileges and remedies under the Note, applicable law or otherwise.

The board continues to monitor all options available to the Company to recover amounts owing from PTF.

Review of operations

The Company undertook a range of corporate activities during 2018 which have been summarized below:

October 2017

- On 16 October 2017, the shareholders approved the PTF transaction at a General Meeting of shareholders, and completion of the transaction occurred on October 17, 2017. At completion, PTF issued a further convertible promissory note to the Company in the amount of approximately A\$3.7 million in consideration of the purchase.
- On October 31 2017, the Company carried out a selective capital reduction that was approved at a General Meeting held on October 16, 2017. The process resulted in reduction of Neil Patel's (former CEO and current CEO of PTF) voting and performance shares to nil.

November 2017

- On 17 November 2017 the Company announced that it was undertaking an entitlement offer to eligible shareholders to raise up to \$574,422 from the issue of up to 287,211,488 New Shares at \$0.002 per share, together with 2 Free Attaching Options for every 5 New Shares issued, for a total of 114,884,595 options, each exercisable at \$0.004 by 30 April 2021.
- On 24 October 2017, the Company advised of the resignation of Director Ajai Sehgal, to pursue other business interests.
- On 3 November 2017, the Company advised of the resignation of Director Nathan Sellyn, to pursue other business interests. Further, the Company advised that Mr Michael Edwards had been appointed as Non-Executive Director to replace Mr Sellyn effective on that date.
- On 30 November 2017, the company changed its name and ASX code following approval at the AGM. The change of the Company's name followed the sale of Kabuni Technologies Inc. and Kabuni Technologies India (Private) Limited to Print the Future Inc.. The new company name and ASX code were announced to the ASX as "Serpentine Technologies Limited" and "S3R".

December 2017

- On 11 December 2017 the Company announced that it had received valid applications under the entitlements offer for a total of \$384,985.84 and issued 192,492,918 New Shares and 76,997,164 Free Attaching Options. The shortfall available under the entitlements offer was available to the Company to allocate within 3 months of the closing date of the entitlements offer.
- On 13 December 2017 the Company issued 31,679,375 shares on conversion and full satisfaction of 50,687 convertible notes with a face value of \$50,687. Convertible notes converted automatically upon the completion of the entitlements issue.
- Further, on 13 December 2017, the Company issued 13,525,493 shares on conversion of performance shares, comprising 3,881,372 Class A performance shares, 3,881,375 Class B performance shares, 2,881,373 Class C performance shares and 2,881,373 Class D performance shares.
- On 19 December 2017, the Company issued 24,974,950 New Shares and 9,989,980 Free Attaching Options under the shortfall offer to sophisticated investors.
- On 22 December 2017, the Company announced the establishment of a share facility for holders of less than a marketable parcel (defined in the ASX Listing Rules as a parcel of securities of not less than \$500 in value) of the Company's shares. Of the Company's approx. 696 shareholders, 274 hold less than Marketable Parcels.

January 2018

- On 3 January 2018, the Company issued 40,000,000 unlisted options over shares to Alto Capital as consideration for corporate advisory services. Each option was exercisable at \$0.004 with an expiry date of 30 April 2021.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES (CONTINUED)

- On 23 January 2018 the Company lodged a Shortfall Offer Prospectus to cleanse the shortfall securities available under the entitlements offer for secondary trading.
- On 25 January 2018 the Company issued the remaining shortfall securities available under the entitlements offer of 69,743,618 New Shares and 27,897,447 Free Attaching Options.
- The Company received notices to exercise options and issued the following tranches of shares (on a one-for-one basis):
 - 3 January 2018 – 2,520,000 shares;
 - 4 January 2018 – 25,779,380 shares;
 - 12 January 2018 – 11,061,415 shares;
 - 29 January 2018 – 2,914,488 shares; and
 - 1 February 2018 – 2,280,600 shares.

Since January 2018, the Board and its advisors have continued to investigate several acquisition opportunities across the technology industry with the aim to identify opportunities with potential to significantly increase shareholder value.

DIVIDENDS

No dividend was paid or declared by the Company during the year and up to the date of this report.

MATTERS ARISING AFTER THE END OF THE FINANCIAL PERIOD

Except as set out in the Annual Report, the Directors are not aware of any other matter or circumstance that has arisen since the end of the financial year that, in their opinion, has significantly affected or may significantly affect in future financial years, the operations of the Group, the results of those operations or the Group's state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

A discussion of likely developments in the Group's operations in future financial years and the expected results of those operations is set out in the Annual Report.

DIRECTORS

The names, qualifications and experience of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Mr. Stuart Carmichael (appointed 30 June 2017)

Non-Executive Chairman

Mr Carmichael has extensive international corporate advisory, M&A and operational experience. Mr Carmichael held various senior executive leadership positions with UGL, DTZ, AJG and KPMG Corporate Finance. Mr Carmichael has extensive corporate and operational experience across multiple geographies having lived and worked in the US, UK, Europe, Middle East and Australia. Mr Carmichael's sector experience includes industrial, technology and professional services sectors.

Mr Carmichael graduated from the University of Western Australia with a Bachelor of Commerce degree, majoring in Accounting and Finance and is a qualified Chartered Accountant.

Mr Carmichael is also a non-executive director of ASX listed company De.mem Limited (ASX: DEM), non-executive director of ClearVue Technologies Limited (ASX:CPV) and non-executive chairman of Schrole Limited (ASX:SCL).

Mr. Colm O'Brien (appointed 18 July 2016)

Non-Executive Director

Mr. O'Brien has over 20 year's executive level experience in financial services, management consulting and media industries. He has led ASX listed company Aspermont Limited (ASX: ASP) as CEO and transformed that business from a local mining publication to a global, digitally led resources media business including world leading events.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

DIRECTORS (CONTINUED)

Mr. O'Brien is currently a Director of Carrington Partners, a management consultancy firm focused on providing practical strategic and executive support, including business growth, cost review and turnarounds, transformational change, acquisition/partnership structures and funding introductions. Mr. O'Brien also acts as non-executive director of Pacific Star Network Limited (ASX: PNW), an ASX listed media company with market leading niche assets in broadcasting and publishing, including SEN Radio, Frankie Magazine, Smith Journal and Surfing Life Australia.

Mr. Michael Edwards (appointed 3 November 2017)

Non-Executive Director

Mr Edwards is a Geologist and Economist with over 20 years of experience in Senior Management in both the private and public sector. He has a Bachelor of Business (Economics and Finance) from Curtin University of Technology and a Bachelor of Science (Geology) from the University of Western Australia.

Mr Edwards spent three years with Barclays Australia in their corporate finance department and then eight years as an exploration and mine geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources. Mr Edwards also acts as a Non-Executive Director of ASX listed companies Norwood Systems Ltd (ASX:NOR), Dawine Limited (ASX:DWI) and De.mem Limited (ASX:DEM). Mr Edwards has been involved in numerous ASX listings and reverse takeovers across a range of industries including technology.

Mr. Nathan Sellyn (Resigned 3 November 2017)

Non-Executive Director

Mr. Sellyn is currently a partner at Assembly Stakeholder Relations, a boutique investor relations firm that he cofounded in 2011. Between August 2004 and April 2011 Mr. Sellyn worked for Great Canadian Gaming Corporation where he held various roles including Director of Corporate Development and Investor Relations. Mr. Sellyn is also a co-founder and serves as Chief Creative Officer since 2011 of Brothersport Games, a sports-gaming application development studio. Mr. Sellyn earned a Bachelor of Arts degree from Princeton University.

Mr. Ajal Sehgal (Resigned 24 October 2017)

Non-Executive Director

Mr. Sehgal is the Chief Technology Officer/Chief Information Officer of The Chemistry Group, responsible for Product Engineering, IT, Information Security, and Production Operations to re-invent the world of work so that people and organizations can excel. Chemistry enables organizations to make better people decisions, which drive demonstrably better commercial outcomes by defining "What Great Looks Like" for roles in an organization, and through innovative technology, enables it to accurately hire and develop talent at scale. Trusted by some of the world's leading enterprise companies in 32 countries, Chemistry enable millions of people a year to understand where they have the opportunity to be great at work.

Prior to the Chemistry Group, Mr Sehgal was the Chief Technology Officer/Chief Information Officer of Hootsuite, leading Software Engineering, IT, Security, and Operations. Prior to Hootsuite, Mr Sehgal spent 16 years with the Canadian Armed Forces before joining Microsoft Corporation in Redmond, Washington as a Software Engineering Lead. While at Microsoft, he helped found and scale Expedia from a small group of 40 people within Microsoft into a new public company that became the world's largest travel agency. He later helped establish Groupon's travel business as VP of Product & Technology. With more than 30 years of experience, Mr. Sehgal specializes in the global scaling of SaaS technology and is leading Hootsuite technology through the next step in its evolution.

COMPANY SECRETARY

Mr. Brett Tucker – Joint Company Secretary

Mr. Tucker has acted as Company Secretary to a number of ASX listed and private companies and has been involved in numerous public corporate acquisitions and transactions. Mr Tucker is a Chartered Accountant with a strong corporate and compliance background gained from experience in an international accounting practice, working in both audit and taxation across a wide range of industries.

