

SERPENTINE TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES

ABN 45 158 307 549

Appendix 4E

1. Company details

Name of entity:	Serpentine Technologies Limited
ABN:	28 158 307 549
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	100% to	-
Loss from ordinary activities after tax attributable to the owners of Serpentine Technologies Limited	up	88% to	(588,995)
Loss for the year attributable to the owners of Serpentine Technologies Limited	up	33% to	(588,995)

Dividends

No dividend has been declared or paid for the year ended 30 June 2019 (30 June 2018: \$nil).

Brief explanation of any of the figures reported above

During the course of the year, the Company continued to review and assess development options for its Design Campus platform as well as actively seeking acquisition opportunities across all sectors, including technology.

The Company recorded nil revenue for the current year in comparison to revenue of \$1,265 in the prior period.

Loss from ordinary activities improved since the prior period which was mainly attributable to management's efforts in reducing operating expenditure and conserving cash. The prior period loss included a write-off of the PTF receivable.

The loss from ordinary activities for the consolidated entity after providing for income tax amounted to \$588,995 (30 June 2018: \$4,966,803).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.03)</u>	<u>0.06</u>

4. Details of entities over which control has been gained or lost

There have been no entities over which control has been gained or lost in the period.

5. Details of associates and joint venture entities

There are no associates or joint venture entities.

6. Details of dividends or distribution payments

No dividends or distributions are payable

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

International Accounting Standards

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

9. Attachments

Details of attachments (if any):

The Annual Report of Serpentine Technologies Limited for the year ended 30 June 2019 is attached.

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.

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input checked="" type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

Sign here:


(Company Secretary)

Dated: 26 August 2019

Name: Deborah Ho



SERPENTINE TECHNOLOGIES LIMITED

AND CONTROLLED ENTITIES

ABN 28 158 307 549

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2019

Serpentine Technologies Limited

Annual Financial Report

For the year ended 30 June 2019

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CORPORATE DIRECTORY

Directors

Mr. Stuart Carmichael – Non-Executive Chairman
Mr. Colm O'Brien – Non-Executive Director
Mr. Michael Edwards – Non-Executive Director

Company Secretaries

Mr. Brett Tucker
Ms. Deborah Ho (Appointed as Joint Company Secretary on 31 January 2019)

Registered Office

Ground Floor, 16 Ord Street
West Perth, WA 6005

Share Registry

Automic Group
Level 2, 267 St Georges Terrace
Perth, WA 6000

Stock Exchange

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

Auditors

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

Solicitors

Bellanhouse Lawyers
Level 19, Alluvion, 58 Mounts Bay Rd
Perth, WA 6000

MAP Legal Services
400/3 Place Ville Marie
Montreal, QC H3B 2E3
Canada

Website

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

Serpentine Technologies Limited

Directors' Report at 30 June 2019

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 2019.

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" and has renamed to "Serpentine Technologies Limited" in 2017. The Company is listed on the Australian Securities Exchange ("ASX") under the ASX code "S3R".

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Description of Business

Serpentine Technologies Limited 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").

Review of Operations

Over the period July 2018 through to March 2019, the Board and its advisors investigated acquisition opportunities across a number of technology sectors with the aim to identify an opportunity with the potential to significantly increase shareholder value.

On 14 March 2019, the Company announced it had entered into a non-binding agreement to acquire 100% of Keyhole TIG Limited ("K-TIG") (the "Transaction"). K-TIG is a transformative, industry disrupting welding technology that seeks to change the economics of fabrication.

On the 29 April 2019, the Company entered into a binding agreement to acquire 100% of commercially proven precision fabrication technology business, K-TIG.

Serpentine will acquire K-TIG on the following terms and conditions:

- 4,571,428,571 fully paid ordinary shares (on a pre-consolidation basis) in the capital of Serpentine, issued at a deemed price of 0.0035 cents per share ("Consideration Shares").
- It is intended, that in addition to the Consideration Shares, Serpentine will issue 1,714,285,714 deferred consideration shares (on a pre-consolidation basis), subject to the grant of an ASX waiver ("Deferred Consideration Shares").
- The Deferred Consideration Shares will be issued in tranches and will immediately convert into ordinary shares upon achievement of the following milestones:
 - Tranche 1: 571,427,571 Deferred Consideration Shares will convert into an equal number of Serpentine Shares upon K-TIG achieving \$30 million cumulative revenue within 36 months from January 2020;
 - Tranche 2: 571,427,571 Deferred Consideration Shares will convert into an equal number of Serpentine ordinary shares upon K-TIG achieving \$60 million cumulative revenue within 48 months from January 2020; and
 - Tranche 3: 571,427,571 Deferred Consideration Shares will convert into an equal number of Serpentine Shares upon K-TIG achieving \$15 million cumulative EBITDA within 48 months from January 2020.

The transaction will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. On 15 August 2019, the Company held a general meeting whereby shareholders approved of all resolutions issued in the Notice of Meeting dated 16 July 2019.

On 5 August 2019, the Company issued a Prospectus for an offer of up to 35,000,000 Shares at a price of \$0.20 each to raise up to \$7,000,000 before costs (Public Offer). The Company subsequently issued a Replacement Prospectus dated 15 August 2019.

Serpentine Technologies Limited

Directors' Report at 30 June 2019

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES (CONTINUED)

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

In October 2017, Print the Future, Inc. completed the acquisition of all the issued capital of Kabuni Technologies, Inc. ("KTI"), Kabuni Technologies (India) Private Limited ("KT India") and Kabuni USA Inc. The Group received an additional convertible promissory note from PTF with a principal amount of \$3,728,041 (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 Group has provided PTF with formal notice that an event of default has occurred under the Note, confirming that the Group has not waived the default and expressly reserving all of the Group's rights, powers, privileges and remedies under the Note, applicable law or otherwise.