Mr. Chris Huish – Joint Company Secretary (Appointed 23 February 2018, resigned 1 August 2018)

Mr Huish has 14 years' experience from both the UK and Australian corporate sectors. Mr Huish has extensive experience in the areas of corporate finance, equity capital markets, corporate governance, statutory and regulatory reporting and compliance, dealing with the ASX, ASIC and other authorities for both listed and private corporations. Mr Huish is also a member of the Governance Institute of Australia.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

SHARE OPTIONS

As of the date of this report, there were 198,734,188 unissued shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date	Listing Status
70,567,146	\$0.05	30-Jun-19	Listed (ASX: S3ROA)
120,728,708	\$0.004	30-Apr-21	Listed (ASX: S3ROB)
2,013,334	\$0.18	31-Mar-19	Unlisted
150,000	\$0.13	6-Nov-18	Unlisted
200,000	\$0.13	31-Oct-18	Unlisted
75,000	\$0.05	30-Sep-19	Unlisted
3,000,000	\$0.06	30-Jun-19	Unlisted
1,000,000	\$0.06	31-Mar-19	Unlisted
1,000,000	\$0.06	30-Jun-19	Unlisted
198,734,188			

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

154,884,591 unlisted options were issued during the year and up to the date of this report. 44,555,883 options were exercised during the year and up to the date of this report. 75,000 unlisted employee, consultant and contractor options were cancelled or lapsed during the year and up to the date of this report.

12,000,000 listed options have expired as at the date of this report.

Since the balance sheet date to the date of this report, no options have been issued, exercised, cancelled or have lapsed.

INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of the Company are:

Director	Ordinary Shares	Options over Shares
Stuart Carmichael	10,000,000	4,000,000
Colm O'Brien	6,570,000	3,508,000
Michael Edwards	10,063,333	4,012,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act. The indemnification specifically excludes wilful acts of negligence.

The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Stuart Carmichael	6	6
Colm O'Brien	6	6
Michael Edwards	6	6
Ajai Sehgal	-	-
Nathan Sellyn	-	-

During the financial year, the Directors met regularly to discuss all matters associated with investment strategy, review of opportunities, and other Company matters on an informal basis. Circular resolutions were passed as necessary to execute formal Board decisions.

PROCEEDINGS ON BEHALF OF COMPANY

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

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Serpentine is in compliance to the extent practicable with those guidelines, given the early stage and nature of its operations. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

The Company has established a set of corporate governance policies and procedures and these can be found on the Company's investor website: <http://serpentinetechnologies.com.au/corporate>.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act requires the Company's auditors to provide the Directors of Serpentine with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 51 of this Annual Report.

Non-Audit Services

During the year ended 30 June 2018 the Company's auditors Stantons International Audit & Consulting Pty Ltd prepared an Independent Expert's Report regarding the sale transaction with PTF.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

There were no other non-audit services provided by the Company's auditors during the year ended 30 June 2018.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT

This report, which forms part of this Directors' Report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of the Company for the financial year ended 30 June 2018. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act.

The remuneration report details the remuneration arrangements for KMP who comprise the Directors and the Senior Executives. The "Senior Executives" are defined as those executives having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

Details of Key Management Personnel

The following individuals were the KMP of Serpentine for the financial year ended 30 June 2018.

Directors	
Stuart Carmichael	Non-Executive Chairman (appointed 30 June 2017)
Colm O'Brien	Non-Executive Director (appointed 18 July 2016)
Michael Edwards	Non-Executive Director (appointed 3 November 2018)
Ajai Sehgal	Non-Executive Director (appointed 1 August 2016, resigned 24 October 2017)
Nathan Sellyn	Non-Executive Director (appointed 25 August 2015, resigned 3 November 2017)

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for Directors and Senior Executives. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The expected outcome of this remuneration structure is to retain and motivate the Directors and Senior Executives.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter and Remuneration Policy. Currently, the full Board performs the function of the Remuneration Committee. Given that the Company remains at an early stage of development, the Board's overall approach to compensation remains subject to change and will continue to evolve as the Company grows and develops its business.

Remuneration of Directors

The Constitution provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting of shareholders. The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Directors do not receive performance-based pay.

All non-executive Directors are currently paid an annual stipend of A\$15,000 to A\$50,000. There are currently no separate attendance fees or fees payable for chairing any committee. The maximum aggregate amount which has been approved to be paid to non-executive Directors is currently set at A\$150,000 per annum.

Executive Directors are not entitled to receive any additional compensation, including employee options, in their capacity as Directors.

Chair's Fees

The Chair's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market.

Additional Fees

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

Retirement Allowances for Directors

Superannuation contributions required under the Australian Superannuation Guarantee Legislation continue to be made and are deducted from the Directors' overall fee entitlements where applicable.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT (CONTINUED)

Remuneration of Senior Executives

Compensation Objectives

Pursuant to the Remuneration Policy, the Company's compensation policies and practices are designed to:

- (a) align executive remuneration with shareholder interests;
- (b) retain, motive and reward appropriately qualified executive talent for the benefit of the Company;
- (c) to achieve a level of remuneration that reflects the competitive market in which the Company operates;
- (d) to ensure that individual remuneration is linked to performance criteria if appropriate; and
- (e) to ensure that executives are rewarded for both financial and non-financial performance.

The Board aims to satisfy these objectives through the adoption of a compensation program for executive officers that combines base remuneration, which is market related, with performance-based remuneration which is determined on an annual basis. All market comparisons reflect an informal assessment and are based on the Board's knowledge and experience in executive compensation matters. No remuneration consultant was retained by the Company in determining the remuneration of any of the KMP.

Overall remuneration decisions are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance and relevant comparative information.

Compensation Components

In accordance with the remuneration policy, the compensation currently consists primarily of three elements: base salary, cash bonus and long-term equity incentives. Each element of compensation is described in more detail below.

Base Salary

A primary element of the Company's compensation program is base salary. The Company's view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. The amount payable to an executive officer is determined based on the scope of his or her responsibilities and prior experience, while taking into account an informal evaluation of competitive market compensation for similar positions and overall market demand for such executives at the time of hire.

Base salaries are reviewed annually and increased for merit reasons, based on the executive officer's success in meeting or exceeding Company and individual objectives. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of the executive officer's role or responsibilities, as well as for market competitiveness.

Cash Bonus Plan

As at the date hereof, the Board has not approved any formal cash bonus plan. The Board may consider implementing such a plan in the future. *Ad hoc* cash bonuses may be paid from time to time if deemed appropriate by the Board, based on the attainment of particular objectives.

Long-Term Equity Incentives

Equity-based awards are a variable element of compensation that allow executive officers to be rewarded for their sustained contributions to the Company. Equity awards reward continued employment by an executive officer, with an associated benefit to Serpentine of attraction of employees, continuity and retention. Executives may participate in share, performance rights and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the Board considers it appropriate to retain flexibility to issue shares, performance rights and options to executives outside of approved schemes in exceptional circumstances.

Performance Shares

An aggregate of 6,151,250 Class A Performance Shares, 6,151,250 Class B Performance Shares, 6,151,250 Class C Performance Shares, and 6,151,250 Class D Performance Shares were cancelled during the year. An aggregate of 3,881,372 Class A Performance Shares, 3,881,375 Class B Performance Shares, 3,881,373 Class C Performance Shares, and 3,881,373 Class D Performance Shares were exercised and converted into ordinary shares during the year. As at 30 June 2018, there were no outstanding Performance Shares on issue.

For details regarding the number of Performance Shares held by the KMP, see "*Performance Shares Holdings of Key Management Personnel*" below.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT (CONTINUED)

The terms and conditions of the Performance Shares, including their performance conditions, were determined as part of the negotiation of the terms and conditions of the acquisition of Kabuni Technologies Inc. (formerly PDT Technologies Ltd) in August 2015. The following is a summary of the more significant rights, privileges and restrictions attaching to all Performance Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders of the Company. Full details of the rights attaching to Performance Shares are set out in the Company's Notice of General Meeting for the meeting held on 15 July 2015.

Conversion Rights

Milestone A: Each Class A Performance Share will convert into one Share upon:

- (a) a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$200 revenue, each month for three consecutive months, on or before August 30, 2016; or
- (b) a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$200 Revenue, each month for three consecutive months, and the Milestone D below is also achieved,

Milestone B: Each Class B Performance Share will convert into one Share upon:

- (a) a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$750 revenue, each month for three consecutive months, on or before December 31, 2016; or
- (b) a minimum of 1,000 registered home designers each achieve the Canadian dollar equivalent of at least A\$750 revenue, each month for three consecutive months, and Milestone D below is also achieved,

Milestone C: Each Class C Performance Share will convert into one Share upon:

- (a) the Company achieving the Canadian dollar equivalent of at least A\$20 million in revenue in any 12-month period and has a minimum of 20,000 registered home designers, on or before December 31, 2017; or
- (b) the Company achieving the Canadian dollar equivalent of at least A\$20 million in revenue in any 12-month period and a minimum of 20,000 registered home designers, and Milestone D below is also achieved,

Milestone D: Each Class D Performance Share will convert into one Share upon:

- (a) the Company achieving the Canadian dollar equivalent of at least A\$50 million in revenue in any 12-month period; and
- (b) a minimum of 35,000 registered home designers.

Upon the occurrence of a change of control event in circumstances where any of Milestone A, Milestone B, Milestone C or Milestone D (together the "Milestones") has not been met, that number of Performance Shares on issue that, after conversion, is up to a maximum number that is equal to 10% of the issued Share capital (as at the date of the change of control event will automatically convert into Shares on a pro rata basis to all holders).