To date, PTF owes the Group approximately \$4,395,745 plus interest and other recharges under convertible promissory notes, in connection with the sale of Kabuni technology assets. The total amount owed from PTF of \$6,145,054 was provided for in full as at 30 June 2019 (2018: \$5,110,225).

The Group and its advisors remain in regular contact with PTF regarding the recovery of the amounts owing to the Group and continues to retain all rights to do so. The Board also continues to monitor all options available to the Group to recover amounts owing from PTF.

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

Apart from the ongoing transaction with K-TIG as mentioned above, 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 Nature of Operations and Principal Activities note above.

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, mergers and acquisitions, 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, the Middle East and Australia.

Mr Carmichael's sector experience includes the construction, transportation and logistics, facilities management, corporate real estate 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 Swick Mining Services Ltd (ASX:SWK), De.mem Limited (ASX:DEM), ClearVue Technologies (ASX:CPV), and Non-Executive Chairman of Schrole Limited (ASX:SCL).

Serpentine Technologies Limited

Directors' Report at 30 June 2019

DIRECTORS (CONTINUED)

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

Non-Executive Director

Mr O'Brien has over 20 years' executive level experience in financial services, tier one management consulting and media industries. He led ASX listed company Aspermont Limited (ASX: ASP) as chief executive officer and transformed that business from a local mining publication to a global, digitally led resources media business including world leading events. Prior to that, Mr O'Brien graduated with a Bachelor of Law, from University College Cork, Ireland and worked extensively within financial services in Europe and Australia with Barclays Bank and Andersen Consulting (Accenture).

Currently, Mr O'Brien is a founding director of Carrington Partners, a management consultancy firm focused on providing practical strategic and board/executive support, including business/technology growth, 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 assets in broadcasting and publishing, including Crocmedia, SEN Radio, and the AFL Record.

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 Ltd, Eagle Mining Corporation NL and International Mineral Resources NL. Mr Edwards is also a Non-Executive Director of ASX listed companies De.mem Limited (ASX:DEM), Norwood Systems Limited (ASX:NOR) and Dawine Limited (ASX:DW8). Mr Edwards has been involved in numerous ASX listing and reverse takeovers across a range of industries including technology.

COMPANY SECRETARY

Mr. Brett Tucker – Joint Company Secretary (Appointed 5 January 2017)

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.

Ms. Deborah Ho – Joint Company Secretary (Appointed 31 January 2019)

Ms. Ho has over six years of experience in company secretarial, corporate compliance and financial accounting matters. She has acted as Company Secretary and financial accountant for a number of Australian publicly listed companies and has also gained audit experience from her time with international accounting practices. She holds a Bachelor of Commerce from Curtin University and is an Associate Member of the Governance Institute of Australia.

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 Australia 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 2019

SHARE OPTIONS

As of the date of this report, there were 120,803,708 unissued shares under options. The details of the options are as follows:

Number	Exercise Price	Expiry Date	Listing Status
120,728,708	\$0.004	30-Apr-21	Listed (ASX: S3ROB)
75,000	\$0.05	30-Sep-19	Unlisted
120,803,708			

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

No options were issued, exercised, cancelled, or lapsed during the year. Since the balance sheet date to the date of this report, no options have been issued, exercised, cancelled, or lapsed. During the year ended 30 June 2019 the following options expired:

- 200,000 unlisted options exercisable at \$0.13 expired on 31 October 2018
- 150,000 unlisted options exercisable at \$0.13 expired on 6 November 2018
- 2,013,334 unlisted options exercisable at \$0.18 expired 31 March 2019
- 1,000,000 unlisted options exercisable at \$0.06 expired on 31 March 2019
- 3,000,000 unlisted options exercisable at \$0.06 expired on 30 June 2019
- 1,000,000 unlisted options exercisable at \$0.06 expired on 30 June 2019
- 70,567,146 listed options exercisable at \$0.05 expired on 30 June 2019

INTERESTS IN THE SECURITIES OF THE GROUP

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	2,508,000
Michael Edwards	10,063,333	4,012,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company paid a premium during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Company, the Company Secretaries and all executive officers of the Company against a liability incurred as such a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has not, during the year, indemnified or agreed to indemnify the auditor of the Group or any related entity against liability incurred by the auditor. The Company has not paid a premium during the year in respect of a contract to insure the auditor of the Group or any related entity.

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	7	7
Colm O'Brien	7	7
Michael Edwards	7	7

Serpentine Technologies Limited

Directors' Report at 30 June 2019

DIRECTORS' MEETINGS (CONTINUED)

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. Seven (7) circular resolutions were passed as necessary to execute formal Board decisions.

PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act requires the Group'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 42 of this Annual Report.

Non-Audit Services

There were no non-audit services provided by the Group's auditors, Stantons International Audit & Consulting Pty Ltd, during the year ended 30 June 2019. During the year ended 30 June 2018, the Group's auditors 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.

AUDITED 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 Group for the financial year ended 30 June 2019. 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 2019.

Directors	Position
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 2017)

Serpentine Technologies Limited

Directors' Report at 30 June 2019

AUDITED REMUNERATION REPORT (CONTINUED)

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 Group 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 Group 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.

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, motivate and reward appropriately qualified executive talent for the benefit of the Group;
- (c) to achieve a level of remuneration that reflects the competitive market in which the Group 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.

Serpentine Technologies Limited

Directors' Report at 30 June 2019

AUDITED REMUNERATION REPORT (CONTINUED)

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 Group 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

For details regarding the number of Performance Shares held by the KMP, see "*Performance Shares Holdings of Key Management Personnel*" below. No performance shares were outstanding as at 30 June 2019 (30 June 2018: nil).

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each of the KMP of the Company for the year ended 30 June 2019 are as follows:

2019	Short term			Equity	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									
Stuart Carmichael	-	42,000	-	-	-	3,990	-	45,990	-
Colm O'Brien	-	24,000	5,305	-	-	2,280	-	31,585	-
Michael Edwards	-	24,000	63	-	-	2,280	-	26,343	-
	-	90,000	5,368	-	-	8,550	-	103,918	

Serpentine Technologies Limited

Directors' Report at 30 June 2019

AUDITED 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 2018 are as follows:

2018	Short term			Equity	Non-Monetary Benefits	Post-employment		Total	Option / Performance Share Related %
	Base Salary	Directors' Fees	Consulting and other Fees	Share Based Payments ³		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 Directors' fees settled via offset in a Directors' placement

There were no other KMP of the Group during the financial year ended 30 June 2019 (30 June 2018: nil).

Other Transactions with Key Management Personnel and their Related Parties

During the financial year, company secretarial, accounting and consulting services totalling \$120,353 were provided by Ventnor Capital Pty Ltd (director-related entity of Stuart Carmichael) (30 June 2018: \$100,699). The trade payable balance owing to Ventnor Capital Pty Ltd as at 30 June 2019 is \$74,096 (30 June 2018: \$13,200). All transactions were made on normal commercial terms and conditions and at market rates.

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.

2019	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	10,000,000	-	-	-	10,000,000
Colm O'Brien	6,570,000	-	-	-	6,570,000
Michael Edwards	10,063,333	-	-	-	10,063,333

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 Group would have adopted if dealing at arm's length.

Performance Shares Holdings of Key Management Personnel

No performance shares were issued, held or lapsed by Key Management Personnel during the 2019 financial year.

Serpentine Technologies Limited

Directors' Report at 30 June 2019

AUDITED 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:

2019	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	Exercisable	Un-exercisable
Directors							
Stuart Carmichael	4,000,000	-	-	-	4,000,000	4,000,000	-
Colm O'Brien	3,508,000	-	-	(1,000,000)	2,508,000	2,508,000	-
Michael Edwards	4,162,000	-	-	(150,000)	4,012,000	4,012,000	-

During the year ended 30 June 2019, no options (2018: 10,520,000 options) were issued to Key Management Personnel of the Group.

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	-	100%
Colm O'Brien	13/12/2017	108,000	-	13/12/2017	-	100%
	23/03/2018	2,400,000	-	23/03/2018	-	100%
Michael Edwards	13/12/2017	12,000	-	13/12/2017	-	100%
	23/03/2018	4,000,000	-	23/03/2018	-	100%

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

There were no executive contracts existing or have been entered into during the financial year ended 30 June 2019.

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 2019.

Voting and comments made at the Company's 2018 Annual General Meeting

The Company received 100% of "yes" vote on its remuneration report for the 2018 financial year at its AGM held on 27 November 2018. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Serpentine Technologies Limited

Directors' Report at 30 June 2019

AUDITED REMUNERATION REPORT (CONTINUED)

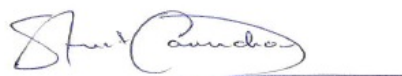
Additional Information

The earnings of the Group for the five years to 30 June 2019 are summarised below:

	2019 \$	2018 \$	2017 \$	2016 \$	2015 \$
Revenue	-	1,265	5,473	7,059	1,297
EBITDA	(585,250)	(4,965,269)	(867,777)	(16,003,084)	(2,270,769)
EBIT	(585,250)	(4,965,269)	(873,298)	(16,040,906)	(2,272,606)
Loss after income tax	(588,995)	(4,966,803)	(872,295)	(15,934,438)	(2,373,291)
Share price at year end	0.004	0.003	0.003	0.056	0.135
Loss per share (cents)	(0.08)	(0.18)	(2.59)	(13.77)	(5.12)

END OF REMUNERATION REPORT

This report is made in accordance with a resolution of directors pursuant to section 298(2)(a) of the Corporations Act 2001. Signed on behalf of the board in accordance with a resolution of the Directors.



Stuart Carmichael
Non-Executive Chairman

Perth, Western Australia

26 August 2019

Serpentine Technologies Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2019

	Note	30 June 2019 \$	30 June 2018 \$
<u>Continuing Operations</u>			
Revenue		-	1,265
Gross Profit		-	1,265
Operating expenses			
General and administration		43,449	58,605
Insurance		47,787	41,974
Professional and consulting services		260,881	424,907
Advertising and promotion		1,406	-
Salaries, director's fees, bonus and benefits		98,550	15,280
Software, website and platform costs		8,404	12,061
Travel expenses		9,452	-
Total operating expenses		(469,929)	(552,827)
Net (Loss) from continuing operations		(469,929)	(551,562)
Finance costs		(3,745)	(3,439)
Listing fees		(48,692)	(92,480)
Realised exchange loss		-	(4,904)
Bad debts	5	(1,034,829)	(5,017,067)
Loan Forgiveness		-	105,685
Other income (PTF interest receivable and bank interest)		968,200	596,964
Total (Loss) from continuing operations		(588,995)	(4,966,803)
<u>Discontinued Operations</u>			
Profit on disposal of subsidiary	7	-	4,086,471
Total (Loss) attributable to owners		(588,995)	(880,332)
Other comprehensive income / (loss)			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>			
Exchange gain / (loss) on translation of foreign operations		45	4,318
Total (loss) and comprehensive (loss) for the year		(588,950)	(876,014)
Loss per share			
- Basic and diluted (cents)	15	(0.08)	(0.18)