If any Milestone is not achieved by December 31, 2018, then all Performance Shares in the class of Performance Shares attaching to that Milestone, held by each holder, will automatically consolidate into one Performance Share and will then convert into one Share.

If the conversion of Performance Shares (or part thereof) would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1).

General meetings and voting

A holder of Performance Shares has the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders of the Company, and a right to attend a meeting of shareholders of the Company. Other than as required by law, a Performance Share does not entitle the holder to vote on any resolutions proposed at a meeting of shareholders of the Company.

Dividends and Participation Rights and Rights on Winding Up

A Performance Share does not entitle the holder to any dividends. There are no participating rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues (such as bonus issues) or pro-rata issues of capital to the Company's shareholders. Each Performance Share entitles the holder to participate in the surplus profits or assets of the Company upon winding up, but on the basis that each holder's Performance Shares will consolidate into one Performance Share and will then convert into one Share.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT (CONTINUED)

Variation of Rights

The terms of the Performance Shares may be amended by the Company as necessary, but only to the extent required, to comply with ASX Listing Rules or any specific directions of ASX regarding the terms.

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each of the KMP of the Group for the year ended 30 June 2018 are as follows:

2018	Short term			Share Based Payments ³	Non-Monetary Benefits	Post-employment		Total	Option / Performance Share Related %
	Base Salary \$	Directors Fees \$	Consulting and other Fees \$			Super \$	Prescribed Benefits \$		
Directors									
Stuart Carmichael	-	24,500	-	6,000	-	2,328	-	32,828	-
Colm O'Brien	-	14,000	-	12,000	-	1,349	-	27,349	-
Michael Edwards ¹	-	14,000	-	-	-	1,330	-	15,330	-
Ajai Sehgal ²	-	-	-	-	-	-	-	-	-
Nathan Sellyn ²	-	-	-	-	-	-	-	-	-
	-	52,500	-	18,000	-	5,007	-	75,507	

¹ Mr Edwards was appointed on 3 November 2017

² Messrs Sehgal and Sellyn resigned on 24 October 2017 and 3 November 2017 respectively

³ Share based payments for director fees settled via offset in a Director's placement

There were no other KMP of the Group during the financial year ended 30 June 2018.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT (CONTINUED)

Details of the nature and amount of each element of the remuneration of each of the KMP of the Group for the year ended 30 June 2017 are as follows:

2017	Short term			Options	Non-Monetary Benefits	Post-employment		Total	Option / Performance Share Related %
	Base Salary	Directors Fees	Consulting and other Fees	Share Based Payments		Super	Prescribed Benefits		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors									
Nathan Sellyn	-	33,333	-	13,267	-	-	-	46,600	28.5
Colm O'Brien ¹	-	33,401	-	13,267	-	-	-	46,668	28.4
Ajai Sehgal ¹	-	32,083	-	13,267	-	-	-	45,350	29.3
Stuart Carmichael ¹	-	-	-	-	-	-	-	-	-
Tony King ²	60,000	-	-	-	-	4,275	-	64,275	-
Nikolas Ajagu ²	-	5,750	-	-	-	-	-	5,750	-
Matthew Hehman ²	-	726	-	-	-	-	-	726	-
Neil Patel ³	177,292	-	-	-	-	-	-	177,292	-
Senior Executives									
Marc-Alexandre Poirier, Chief Legal Officer ⁷	133,333	-	-	10,400	-	-	-	143,733	7.2
Lisa Dea, Chief Financial Officer ⁴	136,648	-	-	-	-	-	-	136,648	-
Parminder Singh Virk, Chief Technology Officer ⁵	150,000	-	-	10,109	-	-	-	160,109	6.3
Frans Tjallingi, Chief Operating Officer ⁶	58,864	-	-	-	-	-	-	58,864	-
	716,137	105,293	-	60,310	-	4,275	-	886,015	

¹ Messrs O'Brien, Sehgal and Carmichael were appointed on 18 July 2016, 1 August 2016 and 30 June 2017 respectively

² Messrs King, Ajagu and Hehman resigned on 30 June 2017, 18 November 2016 and 18 July 2016 respectively

³ Mr Patel resigned on 6 April 2017

⁴ Mrs Dea resigned on 2 June 2017

⁵ Mr Virk resigned on 1 May 2017

⁶ Mr Tjallingi resigned on 8 March 2017

⁷ Mr Poirier resigned on 30 April 2017

There were no other KMP of the Company during the financial year ended 30 June 2017.

Other Transactions with Key Management Personnel and their Related Parties

During the financial year, company secretarial and accounting services totalling \$100,699 were provided by Ventnor Capital Pty Ltd (director-related entity of Stuart Carmichael). The trade payable balance owing to Ventnor Capital Pty Ltd as at 30 June 2018 is \$13,200. All transactions were made on normal commercial terms and conditions and at market rates.

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT (CONTINUED)

Shareholdings of Key Management Personnel

The number of Shares held during the financial year by each Key Management Personnel and key management personnel, including their personally related parties, is set out below.

2018	Balance at the start of the year / date of appointment	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year / date of resignation
Directors					
Stuart Carmichael	-	3,000,000	-	7,000,000	10,000,000
Colm O'Brien	300,000	6,000,000	-	270,000	6,570,000
Michael Edwards ¹	33,333	-	-	10,030,000	10,063,333
Ajai Sehgal ²	-	-	-	-	-
Nathan Sellyn ²	866,666	-	-	-	866,666

¹ Mr Edwards was appointed on 3 November 2017

² Messrs Sehgal and Sellyn resigned on 24 October 2017 and 3 November 2017 respectively

All equity transactions with KMP other than Shares granted as incentives or arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Performance Shares Holdings of Key Management Personnel

The table below discloses the number of Performance Shares granted and vested during the 2018 financial year to Key Management Personnel. No Performance Shares held by Key Management Personnel lapsed during the year. No Performance Shares were issued to Key Management Personnel during the 2018 financial year. For a summary of the terms and conditions attaching to the Performance Shares, see "Performance Shares", above.

2018	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year/date of resignation	Number vested during the year
Directors					
Stuart Carmichael	-	-	-	-	-
Colm O'Brien	-	-	-	-	-
Michael Edwards ¹	-	-	-	-	-
Ajai Sehgal ²	-	-	-	-	-
Nathan Sellyn ²	666,667	-	-	666,667 ³	-

¹ Mr Edwards was appointed on 3 November 2017

² Messrs Sehgal and Sellyn resigned on 24 October 2017 and 3 November 2017 respectively

³ Shares were converted to ordinary shares on 13 December 2017

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT (CONTINUED)

Option Holdings of Key Management Personnel

The numbers of options over Shares in the Company held during the financial year by each of the Key Management Personnel, including their personally related parties, are set out below:

2018	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year/date of resignation	Exercisable	Un-exercisable
Directors							
Stuart Carmichael	-	-	-	4,000,000	4,000,000	4,000,000	-
Colm O'Brien	1,000,000	-	-	2,508,000	3,508,000	3,508,000	-
Michael Edwards ¹	150,000	-	-	4,012,000	4,012,000	4,162,000	-
Ajai Sehgal ²	1,000,000	-	-	-	1,000,000	1,000,000	-
Nathan Sellyn ²	1,000,000	-	-	-	1,000,000	1,000,000	-

¹ Mr Edwards was appointed on 3 November 2017

² Messrs Sehgal and Sellyn resigned on 24 October 2017 and 3 November 2017 respectively

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

During the year ended 30 June 2018, a total of 10,520,000 (2017: 10,150,000) Options were issued to Key Management Personnel of the Group. 120,000 options exercisable at \$0.004 per option were issued under a non-renounceable rights offer on 13 December 2017, and 10,400,000 options were issued as part of the directors placement.

	Granted No.	Grant Date	Fair value at grant date ¹	Expiry date	Vesting date
Directors					
Stuart Carmichael	4,000,000	23/03/2018	-	30/04/2021	23/03/2018
Colm O'Brien	108,000	13/12/2017	-	30/04/2021	13/12/2017
	2,400,000	23/03/2018	-	30/04/2021	23/03/2018
Michael Edwards	12,000	13/12/2017	-	30/04/2021	13/12/2017
	4,000,000	23/03/2018	-	30/04/2021	23/03/2018

¹ All options granted were free-attaching and therefore do not have an attributable fair value for financial reporting purposes

Details of Options held at reporting date by Key Management Personnel of the Group are detailed below:

	Grant Date	Number Granted	Fair Value per Option granted	Vest Date	No of Options vested during the year	Vested %
Directors						
Stuart Carmichael	23/03/2018	4,000,000	-	23/03/2018	4,000,000	100%
Colm O'Brien	24/11/2016	1,000,000	\$0.0133	24/11/2016	-	100%
	13/12/2017	108,000	-	13/12/2017	108,000	100%
	23/03/2018	2,400,000	-	23/03/2018	2,400,000	100%
Michael Edwards	24/11/2016	150,000	\$0.0133	24/11/2016	-	100%
	13/12/2017	12,000	-	13/12/2017	12,000	100%
	23/03/2018	4,000,000	-	23/03/2018	4,000,000	100%

Serpentine Technologies Limited

Directors' Report at 30 June 2018

REMUNERATION REPORT (CONTINUED)

Options Affecting Remuneration

Options over Shares are granted at the Directors discretion. When exercisable, each option is convertible into one Share. Options granted carry no dividend or voting rights.

Executive Contracts

None.