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 2019

	Note	30 June 2019 \$	30 June 2018 \$
Current assets			
Cash and cash equivalents	4	80,069	530,402
Trade and other receivables	5	18,335	7,328
Other assets	6	49,737	28,826
Total current assets		148,141	566,556
Non-Current assets			
Intangible asset	8	-	-
Total non-current assets		-	-
Total assets		148,141	566,556
Current liabilities			
Trade and other payables	9	336,175	165,640
Total current liabilities		336,175	165,640
Total liabilities		336,175	165,640
Net (liabilities) / assets		(188,034)	400,916
Equity			
Issued share capital	10	27,326,179	27,326,179
Reserves	11	3,145,798	3,145,753
Accumulated losses	13	(30,660,011)	(30,071,016)
Total equity		(188,034)	400,916

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 2019

	Note	Issued Share Capital	Accumulated Losses	Share-based Payments / Performance Share Reserve	Foreign Exchange Translation Reserve	Total
		\$	\$	\$	\$	\$
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	10	384,986	-	-	-	384,986
Issue of shares – shortfall allotment	10	189,437	-	-	-	189,437
Conversion of convertible notes	10	285,000	-	-	-	285,000
Conversion of performance shares	10	1,552,549	-	(1,552,549)	-	-
Cancellation of performance shares	10	(93,158)	-	-	-	(93,158)
Options issued	11(c)	-	-	64,000	-	64,000
Options exercised	10	178,222	-	-	-	178,222
Director placement	10	52,000	-	-	-	52,000
Share issue costs	10	(41,159)	-	-	-	(41,159)
Loss for the year	13	-	(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
Balance at 1 July 2018		27,326,179	(30,071,016)	3,143,123	2,630	400,916
Loss for the year	13	-	(588,995)	-	-	(588,995)
Cumulative translation adjustment		-	-	-	45	45
Balance as at 30 June 2019		27,326,179	(30,660,011)	3,143,123	2,675	(188,034)

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 2019

	Note	30 June 2019 \$	30 June 2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(451,424)	(602,606)
Receipts from sales and related debtors		-	1,265
Interest received		1,091	1,905
Net cash (used in) operating activities	4	(450,333)	(599,436)
Cash flows from financing activities			
Proceeds from options exercised		-	178,222
Proceeds from director placement		-	34,000
Proceeds from issue of shares		-	574,423
Proceeds from convertible debt		-	250,000
Share issue costs		-	(41,159)
Net cash provided by financing activities		-	995,486
Change in cash and cash equivalents during the year		(450,333)	396,050
Cash and cash equivalents at beginning of the year		530,402	134,352
Impact of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at end of the year	4	80,069	530,402

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 2019

1. Nature and Continuation of Operations

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" and has renamed to "Serpentine Technologies Limited" in 2017. The Company is listed on the Australian Securities Exchange ("ASX") under the ASX code "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 Council (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

The consolidated financial statements for the year ended 30 June 2019 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 2019, the Company and its consolidated entities have a net working capital deficiency of \$188,034 (2018: surplus of \$400,916) and an accumulated deficit of \$30,660,011 (2018: \$30,071,016).

The Group's ability to continue as a going concern is dependent upon the successful acquisition of K-TIG, which includes a capital raise of up to \$7 million under the Group's Replacement Prospectus dated 15 August 2019.

In the event that the acquisition of K-TIG is unsuccessful, then the Group'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.

No provision has been made in these consolidated financial statements for any adjustments to the net recoverable value of assets should the Group not be able to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Group'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.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

2. Basis of Presentation (Continued)

(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 recognised 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.

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 20.

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.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(b) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of the Group is 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 USA subsidiary is the United States dollar.

(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.

(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 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.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(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 derecognised 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 recognised in profit or loss.

(f) Financial Instruments

(i) Initial recognition, measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and subsequent measurement

Financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

Classifications are determined by both the contractual cash flow characteristics of the financial assets; and the entities business model for managing the financial asset. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for the impairment of trade receivables which is presented within other expenses.

There are no financial assets held at FVOCI and FVPL.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(f) Financial Instruments (Continued)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Comparative information

The Group has applied AASB 9 Financial Instruments retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 30 June 2018, the group classified its financial assets in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(g) Impairment on Non-Financial Assets

The Group'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.

An impairment loss is recognised when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Impairment losses are recognised in profit or loss for the year. An impairment loss recognised 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 Group 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 recognised. The reversal of an impairment loss is recognised immediately in profit or loss.

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

With the exception of financial 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 recognised, the previously recognised 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 recognised. Impairment losses recognised in profit or loss on available for sale equity instruments cannot be reversed.

(h) Revenue Recognition

The Group has applied AASB 15 *Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue*. The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers.

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 Group's activities. Revenue is earned primarily from subscriptions from the website members. Revenues for membership are paid in advance and will be deferred and recognized as revenue over the subscription period.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(i) Research and Development Costs

Research and development costs consist of costs incurred to develop the Group's website and mobile application to promote, advertise and earn revenue with respect to the Group'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.

(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 Group'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) 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 recognised 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 realised or the liability settled.

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

A deferred tax asset is recognised 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 Group 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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(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 Chairman, 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 14 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.

(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.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(q) Share-Based Payments (Continued)

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).

(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 Adopted

The following new standards became effective for financial reporting periods commencing on or after 1 January 2018 and have been adopted in the current financial year.

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.

As a result of adopting AASB 9 Financial Instruments, the Group has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ‘expected credit loss’ model for impairment of financial assets.

There were no financial instruments which the Group designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Group’s financial assets and determined the application of AASB 9 does not result in a change in the classification of the Group’s financial instruments.