Non-Executive Directors

On appointment to the Board, all non-executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the Director.

The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$150,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Loans to Directors and Executives

There were no loans to Directors or Senior Executives during the financial year ended 30 June 2018.

Voting and comments made at the Company's 2017 Annual General Meeting

The Company received 100% of "yes" vote on its remuneration report for the 2017 financial year at its AGM held on 30 November 2017. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF REMUNERATION REPORT

Serpentine Technologies Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2018

		30 June 2018	30 June 2017
	Note	\$	\$
<u>Continuing Operations</u>			
Revenue		1,265	5,473
Selling expenses		-	-
Gross Profit		1,265	5,473
Operating expenses			
Advertising and promotion		-	17,642
Bad debts	5	5,017,067	-
Depreciation and amortization		-	5,521
General and administration		58,605	10,002
Impairment of intangible assets		-	60,732
Insurance		41,974	31,597
Professional and consulting services		424,907	286,484
Rent and outgoings		-	26,531
Salaries, director's fees, bonus and benefits		15,280	170,446
Software development		12,061	-
Travel expenses		-	81,126
Total operating expenses		5,569,894	690,081
Net (Loss) from continuing operations		(5,568,629)	(684,608)
Share-based payments	13	-	(129,515)
Finance Costs		(3,439)	(3,211)
Listing Fees		(92,480)	(59,175)
Realised exchange loss		(4,904)	-
Loan Forgiveness		105,685	-
Other income (PTF interest receivable and bank interest)	5	596,964	4,214
Total (Loss) from continuing operations		(4,966,803)	(872,295)
<u>Discontinued Operations</u>			
Loss from discontinuing operations	7	-	(4,232,092)
Profit on disposal of subsidiary	7	4,086,471	-
Total (Loss) attributable to owners		(880,332)	(5,104,387)
Other comprehensive income / (loss)			
Exchange gain / (loss) on translation of foreign operations		4,318	(70,009)
Total (loss) and comprehensive (loss) for the year		(876,014)	(5,174,396)
Loss per share			
- basic and diluted	16	(0.18)	(0.03)

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

Serpentine Technologies Limited
Consolidated Statement of Financial Position
As at 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents	4	530,402	134,352
Trade and other receivables	5	7,328	4,902
Prepaid expenses and deposits	6	28,826	31,350
Assets held for sale	7	-	548,309
Total current assets		566,556	718,913
Non-current assets			
Intangible Assets	8	-	-
Total non-current assets		-	-
Total assets		566,556	718,913
Current liabilities			
Trade and other payables	9	165,640	149,033
Liabilities related to assets held for sale	7	-	258,133
Total liabilities		165,640	407,166
Net assets		400,916	311,747
Equity			
Issued share capital	11	27,326,179	20,116,448
Reserves	12	3,145,753	4,254,139
Accumulated losses	14	(30,071,016)	(24,058,840)
Total equity		400,916	311,747

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

Serpentine Technologies Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

	Note	Issued Share Capital	Accumulated Losses	Share-based Payments / Performance Share Reserve	Foreign Exchange Translation Reserve	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2016		17,338,533	(18,954,453)	4,132,432	28,232	2,544,744
Issue of shares	11	3,000,625	-	-	-	3,000,625
Share issue costs	11	(222,710)	-	-	-	(222,710)
Issue of listed options	12(b)	-	-	15,000	-	15,000
Issue of share options	12(b)	-	-	148,484	-	148,484
Loss for the year	14	-	(5,104,387)	-	-	(5,104,387)
Cumulative translation adjustment		-	-	-	(70,009)	(70,009)
Balance as at 30 June 2017		20,116,448	(24,058,840)	4,295,916	(41,777)	311,747
Balance at 1 July 2017		20,116,448	(24,058,840)	4,295,916	(41,777)	311,747
Changes due to deconsolidation of subsidiaries						
- KTI Canada		4,701,854	13,690,202	335,756	42,900	18,770,712
- KTI India		-	297,786	-	(2,811)	294,975
- Other adjustments		-	(19,170,401)	-	-	(19,170,401)
- Loss on deconsolidation		-	50,569	-	-	50,569
Issue of shares – rights issue	11	384,986	-	-	-	384,986
Issue of shares – shortfall allotment	11	189,437	-	-	-	189,437
Conversion of convertible notes	11	285,000	-	-	-	285,000
Conversion of performance shares	11	1,552,549	-	(1,552,549)	-	-
Cancellation of performance shares	11	(93,158)	-	-	-	(93,158)
Options issued	12(c)	-	-	64,000	-	64,000
Options exercised	11	178,222	-	-	-	178,222
Director placement	11	52,000	-	-	-	52,000
Share issue costs	11	(41,159)	-	-	-	(41,159)
Loss for the year	14	-	(880,332)	-	-	(880,332)
Cumulative translation adjustment		-	-	-	4,318	4,318
Balance as at 30 June 2018		27,326,179	(30,071,016)	3,143,123	2,630	400,916

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

Serpentine Technologies Limited

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities			
Payments to suppliers and employees		(632,606)	(4,389,892)
Receipts from sales and related debtors		1,265	27,706
Interest received		1,905	4,214
Net cash (used in) operating activities	4	(629,436)	(4,357,972)
Cash flows from investing activities			
Acquisition/Disposal of intangible assets		-	(66,653)
Acquisition/Disposal of property and equipment		-	(63,614)
Net cash (used in) investing activities		-	(130,267)
Cash flows from financing activities			
Proceeds from options exercised		178,222	15,000
Proceeds from director placement		34,000	
Proceeds from issue of shares		574,423	3,000,625
Proceeds from convertible debt		250,000	-
Share issue costs		(11,159)	(222,710)
Net cash provided by financing activities		1,025,486	2,792,915
Change in cash and cash equivalents during the year		396,050	(1,695,324)
Cash and cash equivalents, beginning of the year		134,352	1,958,734
Impact of exchange rate changes on cash and cash equivalents		-	(59,143)
Cash and cash equivalents, end of the year		530,402	204,267

Cash and Cash Equivalents at 30 June 2018 as follows:

		30 June 2018 \$	30 June 2017 \$
Cash and cash equivalents continuing operations	4	530,402	134,352
Cash and cash equivalents classified as held for sale	7	-	69,915
Cash and cash equivalents, end of the year		530,402	204,267

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

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

1. Nature and Continuance of Operations

Serpentine Technologies Limited ("Serpentine" or "the Company"; formerly Kabuni Ltd) was incorporated on May 11, 2012 under the *Corporation Act 2001* of Australia. Serpentine is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") under the symbol S3R.

Serpentine is an online membership platform within the Interior Design industry. Its platform Design Campus enables members to subscribe to design courses that feature relevant training content, including courses accredited by both the Interior Design Continuing Education Counsel (IDCEC) and the Architects Institute of America (AIA).

The Company's registered office is at Ground Floor, 16 Ord Street, West Perth, Western Australia, 6005, Australia.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. For the year ended 30 June 2018, the Company and its consolidated entities have a net working capital of \$400,916 (2017: \$311,747) and an accumulated deficit of \$30,073,243 (2017: \$24,058,840). The Company's ability to continue as a going concern is dependent upon its ability to recover the outstanding balances owing from PTF Inc. in relation to the sale of subsidiaries as well as its ability to find additional business opportunities going forward.

No provision has been made in these consolidated financial statements for any adjustments to the net recoverable value of assets should the Company not be able to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. Basis of Presentation

(a) Statement of Compliance

These general purpose financial statements have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report 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. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial report is presented in Australian dollars.

(b) Basis of Measurement and Use of Estimates and Judgements

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value, and are presented in Australian dollars ("AUD"). The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the year. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

2. Basis of Presentation (continued)

(b) Basis of Measurement and Use of Estimates and Judgements (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the valuation of share-based payments and performance shares issued;
- the recognition and recoverability of deferred tax assets;
- assessment of whether there is an indication that an asset may be impaired and making an estimate of the asset's recoverable amount; and
- assessment of the recoverability of loans and other receivables.

3. Significant Accounting Policies

The consolidated financial statements are prepared on the historical cost convention. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by the Company and its entities.

(a) Basis of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Serpentine Technologies Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21.

Subsidiaries are fully consolidated from the date on which control is acquired.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional and presentation currency of Serpentine is Australian dollars. The functional currency of the Canadian subsidiary is the Canadian dollar. The functional currency of the USA subsidiary is the United States dollar. The functional currency of the Indian subsidiary is the Indian rupee.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at balance date exchange rates are recognised in profit or loss.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies (continued)

(b) Foreign Currency Translation (continued)

(iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

(d) Leases

Leases of property, plant and equipment where the Group as lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature. The Group currently has no leases.

(e) Plant and equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of the assets' cost less residual value is computed using the straight-line method over the estimated useful lives of the assets.

Office furniture	5 years
Computer equipment	3 years
Leasehold improvements	Term of the lease

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting year, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgement; therefore the resulting depreciation is subject to estimation uncertainty.

Items of equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in profit or loss.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies (continued)

(f) Financial Instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized in profit or loss when incurred.

(ii) Classification and subsequent measurement

The Company classifies its financial instruments into one of the following categories at initial recognition based on the nature and purpose of the instrument:

Assets

- fair value through profit or loss
- held-to-maturity
- loans and receivables
- available for sale

Liabilities

- fair value through profit or loss
- other liabilities

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified in any of the other asset categories. The Company has no assets classified as available for sale.

Available for sale financial assets are stated at fair value. Changes in the fair value of monetary available for sale assets resulting from foreign exchange gains and losses, interest income calculated using the effective interest method and dividends are all recognized in profit or loss; all other changes in fair value are recognized in other comprehensive income. When an available for sale asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership to another entity. Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive loss.

(g) Impairment

(i) Non-financial assets

The Company's equipment and intangible assets, if any, are reviewed for indicators of potential impairment at the end of each reporting year. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment.

If indication of impairment exists, the asset's recoverable amount is estimated to determine the extent of an impairment loss, if any. For an asset that does not generate largely independent cash inflows or for which it is not possible to estimate the recoverable amount, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable transactions, present value or other valuation techniques or a combination thereof, necessitating management to make subjective judgments and assumptions. When calculating an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the cash flows have not been adjusted.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

An impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the year. An impairment loss recognized in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, if any, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The Company has no goodwill balance for any of the reporting years presented.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in profit or loss.

(ii) Financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively affected. The determination of whether such indicators exist requires significant judgment.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it has become probable that the borrower will enter bankruptcy or financial reorganization;
- the disappearance of an active market for the security; and
- significant or prolonged decline in the fair value of an available for sale equity instrument below its cost.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is directly reduced by the impairment loss with the exception of trade receivables. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale assets are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses in equity, to profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent year, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized. Impairment losses recognized in profit or loss on available for sale equity instruments cannot be reversed.

(h) Revenue Recognition

Revenue from rendering goods and services is measured at the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is earned primarily from subscriptions from the websites members. Revenues for membership are paid in advance and will be deferred and recognized as revenue over the subscription period.

(i) Research and Development Costs

Research and development costs consist of costs incurred to develop the Company's website and mobile application to promote, advertise and earn revenue with respect to the Company's business operations. All costs are expensed as incurred unless they meet the specific criteria under Australian accounting standards for capitalization. No costs have been capitalized to date.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies (continued)

(j) Intangible Assets

Acquired intangible assets are initially recorded at cost. Indefinite life intangible assets are not amortized while assets with finite lives are amortized on a straight-line basis over their estimated useful life. The Company's acquired intangible assets are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets, generally two to seven years.

These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the impairment of non-financial assets policy.

(k) Earnings (Loss) per Share

Basic earnings (loss) per share are calculated using the weighted average number of ordinary shares outstanding during the year. The computation of diluted earnings (loss) per share assumes the basic weighted average number of ordinary shares outstanding during the year is increased to include the number of additional ordinary shares that would have been outstanding if the dilutive potential ordinary shares had been issued.

(l) Income Taxes

Income tax expense comprises current and deferred tax.

Current income tax is the amount expected to be recovered from or paid to the taxation authorities based on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable from previous years.

Deferred tax assets and liabilities are recognized for tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the year that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Executive Director, in consultation with the Board of Directors. The Group's primary segment is one business, being the development of an e-commerce platform in the home design space. Refer to Note 15 for details.

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies (continued)

(o) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(q) Share-Based Payments

Share-based compensation benefits are provided to employees of Serpentine at the Directors' discretion. The fair value of options and performance shares granted by Serpentine is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value of options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The fair value of the performance shares is determined based on the spot price on the grant date adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies (continued)

(r) Non-Current Assets Held for Sale and Discontinued Operations

Non-current Assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sales as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash-generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for an initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

(s) New Standards Not Yet Adopted

The following new standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the potential impacts of these new standards and does not anticipate any material changes to the consolidated financial statements upon adoption of these new and revised accounting standards.

AASB 9: Financial Instruments and associated Amending Standards

The Standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace *AASB 139 Financial Instruments: Recognition and Measurement*. AASB 9 introduces 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 objectives is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be 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) in other comprehensive income ("OCI"). For financial liabilities, 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 will use an "expected credit loss ("ELC") model to recognize an allowance. Impairment will be measured in 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. The standard introduces additional new disclosures. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

AASB 15: Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standards will require the following:

1. Contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract.
2. Determination the transaction price, adjusted for the time value of money excluding credit risk.
3. Allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist.
4. Recognition of revenue when each performance obligation is satisfied.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

3. Significant Accounting Policies (continued)

(s) New Standards Not Yet Adopted (continued)

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied. Contracts with customers will be 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 customers; the significant judgements made in applying the guidance to those contracts; and any assets recognized from the costs to obtain or fulfil a contract with a customer. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

AASB 16: Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 *Leases* and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a "right-of-use" asset will be capitalized in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a "right-of-use" asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalized lease will also be recognized, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, earnings before interest, tax, depreciation, and amortisation ("EBITDA") results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Company.

(t) New Standards Adopted

The Group has considered the implications of new and amended Accounting Standards that became applicable for reporting periods commencing after 1 July 2017 but determined that their application to the financial statements is either not relevant or not material.

4. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks.

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Cash	530,402	134,352
Cash equivalents	-	-
	530,402	134,352

Cash and cash equivalents of \$69,915 relating to discontinued operations were excluded from the 30 June 2017 balance and reclassified as held for sale. The discontinued operations were disposed during the current financial year.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

4. Cash and cash equivalents (continued)

Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Cash flows from (used in) operating activities		
Loss for the year	(880,332)	(5,104,387)
<i>Adjustments for</i>		
Bad debts	5,017,067	-
Loan forgiveness	(105,685)	-
Profit on disposal of discontinued operation	(4,086,471)	-
Depreciation	-	323,103
Provision for bad debt	(595,059)	279,819
Share-based payments	78,000	148,484
Write-off of intangible asset	-	60,732
<i>Movements in working capital</i>		
Receivables	(2,426)	(73,375)
Prepaid expenses and deposit	2,524	(254,430)
Accounts payable and accrued liabilities	16,607	(182,111)
Foreign exchange differences	(73,661)	444,193
Net cash outflows used in operating activities	(629,436)	(4,357,972)

5. Trade and other receivables

The summary of the Group's receivables is as follows:

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Taxes receivable from governments	7,328	4,902
<i>Receivable from PTF</i>		
Promissory notes	4,395,745	-
Interest receivable	595,059	-
Recharges for expenditure	119,421	-
Less: Provision for bad debt	(5,110,225)	-
	-	-
	7,328	4,902

Trade and other receivables of \$109,723 relating to discontinued operations were excluded from the 30 June 2017 balance and reclassified as held for sale. The discontinued operations were disposed during the current financial year.

Movements in the provision for doubtful debt are as follows:

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Opening balance	-	-
Doubtful debt recognised	5,110,225	-
	5,110,225	-

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

6. Prepaid expenses and deposits

The summary of the Group's prepaid expenses and deposits are as follows:

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Prepaid expenses	28,826	31,350
	28,826	31,350

Prepaid expenses and deposits of \$95,890 relating to discontinued operations were excluded from the 30 June 2017 balance and reclassified as held for sale. The discontinued operations were disposed during the current financial year.

7. Discontinued Operations and Sale of Subsidiaries

Financial information relating to Kabuni Technologies Inc. (Canada) (KTI) and Kabuni Technologies Private (India) Limited (KB India) which were derecognised during the six month period to 31 December 2017 is set out below.

Print The Future, Inc. entered into a Share Purchase Agreement ("SPA") with Kabuni on 1 May 2017 to acquire all of the issued capital of Kabuni's subsidiaries, KTI and KB India. On 30 June 2017, the Company entered into an Amended and Restated Share Purchase Agreement ("Purchase Agreement") with PTF that in effect amended, restated and replaced the SPA. Under the Purchase Agreement, it is proposed that Kabuni will be paid a purchase price of \$4,500,000 from PTF as set out below:

(a) A convertible promissory note from PTF in a principal amount of \$843,900.22, being the total amounts outstanding under the TSA including accrued interest, as at 30 June 2017 ("the TSA Note");

(b) A convertible promissory note of PTF in the agreed form, in a principal amount that shall equal \$4,500,000 less the principal amount of the TSA Note, (but not taking into account any amount attributable to accrued interest) ("the Purchase Note"). The Purchase Note was issued on completion of the transaction. The Purchase Note was due to mature and be repayable on or before 30 November 2017. The Purchase Note did not bear interest prior to Maturity.

Following the disposal of Kabuni Technologies Inc. and Kabuni Technologies (India) Private Limited during the financial year 2018, there are no longer any assets or liabilities held in relation to the discontinued operation as at 30 June 2018.