The Group has adopted this standard from 1 July 2018, but the impact of its adoption does not have a significant impact on the financial report.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3. Significant Accounting Policies (Continued)

(s) New Standards Adopted (Continued)

AASB 15: Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 does not have a significant impact on the Group as the Group does not currently have any revenue from customers.

(t) 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 Group 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 16: Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The adoption of AASB 16 is not until the next financial year, however the Board have conducted a preliminary assessment and concluded that its adoption does not have a significant impact on the financial report.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

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 2019	Consolidated 30 June 2018
	\$	\$
Cash at bank	80,069	530,402
	80,069	530,402

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

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Cash flows from (used in) operating activities		
Loss for the year	(588,995)	(880,332)
<i>Adjustments for</i>		
Bad debts	(1,034,829)	5,017,067
Loan forgiveness	-	(105,685)
Profit on disposal of discontinued operation	-	(4,086,471)
Other income	968,200	(595,059)
Share-based payments	-	78,000
<i>Movements in working capital</i>		
Receivables	(12,098)	(2,426)
Prepaid expenses and deposit	(20,911)	2,524
Accounts payable and accrued liabilities	238,300	16,607
Foreign exchange differences	-	(43,661)
Net cash outflows used in operating activities	(450,333)	(599,436)

5. Trade and Other Receivables

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

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Taxes receivable from governments	18,290	7,328
Accrued bank interest	45	-
<i>Receivable from PTF</i>		
Promissory notes	4,395,745	4,395,745
Interest receivable	1,562,123	595,059
Recharges for expenditure	187,186	119,421
Less: Provision for bad debt	(6,145,054)	(5,110,225)
	-	-
	18,335	7,328

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

5. Trade and Other Receivables (Continued)

Movements in the provision for bad debt are as follows:

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Opening balance	5,110,225	93,158
Bad debt recognised	1,034,829	5,017,067
	6,145,054	5,110,225

6. Other Assets

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Prepaid expenses	49,737	28,826
	49,737	28,826

7. Discontinued Operations and Sale of Subsidiaries in Prior Year (2019: N/A)

Financial information relating to Kabuni Technologies Inc. (Canada) (KTI) and Kabuni Technologies Private (India) Limited (KB India) which were derecognised in the financial year ended 30 June 2018 is set out below. No such transactions occurred in the financial year ended 30 June 2019.

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, 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.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

7. Discontinued Operations and Sale of Subsidiaries (Continued)

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
	\$
Revenue	
Membership/Online Revenue	-
Services	-
Total Income	-
Expenses	
Operation Costs	(63,744)
Wages and Salaries	39,275
Depreciation	31,417
Total Expenses	6,948
Gain/(Loss) before Income Tax	(6,948)
Income Tax Expense	-
Total gain/(loss) after tax attributable to the discontinued operations	(6,948)
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 Group'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 Group 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 2019

8. Intangible Assets (Continued)

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Cost	66,253	66,253
Accumulated amortisation	(5,521)	(5,521)
Impairment	(60,732)	(60,732)
Balance at the end of the year	-	-

9. Trade and Other Payables

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Trade payables	175,814	91,316
Accruals	160,361	74,324
	336,175	165,640

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.

10. Issued Share Capital

(a) Issued Capital

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Issued capital		
722,096,113 fully paid ordinary shares (30 June 2018: 722,096,113)	27,326,179	27,326,179

	Consolidated 30 June 2019		Consolidated 30 June 2018	
	No.	\$	No.	\$
Balance at beginning of the balance year	722,096,113	27,326,179	241,443,455	20,116,448
Changes due to deconsolidation of subsidiaries (KTI Canada)	-	-	-	4,701,854
Shares issued for rights issue ¹	-	-	192,492,918	384,986
Shares issued for shortfall issue ¹	-	-	24,974,950	49,950
Share cancellation ²	-	-	(19,950,000)	(93,158)
Performance share conversion ⁴	-	-	13,525,493	1,552,549
Shares issued on conversion of convertible notes ³	-	-	129,309,796	285,000
Shares issued on options exercised ⁵	-	-	44,555,883	178,222
Shares issued for shortfall issue ⁶	-	-	69,743,618	139,487
Shares issued for Directors placement ⁷	-	-	26,000,000	52,000
Capital raising costs	-	-	-	(41,159)
Balance at the end of the Year	722,096,113	27,326,179	722,096,113	27,326,179

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

10. Issued Share Capital (Continued)

1. 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 11(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 \$384,986. 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 \$49,950. 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.

2. 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.
3. 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.
4. 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.
5. 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.
6. On 25 January 2018, 69,743,618 shares were issued that were the remaining shortfall securities available under the entitlements offer.
7. 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 2019.

(c) Escrow Shares

As at 30 June 2019, the Company had no ordinary shares classified by the ASX as restricted securities which are being held in escrow (30 June 2018: nil).

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

11. Reserves

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Foreign currency translation reserve ¹	2,675	2,630
Share based payments reserve (Note 11 (b))	282,867	282,867
Option reserve (Note 11 (c))	399,756	399,756
Performance shares reserve (Note 11 (a))	2,460,500	2,460,500
	3,145,798	3,145,753

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. As at 30 June 2019, there were no performance shares on issue.

	30 June 2019	30 June 2018
	\$	\$
Balance at the beginning of the year	2,460,500	4,013,049
Conversion of performance shares (Note 10 (a))	-	(1,552,549)
Cancellation of performance shares*	-	-
Balance at the end of the year	2,460,500	2,460,500

* 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. 10,032,622 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. 10,032,625 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. 9,032,623 Class C Performance Shares which will convert into one Share upon:
 - i. the Group 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
 - ii. the Group 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. 9,032,623 Class D Performance Shares which will convert into one Share upon:
 - i. the Group 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).