The financial performance of the discontinued operation to date of disposal of subsidiaries, which is included in the profit on disposal of subsidiary per the statement of profit or loss and other comprehensive income is as follows:

	30 June 2018	30 June 2017
	\$	\$
Revenue		
Membership/Online Revenue	-	22,234
Services	-	791,060
Total Income	-	813,294
Expenses		
Operation Costs	(63,744)	1,485,501
Wages and Salaries	39,275	2,195,254
Depreciation	31,417	317,584
Impairment of Assets	-	279,819
Bad Debts	-	767,228
Total Expenses	6,948	5,045,386
Gain/(Loss) before Income Tax	(6,948)	(4,232,092)
Income Tax Expense	-	-
Total gain/(loss) after tax attributable to the discontinued operations	(6,948)	(4,232,092)

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

7. Discontinued Operations and Sale of Subsidiaries (Continued)

Assets held for sale		
Cash and Equivalents	-	69,915
Trade and Other Receivables	-	109,723
Prepaid Expenses and Deposits	-	95,890
Property and Equipment	-	272,781
Total Assets held for sale	-	548,309
Current liabilities relating to assets held for sale		
Trade and Other Payables	-	160,045
Loans Payable	-	82,466
Finance Lease Liability	-	15,622
Total Current liabilities relating to assets held for sale	-	258,133

The net cash flows of the discontinued operations which have been incorporated into the statement of cash flows are as follows:

Net cash inflow/outflow from operating activities	-	(3,512,124)
Net cash inflow/outflow from investing activities	-	(63,614)
Net cash inflow/outflow from financing activities	-	-
Net decrease in cash used in the discontinued operations	-	(3,575,738)

Book value of net assets over which control was lost	18 October 2017 (date of disposal)
	\$
Total current assets	28,454
Total non-current assets	251,749
Total assets	280,203
Total current liabilities	(236,582)
Total non-current liabilities	-
Total liabilities	(236,582)
Net assets derecognised	43,621
Consideration receivable	4,438,888
Cash	-
Carrying value of investment	(301,848)
Net assets derecognised	(43,621)
Gain on disposal of subsidiary	4,093,419
Gain/(Loss) after tax during the period to date of sale	(6,948)
Profit from discontinued operations after tax	4,086,471

8. Intangible Assets

On 31 January 2017, the Company's subsidiary, Kabuni USA Inc., acquired certain intangible assets of Design Campus, an online platform for members to subscribe to design courses that feature relevant training content, including courses accredited by both the Interior Design Continuing Education Counsel (IDCEC) and the Architects Institute of America (AIA) for \$66,253 (US \$50,000). The assets acquired include the Design Campus website, databases, internet domains and customer lists ("Intangible Assets").

At 30 June 2017, the Company impaired the value of Design Campus to \$Nil but intends to develop the platform, with the immediate aim to increase brand recognition by providing additional content in order to drive new customers to the Design Campus site and convert current followers to paid customers.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

8. Intangible Assets (Continued)

The summary of the Group's Intangible Assets is as follows:

	Consolidated 30 June 2018 \$	Consolidated 30 June 2017 \$
Cost		
Balance at the beginning of the year	66,253	-
Additions	-	66,253
Balance at the end of the year	66,253	66,253
Amortisation		
Balance at the beginning of the year	(5,521)	-
Amortisation expense	-	(5,521)
Balance at the end of the year	(5,521)	(5,521)
Impairment		
Balance at the beginning of the year	(60,732)	-
Impairment of Intangible Assets	-	(60,732)
Balance at the end of the year	(60,732)	(60,732)
Balance at the end of the year	-	-

9. Trade and other payables

	Consolidated 30 June 2018 \$	Consolidated 30 June 2017 \$
Trade payables	91,316	29,181
Accruals	74,324	119,852
	165,640	149,033

Trade payables are non-interest bearing and are normally settled on a 30-day basis. Other payables are non-interest bearing and have an average term of 30 days. All amounts are expected to be settled within twelve months.

Trade and other payables of \$160,045 relating to discontinued operations were excluded from the 30 June 2017 balance and reclassified as held for sale. The discontinued operations have been disposed during the current financial year.

10. Loans payable

The Company's former subsidiary, Kabuni Technologies Inc. had received a series of short-term loans from a company owned by a now former director and officer of the Company. These loans accrued interest at 8% per annum, compounded annually. As at 30 June 2017, the Company had loans outstanding, including accrued interest of \$82,466 (CAD\$82,179) (30 June 2016 - \$84,983 (CAD\$82,179)). The loan was originally due on 30 June 2014, but subsequently was extended to 30 June 2015. The Company had provided a general security agreement over its assets to the lender.

On 30 June 2015, the Company entered into an amending agreement whereas the loan was extended an additional year to mature on 30 June 2016. As per the agreement, the loan would no longer bear interest and the lender had released and discharged of all security that was previously held over the Company's assets.

During the 2017 financial year, the Company entered into an additional amending agreement whereby the loan was extended again to 30 June 2017. The loan was further extended to 30 September 2017 at which date the amount due was offset against TSA liabilities owing to the company from Print the Future Inc..

These loans payable of \$82,446, relating entirely to discontinued operations were excluded from the 30 June 2017 balance and reclassified as held for sale. The discontinued operations were disposed during the current financial year.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

11. Share capital

(a) Issued

	Consolidated 30 June 2018		Consolidated 30 June 2017	
Issued capital	\$		\$	
722,096,113 fully paid ordinary shares (30 June 2017: 241,443,455 shares)	27,326,179		20,116,448	

	Consolidated 30 June 2018		Consolidated 30 June 2017	
	No.	\$	No.	\$
Balance at beginning of the balance year	241,443,455	20,116,448	130,309,175	17,338,533
Changes due to deconsolidation of subsidiaries (KTI Canada)	-	4,701,854	-	-
Shares issued for private placement ¹	-	-	29,900,000	807,300
Shares issued for rights issue ²	192,492,918	384,986	47,900,947	1,293,325
Shares issued for shortfall issue ²	24,974,950	49,950	33,333,333	900,000
Share cancellation ³	(19,950,000)	(93,158)	-	-
Performance share conversion ⁵	13,525,493	1,552,549	-	-
Shares issued on conversion of convertible notes ⁴	129,309,796	285,000	-	-
Shares issued on options exercised ⁶	44,555,883	178,222	-	-
Shares issued for shortfall issue ⁷	69,743,618	139,487	-	-
Shares issued for Directors placement ⁸	26,000,000	52,000	-	-
Capital raising costs	-	(41,159)	-	(222,710)
Balance at the end of the Year	722,096,113	27,326,179	241,443,455	20,116,448

1. On 21 October 2016, the Company completed a Private Placement and raised gross proceeds of \$807,300. As part of the Private Placement, 14,950,000 free attaching options were issued, exercisable at \$0.05 each on or before 30 June 2019 (Note 12(b)). There were no underwriting arrangements entered into as part of the Private Placement, however in connection with the Private Placement a cash fee of 6% of the funds raised pursuant to the Private Placement has been paid.

2. The Company completed a Rights Issue and Shortfall offer on 29 November 2016 and 13 December 2016, respectively, by issuing 81,234,280 ordinary shares for gross proceeds of \$2,193,325. For every two new shares issued under the Rights and Shortfall Issue, one free attaching option was issued for a total of 40,617,146 options issued, exercisable at \$0.05 each on or before 30 June 2019 (Note 12(b)). Both the Rights Issue and Shortfall Issue are subject to a cash fee of 6% of the funds raised.

The Company completed a Rights Issue and issued 192,492,918 shares at \$0.002 each on 13 December 2017 and 76,997,164 Free Attaching Options (each exercisable at \$0.004 and expiring on 30 April 2021) to raise gross proceeds of \$384,985.84. A total of 287,211,488 shares and 114,884,595 Free Attaching Options were available under the Rights Issue, and the Shortfall Securities were to be allocated at the discretion of the Company and the Lead Manager. Subsequently on 19 December 2017 the Company issued 24,974,950 shares and 9,989,980 Free Attaching Options under the Rights Issue Shortfall Offer on the same terms and conditions as the Rights Issue to raise a further \$49,949.90. The Shortfall Offer issues are subject to a cash fee of 6% of the funds raised and the Company paid a Rights Issue management fee of \$15,000.

3. Pursuant to the Amended and Restated Share Purchase Agreement with PTF (Note 7), the Company cancelled 19,950,000 fully paid ordinary shares and 24,605,000 Performance Shares held by Mr Neil Patel on 16 October 2017.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

11. Share capital (Continued)

4. On 16 October 2017, the Company arranged for the issue of 97,630,421 shares on conversion and full satisfaction of 234,313 convertible notes with a face value of \$234,313. Notes converted upon the election of note holders, with a deemed price of \$0.0024 per share, being a 20% discount to the 5-trading day VWAP before the day of election to convert convertible notes. On 13 December 2017, the Company arranged for the issue of 31,679,375 shares on conversion and full satisfaction of 50,687 convertible notes with a face value of \$50,687. Notes convert automatically upon the completion of the Rights Offer. The deemed conversion price was \$0.0016 per share, being a 20% discount to the Rights Offer per price share of \$0.002.
5. On 13 December 2017, the Company arranged for the issue of 13,525,493 shares on conversion of 13,525,493 performance shares under the terms of the performance shares, comprising 3,881,372 Class A performance shares, 3,881,375 Class B performance shares, 2,881,373 Class C performance shares and 2,881,373 Class D performance shares.
6. A total of 44,555,883 options were exercised during the current year. On 3 January 2018, 2,520,000 shares were issued on conversion of 2,520,000 unlisted options exercisable at \$0.004 per option on or before 30 April 2021. On 4 January 2018, 25,779,380 shares were issued on conversion of 25,779,380 unlisted options exercisable at \$0.004 per option on or before 30 April 2021. On 12 January 2018, 11,061,415 shares were issued on conversion of 11,061,415 unlisted options exercisable at \$0.004 per option on or before 30 April 2021. On 25 January 2018, 2,914,488 shares were issued on conversion of 2,914,488 unlisted options exercisable at \$0.004 per option on or before 30 April 2021. On 1 February 2018, 2,280,600 shares were issued on conversion of 2,280,600 listed options exercisable at \$0.004 per option on or before 30 April 2021.
7. On 25 January 2018, 69,743,618 shares were issued that were the remaining shortfall securities available under the entitlements offer.
8. On 23 March 2018, 26,000,000 shares were issued for a Director Placement under the Prospectus dated 23 January 2018.

(b) Shares repurchased

No shares have been repurchased in the year ended 30 June 2018.

(b) Escrow shares

As at 30 June 2018, the Company had no ordinary shares classified by the ASX as restricted securities which are being held in escrow (30 June 2017: 25,540,879 – subsequently released from escrow on 2 September 2017).

12. Reserves

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Foreign currency translation reserve ¹	2,630	(41,777)
Share based payments reserve (Note 12 (b))	282,867	282,867
Option reserve (Note 12 (c))	399,756	-
Performance shares reserve (Note 12 (a))	2,460,500	4,013,049
	3,145,753	4,254,139

1. The foreign exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

(a) Performance shares reserve

The performance share reserve is used to record the value of Class A performance shares and Class B Performance Shares issued to certain Serpentine employees and the advisors based on the directors' assessment of the likelihood of the performance shares being converted to ordinary shares. During the year ended 30 June 2018, 13,525,493 Performance Shares with a value of \$1,552,549 were converted into ordinary shares, thereby transferring \$1,552,549 into issued share capital. The remaining 24,605,000 performance shares were cancelled under the selective capital reduction.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

12. Reserves (Continued)

(b) Performance shares reserve (Continued)

<u>Performance Shares</u>	<u>Shares at 30 June 2017</u>	<u>\$</u>	<u>Converted</u>	<u>\$</u>	<u>Cancelled</u>	<u>Shares at 30 June 2018</u>	<u>\$</u>
Class A	10,032,622	2,006,524	(3,881,372)	776,274	(6,151,250)	-	1,230,250
Class B	10,032,625	2,006,525	(3,881,375)	776,275	(6,151,250)	-	1,230,250
Class C	9,032,623	-	(2,881,373)	-	(6,151,250)	-	-
Class D	9,032,623	-	(2,881,373)	-	(6,151,250)	-	-
	38,130,493	4,013,049	(13,525,493)	1,552,549	(24,605,000)	-	2,460,500

	30 June 2018	30 June 2017
	\$	\$
Balance at the beginning of the year	4,013,049	4,013,049
Conversion of performance shares (Note 11 (a))	(1,552,549)	-
Cancellation of performance shares*	-	-
Balance at the end of the year	2,460,500	4,013,049

* As the Performance Shares were deemed to have only non-vesting conditions attached to them (as defined under AASB 2/IFRS 2), these performance shares were considered to have vested on grant date. Therefore, the performance share reserve is not adjusted for the cancellation of these shares.

The Company has reserved for issuance four classes of performance shares, which are to be converted to ordinary shares upon the successful completion of the following milestones:

- a. Class A Performance Shares which will convert into one fully paid ordinary share upon:
 - i. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$200 Revenue, each month for 3 consecutive months, on or before 30 August 2016; or
 - ii. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$200 Revenue, each month for 3 consecutive months, and the Milestone D is also achieved (Milestone A);
- b. Class B Performance Shares which will convert into one Share upon:
 - i. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$750 Revenue, each month for 3 consecutive months, on or before 31 December 2016; or
 - ii. a minimum of 1,000 Registered Home Designers each achieve the CAD equivalent of at least \$750 Revenue, each month for 3 consecutive months, and Milestone D is also achieved, and (Milestone B);
- c. Class C Performance Shares which will convert into one Share upon:
 - i. the Company achieving the CAD equivalent of at least \$20 million in revenue in any 12 months and has a minimum of 20,000 registered home designers, on or before December 1, 2017; or
 - the Company achieving the CAD equivalent of at least \$20 million in revenue in any 12 months and has a minimum of 20,000 registered home designers, and Milestone D is also achieved (Milestone C); and
- d. Class D Performance Shares which will convert into one Share upon:
 - i. the Company achieving the CAD equivalent of at least \$50 million in revenue in any 12 months; and
 - ii. a minimum of 35,000 Registered Home Designers on or before 30 June 2018 (Milestone D).

The amount recognized in the performance share reserve is the value of the performance shares issued to the Group's directors, employees and consultants based on management's assessment of the likelihood of the performance shares being converted to ordinary shares at date of grant of the performance shares. The performance shares are owned outright by their holders and do not lapse if employment ceases. As there is no specified service period, either implicit or explicit, attached to the performance shares, the performance share conditions are considered to be non-vesting.

Following shareholder approval of the PTF sale transaction (refer Note 7), the change of control condition for conversion of the performance shares were met and the Company arranged for the issue of 13,525,493 shares on conversion of 13,525,493 performance shares under the terms of the performance shares, comprising 3,881,372 Class A performance shares, 3,881,375 Class B performance shares, 2,881,373 Class C performance shares and 2,881,373 Class D performance shares. The remaining 24,605,000 performance shares were cancelled under the selective capital reduction.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

12. Reserves (Continued)

(b) Share based payments reserve

Type	Options Outstanding	Fair Value \$
Listed – Placement options ¹	12,000,000	-
Listed – Free attaching options ²	55,567,146	-
Listed – Placement options ²	15,000,000	15,000
Listed – Free attaching options ³	120,728,708	-
Unlisted options ⁴	7,438,334	267,867
	210,734,188	282,867

Type	30 June 2018 \$	30 June 2017 \$
Balance at the beginning of the year	282,867	119,383
Employee, director, contractor and consultant share-based payments	-	129,515
Placement options	-	15,000
Supplier share-based payments	-	18,969
Balance at the end of the year	282,867	282,867

- As part of the 24 August 2015 concurrent financing, the Company issued 12,000,000 options, at an issue price of \$0.005 per option, for a gross proceeds of \$60,000. The options are exercisable at \$0.30 within 3 years of issue. The gross proceeds were received by the Company prior to the completion of the RTO and were included in the cash and cash equivalents balance as part of the net assets acquired.
- As part of the 21 October 2016 and the 23 November, 2016 financing (Note 11(a) footnotes 1 and 2), the Company issued 70,567,146 options. Of this number, 55,567,146 were options issued to the subscribers of the financing. The remaining 15,000,000 were issued at a price of \$0.001 per option for gross proceeds of \$15,000.
- On 29 January 2018, 112,609,308 unlisted options exercisable at \$0.004 expiring on the 30 April 2021 were converted to listed options, and 2,280,600 of these newly listed options were exercised on 1 February 2018. As part of the 23 January 2018 Shortfall Offer, 10,400,000 listed options exercisable at \$0.004 expiring on the 30 April 2021 were issued on 23 March 2018.
- The Company grants stock options from time to time in order to assist in the recruitment, reward, retention and motivation of employees, directors and consultants of Serpentine Technologies Limited. The fair value at grant date of options granted during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option. The table below summarizes options granted to employees, directors, contractors and consultants during the year ended 30 June 2018:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year	Granted during the year	Exercised during the year	Expired / converted / lapsed during the year	Balance at end of the year
17/03/16	31/03/19	\$0.18	2,013,334	-	-	-	2,013,334
18/08/16	06/11/18	\$0.13	150,000	-	-	-	150,000
18/08/16	31/10/18	\$0.13	200,000	-	-	-	200,000
31/10/16	30/09/19	\$0.05	150,000	-	-	(75,000)	75,000
29/11/16	30/06/19	\$0.06	3,000,000	-	-	-	3,000,000
09/12/16	31/03/19	\$0.06	1,000,000	-	-	-	1,000,000
10/02/17	30/09/19	\$0.06	1,000,000	-	-	-	1,000,000
13/12/17	30/04/21	\$0.004	-	76,997,164	(3,591,435)	³ (73,405,729)	-
13/12/17	30/04/21	\$0.004	-	9,989,980	(9,989,980)	-	-
03/01/18	30/04/21	\$0.004	-	40,000,000	(25,779,380)	³ (14,220,620)	-
25/01/18	30/04/21	\$0.004	-	27,897,447	(2,914,488)	³ (24,982,959)	-
			7,513,334	154,884,591	(42,275,283)	(112,684,308)	7,438,334

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

12. Reserves (Continued)

(b) Share based payments reserve (Continued)

(i) Weighted average remaining contractual life

The weighted average remaining contractual life for the unlisted share Options outstanding as at 30 June 2018 is 0.90 years (2017: 1.91 years).

(ii) Weighted average fair value

The weighted average fair value of the unlisted Options granted during the year ended 30 June 2017 was 0.62 cents.

No weighted average fair value of the 154,884,591 unlisted Options granted during the current year has been calculated as:

- 114,884,591 of these options were free-attaching and therefore have no fair value for financial reporting purposes; and
- The remaining 40,000,000 options were granted as consideration for corporate advisory services rendered with a fair value of \$60,000 (Note 12(c)).

(c) Option reserve

Type	30 June 2018	30 June 2017
	\$	\$
Balance at the beginning of the year	-	-
Deconsolidation of subsidiaries (Note 7)	335,756	-
Options issued – subscription proceeds ¹	4,000	-
Options issued – consultants ¹	60,000	-
Balance at the end of the year	399,756	-

¹ On 3 January 2018, 40 million unlisted options exercisable at \$0.004 each with an expiry date of 30 April 2021 were issued as consideration for advisory services totalling \$64,000. The related expense is recognised as corporate advisory fees in the consolidated statement of profit and loss and other comprehensive income. All 40 million options were exercised by the 30 June 2018 – 25,779,380 options were exercised on the 4 January 2018 and the remainder 14,220,620 options were converted to listed options on 29 January 2018.