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

11. Reserves (Continued)

The amount recognised 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 in 2018 under the selective capital reduction.

(b) Share Based Payments Reserve

Type	Options Outstanding	Fair Value \$
Listed – Placement options ¹	-	15,000
Listed – Free attaching options ²	120,728,708	-
Unlisted options ³	75,000	267,867
	120,803,708	282,867

1. As part of the 21 October 2016 and the 23 November 2016 financing, 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. All 15,000,000 listed options lapsed unexercised on the 30 June 2019.

2. 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.

3. The Company grants 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 is 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 as at 30 June 2019:

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	75,000	-	-	-	75,000
29/11/16	30/09/19	\$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	30/06/19	\$0.06	1,000,000	-	-	(1,000,000)	-
			7,438,334	-	-	(7,363,334)	75,000

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

11. Reserves (Continued)

(i) Weighted average remaining contractual life

The weighted average remaining contractual life for the unlisted share Options outstanding as at 30 June 2019 is 0.25 years (2018: 0.90 years).

(ii) Weighted average fair value

No options were granted during the current year. The weighted average fair value of the unlisted options granted during the year ended 30 June 2018 has been calculated as follows:

- 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.

(c) Option Reserve

Type	30 June 2019	30 June 2018
	\$	\$
Balance at the beginning of the year	399,756	-
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	399,756

¹ On 3 January 2018, 40,000,000 unlisted options exercisable at \$0.004 each with an expiry date of 30 April 2021, and a subscription price of \$0.0001 each, were issued as consideration for advisory services totalling \$60,000. The related expense is recognised as corporate advisory fees in the consolidated statement of profit and loss and other comprehensive income. Of the 40,000,000 options, 25,779,380 unlisted options were exercised on the 4 January 2018 and the remainder 14,220,620 unlisted options were converted to listed options on 29 January 2018.

12. Share Based Payments

There were no share based payment transactions recognised as operating expenses in the statement of profit or loss and other comprehensive income during the year. The share based payment transactions recognised as operating expenses in the statement of profit or loss and other comprehensive income were as follows:

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Corporate advisor options*	-	60,000

* Refer to footnote 1 under Note 11(c)

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

13. Accumulated Losses

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Movements in accumulated losses were as follows:		
Opening balance	(30,071,016)	(24,058,840)
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	(588,995)	(880,332)
Closing balance	(30,660,011)	(30,071,016)

* Comprising adjustments relating to the reverse takeover transaction and deconsolidation entries relating to investment, intercompany loan balances and related impairment unwound in the parent entity figures.

14. Segment Information

The Group 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 Group'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 2019, the Group operated in the following geographic segments: Australia and USA (30 June 2018: Australia, USA, India and Canada).

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

	30 June 2019	30 June 2018
	\$	\$
<u>Continuing Operations</u>		
Australia	968,200	596,964
USA *	-	106,950
Total revenue from continuing operations	968,200	703,914

* Includes \$105,685 relating to other income – loan forgiveness

Discontinued Operations

Canada *	-	-
India *	-	-
Total revenue from discontinued operations	-	-

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

(b) Loss by geographical region

	30 June 2019	30 June 2018
	\$	\$
<u>Continuing Operations</u>		
Australia	(588,323)	(5,068,351)
USA	(672)	101,548
Total Loss from continuing operations	(588,995)	(4,966,803)

Discontinued Operations *

Canada	-	89,065
India	-	(96,013)
Total Loss from discontinued operations	-	** (6,948)

* Included in the net loss from discontinued operations and excludes gain on disposal of subsidiary of \$4,093,419 as shown in Note 7.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

14. Segmented information (Continued)

(c) Total assets by geographical region

	30 June 2019	30 June 2018
	\$	\$
<u>Continuing Operations</u>		
Australia	147,491	565,285
USA	650	1,271
Total Assets from continuing operations	148,141	566,556

15. 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 2019	Consolidated 30 June 2018
	\$	\$
Loss used in calculating basic and dilutive EPS	(588,995)	(880,332)
Number of Shares		
Weighted average number of ordinary shares	722,096,113	492,013,068
Cents		
Basic and diluted loss per share	(0.08)	(0.18)

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 Group is loss making, there is no diluted EPS calculated.

16. 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 2019 is disclosed in the Remuneration Report included in the Directors' Report.

	30 June 2019	30 June 2018
	\$	\$
Salary and Employee benefits	95,368	52,500
Non-monetary benefits	-	-
Other employee expense (superannuation)	8,550	5,007
Share based payments	-	18,000
	103,918	75,507

(b) Transactions with Related Parties

During the financial year, company secretarial, accounting and consulting services totalling \$120,353 were provided by Ventnor Capital Pty Ltd (director-related entity of Stuart Carmichael) (2018: \$100,699).

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

16. Related Parties (Continued)

(c) Receivable from and Payable to Related Parties

At 30 June 2019, there were \$7,900 directors' fees owing (30 June 2018: \$3,500) included in trade and other payables.

As at 30 June 2019, there was a trade payable balance owing to Ventnor Capital Pty Ltd (a director-related entity of Stuart Carmichael) of \$74,096 (2018: \$13,200). There was a trade payables balance owing to Douglas Management Services (director-related entity of Colm O'Brien) of \$5,993 (2018: nil). All transactions were made on normal commercial terms and conditions and at market rates.

At 30 June 2019, there was \$6,145,054 (2018: \$5,110,225) owing from Print the Future Inc, a company controlled by a former officer and director of the Group in 2018. This amount is inclusive of interest receivable of \$1,562,123 (2018: \$595,059) and recharges amounting to \$187,186 (2018: \$119,421) with the balance \$4,395,745 (2018: \$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. The amount of \$6,145,054 was provided for in full as at 30 June 2019 (2018: \$5,110,225).