13. Share based payments

Share based payment transactions recognized as operational expenses in the statement of profit or loss and other comprehensive income during the year ended 30 June 2018 were as follows:

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Employee, director, contractor and consultant share based payments	-	129,515
Corporate advisor options*	60,000	-

* Refer to footnote 1 under Note 12(c)

14. Accumulated losses

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Movements in accumulated losses were as follows:		
Opening balance	(24,058,840)	(18,954,453)
Changes due to deconsolidation of subsidiaries		
- KTI Canada	13,690,202	-
- KTI India	297,786	-
- Other Adjustments	(19,170,401)	-
- Loss on deconsolidation	50,569	-
Loss for the year	(880,332)	(5,104,387)
Closing balance	(30,071,016)	(24,058,840)

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

15. Segmented information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Company's primary segment is one business, being the development of a membership platform (Design Campus) within the Interior Design industry.

During the year ended 30 June 2018, the Company operated in the following geographic segments: Australia, USA, India and Canada.

(a) Revenue, interest and other income by geographical region

	30 June 2018	30 June 2017
	\$	\$
<u>Continuing Operations</u>		
Australia	596,964	-
USA *	106,950	5,473
Total revenue from continuing operations	703,914	5,473
* Includes \$105,685 relating to other income – loan forgiveness		
<u>Discontinued Operations</u>		
Canada *	-	813,294
India *	-	-
Total revenue from discontinued operations	-	813,294

* Included in the net loss from discontinued operations as shown in Note 7

(b) Loss by geographical region

	30 June 2018	30 June 2017
	\$	\$
<u>Continuing Operations</u>		
Australia	(981,880)	(769,269)
USA	101,548	(103,026)
Total Loss from continuing operations	(880,332)	(872,295)
<u>Discontinued Operations</u>		
Canada *	-	(3,937,116)
India *	-	(294,976)
Total Loss from discontinued operations	-	(4,232,092)

* Included in the net loss from discontinued operations as shown in Note 7

(c) Total assets by geographical region

	30 June 2018	30 June 2017
	\$	\$
<u>Continuing Operations</u>		
Australia	399,763	170,154
USA	1,153	450
Total Assets from continuing operations	400,916	170,604
<u>Discontinued Operations</u>		
Canada *	-	482,831
India *	-	65,478
Total Assets from discontinued operations (Assets held for sale)	-	548,309

* The assets held in relation to discontinued operations as related subsidiaries were disposed during the year (Note 7)

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

16. 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.

The following reflects the loss and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Loss used in calculating basic and dilutive EPS	(880,332)	(5,104,387)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	492,013,068	197,214,750
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	492,013,068	197,214,750

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements. As the Company is loss making, there is no diluted EPS calculated.

17. Related Parties

(a) Compensation of key management personnel

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Group as a whole. The compensation made to directors and other members of key management personnel of the Group during the year ended 30 June 2018 is disclosed in the Remuneration Report included in the Directors' Report.

	30 June 2018	30 June 2017
	\$	\$
Salary and Employee benefits	52,500	821,430
Non-monetary benefits	-	-
Other employee expense (superannuation)	5,007	4,275
Share based payments	18,000	60,310
	75,507	886,015

(b) Transactions with related parties

During the financial year, payments for company secretarial and accounting services totalling \$100,699 were made provided by Ventnor Capital Pty Ltd (director-related entity of Stuart Carmichael) (2017: nil).

(c) Receivable from and payable to related parties

At 30 June 2018, there were \$3,500 directors' fees owing (30 June 2017: \$60,226) included in trade and other payables.

At 30 June 2018, there were no amounts owing from a former officer and director of the Company (30 June 2017: \$9,091). This amount is included in assets held for sale (note 7) as at 30 June 2017.

As at 30 June 2018, there was a trade payable balance owing to Ventnor Capital Pty Ltd (a director-related entity of Stuart Carmichael) of \$13,200. All transactions were made on normal commercial terms and conditions and at market rates.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

17. Related Parties (Continued)

At 30 June 2018, there was \$5,110,225 owing from Print the Future Inc, a company controlled by a former officer and director of the Company. This amount is inclusive of interest receivable of \$595,059 and a recharge amount of \$119,421 with the balance, \$4,395,745 relating to promissory notes owing in respect of the purchase consideration for the acquisition of Kabuni Technologies Inc. and Kabuni Technologies (India) Private Limited. This amount of \$5,110,225 was provided for in full as at 30 June 2018.

18. Commitments

The Company has no Operational, Capital, Finance or Termination Payment commitments as at 30 June 2018 (2017: nil).

19. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

20. Remuneration of Auditors

	Consolidated 30 June 2018	Consolidated 30 June 2017
	\$	\$
Audit and review of the financial statements (parent company auditors)	57,622	76,818
Independent Expert's Report on the PTF sale transaction	12,194	-
Subsidiary company auditors (not related to parent company auditor)	-	7,500
	69,816	84,318

The auditor of the Group is Stantons International Audit and Consulting Pty Ltd.

21. Subsidiaries

Details of the Company's subsidiaries at the end of the reporting year are as follows:

	Country of incorporation	Percentage owned	
		30 June 2018	30 June 2017
Kabuni USA, Inc.	USA	100%	100%
Stirling Minerals Pty Limited	Australia	100%	100%
Kabuni Technologies (India) Private Limited	India	-	100%
Kabuni Technologies Inc.	Canada	-	100%

22. Subsequent Events

On the 1 August 2018, Chris Huish resigned as Joint Company Secretary.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in the future financial years.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

23. Income Tax

(a) Income tax expense

	30 June 2018	30 June 2017
	\$	\$
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

	30 June 2018	30 June 2017
	\$	\$
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(4,961,901)	(5,104,387)
Tax at the Australian rate of 27.5% (2017: 27.5%)	(1,364,523)	(1,403,707)
Income tax rate differential / change in statutory rate	-	4,889
Tax effect of amounts not deductible in calculating taxable income	-	133,213
Other deductible items	-	-
Income tax benefit not brought to account	1,364,523	1,265,605
Income tax expense	-	-

(c) Unrecognised deferred tax assets arising on timing difference and losses

No deferred tax assets have been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The benefit for tax losses will only be obtained if:

- the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- no changes in tax legislation in Australia adversely affect the Company in realising the benefit from the deductions for the losses.

At 30 June 2018, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability for additional taxation should such amounts be remitted.

24. Parent Entity Information

The following details information related to the parent entity, Serpentine Technologies Limited. The information presented here has been prepared using consistent accounting policies as presented in Note 3.

	30 June 2018	30 June 2017
	\$	\$
Current assets	565,331	460,711
Total assets	565,331	460,711
Current liabilities	(165,523)	(148,920)
Total liabilities	(165,523)	(148,920)
Net assets	399,808	311,791
Issued capital	27,326,179	24,818,301
Reserves	3,143,122	751,955
Accumulated losses ¹	(30,069,493)	(25,258,465)
Total Equity	399,808	311,791

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

24. Parent Entity Information (Continued)

	30 June 2018	30 June 2017
	\$	\$
Loss of the parent entity	931,312	5,237,491
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	931,312	5,237,491

- ¹ The 30 June 2018 accumulated losses balance includes an adjustment of \$3,879,716 in the current year, to recognise that part of the performance share reserve balance previously only recognised at the consolidation level.

There are no known commitments, contingent assets or liabilities as at 30 June 2018 in the parent entity (2017: nil).

Guarantees

The Company has not entered into any guarantees in relation to the debts of its subsidiary.

25. Financial Instruments and Risk

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to their short-term nature. The Company's cash and cash equivalents are measured at fair value using Level 1 inputs. The Company is exposed to varying degrees to a variety of financial instrument related risks:

(a) Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at 30 June 2018, the Company is exposed to foreign currency risk through its subsidiary, Kabuni USA Inc. which is denominated in USD.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at 30 June 2018, the Company is not exposed to any significant credit risk.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest expense on loans payable and interest income on term deposits. The Company has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at 30 June 2018, the Company is not exposed to any significant interest rate risk.

SERPENTINE TECHNOLOGIES LIMITED

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

25. Financial Instruments and Risk (Continued)

At 30 June 2018, if interest rates had moved as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Interest Rate	Floating	Fixed	Non Bearing	Total
Westpac Cheque	0.01%	-	-	19,790	19,790
Westpac Cash Reserve	0.50%	167,931	-	-	167,931
Westpac Cash Reserve	0.50%	305,686	-	-	305,686
Westpac Placement	0.01%	-	-	29,789	29,789
Term Deposit	2.27%	-	5,000	-	5,000
Westpac Cheque	0.00%	-	-	935	935
HSBC USA	0.00%	-	-	1,271	1,271
Total Cash		473,617	5,000	51,785	530,402

0.5%		0.25%	
Loss	Equity	Loss	Equity
2,368	2,368	1,184	1,184

	Interest Rate	Floating	Fixed	Non Bearing	Total
Trade and other receivables (excl. provisions)	16.58%	-	4,395,745	721,808	5,117,553
Trade and other payables (excl. provisions)	0.00%	-	-	165,640	165,640

(d) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the sale of ordinary shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

26. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2018 (2017: nil).

27. Dividends

No dividend was paid or declared by the Company in the year ended 30 June 2018 (2017: nil) or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2018.