17. Commitments

The Group has no capital or lease commitments as at 30 June 2019 (2018: nil).

18. Capital Management

The Group 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 Group consists of the components of shareholders' equity.

The Group manages its capital structure and adjusts it in light of economic conditions. The Group, 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 Group is not subject to externally imposed capital requirements.

19. Remuneration of Auditors

	Consolidated 30 June 2019	Consolidated 30 June 2018
	\$	\$
Audit and review of the financial statements (parent company auditors)	31,932	57,622
Independent Expert's Report on the PTF sale transaction	-	12,194
	31,932	69,816

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

20. Subsidiaries

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

	Country of incorporation	Percentage owned	
		30 June 2019	30 June 2018
Kabuni USA, Inc.	USA	100%	100%
Stirling Minerals Pty Limited	Australia	100%	100%

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

21. Subsequent Events

In April 2019, the Company entered into a binding agreement to acquire 100% of commercially proven precision fabrication technology business, K-TIG.

Serpentine will acquire K-TIG on the following terms and conditions:

- 4,571,428,571 fully paid ordinary shares (on a pre-consolidation basis) in the capital of Serpentine, issued at a deemed price of 0.0035 cents per share ("Consideration Shares").
- It is intended, that in addition to the Consideration Shares, Serpentine will issue 1,714,285,714 deferred consideration shares (on a pre-consolidation basis), subject to the grant of an ASX waiver ("Deferred Consideration Shares").
- The Deferred Consideration Shares will be issued in tranches and will immediately convert into ordinary shares upon achievement of the following milestones:
 - Tranche 1: 571,427,571 Deferred Consideration Shares will convert into an equal number of Serpentine Shares upon K-TIG achieving \$30 million cumulative revenue within 36 months from January 2020;
 - Tranche 2: 571,427,571 Deferred Consideration Shares will convert into an equal number of Serpentine ordinary shares upon K-TIG achieving \$60 million cumulative revenue within 48 months from January 2020; and
 - Tranche 3: 571,427,571 Deferred Consideration Shares will convert into an equal number of Serpentine Shares upon K-TIG achieving \$15 million cumulative EBITDA within 48 months from January 2020.

The transaction will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. On 15 August 2019, the Company held a general meeting whereby shareholders approved of all resolutions issued in the Notice of Meeting dated 16 July 2019.

On 5 August 2019, the Company issued a Prospectus for an offer of up to 35,000,000 Shares at a price of \$0.20 each to raise up to \$7,000,000 before costs (Public Offer). The Company subsequently issued a Replacement Prospectus dated 15 August 2019.

Apart from the above, 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.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

22. Income Tax

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 2019	30 June 2018
	\$	\$
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(588,995)	(880,332)
Tax at the Australian rate of 27.5% (2018: 27.5%)	(161,974)	(242,091)
Income tax rate differential / change in statutory rate	44	(6,881)
Tax effect of amounts not deductible in calculating taxable income	284,578	360,403
Other deductible items	-	-
Income tax benefit not brought to account	(122,648)	(111,431)
Income tax expense	-	-

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:

- i. the Group 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
- ii. the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- iii. no changes in tax legislation in Australia adversely affect the Group in realising the benefit from the deductions for the losses.

At 30 June 2019, 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. Unrecognised tax losses at 30 June 2019 is \$1,906,373 (30 June 2018: \$1,783,725).

23. 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 2019	30 June 2018
	\$	\$
Current assets	147,537	565,331
Total assets	147,537	565,331
Current liabilities	336,052	165,523
Total liabilities	336,052	165,523
Net (liabilities) / assets	(188,515)	399,808

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

23. Parent Entity Information (Continued)

	30 June 2019	30 June 2018
	\$	\$
Issued capital	27,326,179	27,326,179
Reserves	3,143,123	3,143,123
Accumulated losses ¹	(30,657,817)	(30,069,494)
Total Equity	(188,515)	399,808
Loss of the parent entity	588,323	931,312
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	588,323	931,312

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

Commitments and contingencies

There are no known commitments, contingent assets or liabilities as at 30 June 2019 in the parent entity (2018: nil).

Guarantees

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

24. 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 Group's receivables, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to their short-term nature. The Group's cash and cash equivalents are measured at fair value using Level 1 inputs. The Group 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 2019, the Group 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 Group's cash and cash equivalents and receivables are exposed to credit risk. The Group reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at 30 June 2019, the Group is not exposed to any significant credit risk.

Serpentine Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

24. Financial Instruments and Risk (Continued)

(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 Group has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at 30 June 2019, the Group is not exposed to any significant interest rate risk.

At 30 June 2019, if interest rates had moved as illustrated in the table below, with all other variables held constant, pre-tax loss and equity would have been affected as follows:

	Interest Rate	Floating	Fixed	Non Bearing	Total
Westpac Cheque	0.01%	-	-	19,808	19,808
Westpac Cash Reserve	0.50%	8,030	-	-	8,030
Westpac Cash Reserve	0.50%	26,554	-	-	26,554
Westpac Placement	0.01%	-	-	19,092	19,092
Term Deposit	2.30%	-	5,000	-	5,000
Westpac Cheque	0.00%	-	-	935	935
HSBC USA	0.00%	-	-	650	650
Total Cash		34,584	5,000	40,485	80,069

0.5%		0.25%	
Loss	Equity	Loss	Equity
173	173	86	86

	Interest Rate	Floating	Fixed	Non Bearing	Total
Trade and other receivables (excl. provisions)	15.69%	-	4,395,790	1,767,599	6,163,389
Trade and other payables (excl. provisions)	0.00%	-	-	336,175	336,175

(d) Liquidity Risk

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

25. Contingent Assets and Liabilities

There are no known contingent assets or liabilities as at 30 June 2019 (2018: nil).

26. Dividends

No dividend was paid or declared by the Group in the year ended 30 June 2019 (2018: 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 2019.

Serpentine Technologies Limited

Director's Declaration

For the year ended 30 June 2019

In accordance with a resolution of the Directors of Serpentine Technologies Limited, I state that:

1. In the opinion of the Directors:

a) The financial statements and notes of Serpentine Technologies Limited for the year ended 30 June 2019 are in accordance with the Corporations Act 2001, including:


- i. Giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- ii. Complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) The financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2 (a).

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

3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board



Stuart Carmichael
Non-Executive Chairman

Perth, Western Australia

26 August 2019

26 August 2019

The Directors
Serpentine Technologies Limited
Ground Floor, 16 Ord Street
WEST PERTH WA 6005

Dear Sirs

RE: SERPENTINE TECHNOLOGIES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Serpentine Technologies Limited.

As Audit Director for the audit of the financial statements of Serpentine Technologies Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SERPENTINE TECHNOLOGIES LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Serpentine Technologies Limited, the Company and its subsidiaries, ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

Without modification to the audit opinion expressed above, attention is drawn to the following matter.

As referred to in note 1 to the financial report, the financial report has been prepared on a going concern basis. At 30 June 2019, the Group had net assets of (\$188,034), cash and cash equivalents of \$80,069 and a net working capital deficit of \$188,034. The Group had incurred a loss for the year ended 30 June 2019 of \$588,995.

The ability of the Group to continue as a going concern and meet its administration and other business commitments is dependent upon or commence profitable operations, the Group's planned capital raising for the successful completion of Keyhole TIG Limited acquisition and/or recovery of the Print the Future, Inc. promissory note. In the event the Group is unable to raise further working capital, commence profitable operations and/or successfully recover the promissory notes from Print the Future, Inc., the Group may not be able to meet its liabilities as they fall due, or realise its assets at their stated values.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no Key Audit Matters communicated in our report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Serpentine Technologies Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International



Samir Tirodkar
Director

West Perth, Western Australia
26 August 2019

Serpentine Technologies Limited

Corporate Governance Statement

The board (the “**Board**”) of directors (the “**Directors**”) of Serpentine Technologies Limited (the “**Company**”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with the recommendations set out in the Australian Securities Exchange (“**ASX**”) Corporate Governance Council’s Corporate Governance Principles and Recommendations 3rd Edition (the “**ASX Principles**”). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, are in place.

The Company publishes its corporate governance policies, code of conduct and its Board and committee charters on its investor website at <http://serpentine technologies.com.au/corporate/> (the “**Company Website**”). Additional information that is relevant to this corporate governance statement can also be found in the Company’s annual report (the “**Annual Report**”) for its latest financial year ended 30 June 2019 (the “2019 Financial Year”).

This Corporate Governance Statement is current as at 26 August 2019 and was approved by the Board on that date.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1: *A listed entity should disclose:*

- (a) *The respective roles and responsibilities of its board and management; and*
- (b) *Those matters expressly reserved to the board and those delegated to management.*

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Recommendation 1.2: *A listed entity should:*

- (a) *Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- (b) *Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Board has adopted a Nomination Committee to carry out the responsibilities delegated by the Board relating to the Company’s director nominations process and procedures (see Recommendation 2.1, below). The Nomination Committee is responsible for conducting the appropriate checks prior to the appointment of a person as a director of the Company or prior to putting forward to security holders a new candidate for election as a director. These processes are governed by the Company’s Nomination Committee Charter. Checks undertaken may include checks as to the person’s character, experience, education, criminal record and bankruptcy history.

Material information relevant to a decision on whether or not to elect or re-elect a director is provided to security holders in all Notices of Meeting which contain director election or re-election resolutions.

Recommendation 1.3: *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

Appointment terms of the Company’s directors and senior executives are summarised in written agreements.

Recommendation 1.4: *The company secretary of a listed entity should be accountable to the board through the chair, on all matters to do with the proper functioning of the board.*

The Company’s Secretary is accountable to the Company’s Board through the chair, ensuring the Company’s Board receives adequate support to function properly.

Serpentine Technologies Limited

Corporate Governance Statement

Recommendation 1.5: *A listed entity should:*

- (a) *Have a diversity policy in place which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) *Disclose that policy or a summary of it; and*
- (c) *Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:*
 - (1) *The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or*
 - (2) *If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators," as defined in and published under that Act.*

The Company has adopted a Diversity Policy which can be viewed on the Company Website. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity.

The Diversity Policy outlines the requirements for the Board to develop objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. To assist in fostering diversity, the policy includes the requirement for the Company to take diversity of background into account (in addition to candidates' skills and experience in a variety of the specified fields) when selecting new directors, senior management and employees.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements and achieving these objectives in the future as director and senior executive positions become vacant and appropriately qualified candidates become available.

The total proportion of men and women on the Board, in senior executive positions (being the "C-level" executives of the Company and its operating subsidiary) and across the whole organisation as at 30 June 2019 is listed below:

Category	Men	Women
Board	3	0
Senior Management	1	1

The Group has not disclosed in this Corporate Governance Statement its measurable objectives for achieving gender diversity and therefore has not complied with recommendation 1.5(a) of the Corporate Governance Principles and Recommendations. Given that the Company currently has few employees, the application of measurable objectives in relation to gender diversity at various levels of the Serpentine Business is not considered to be appropriate or practical. The Board will review this position on an annual basis and will implement measurable objectives for increasing diversity as and when the Directors find them to be in the Company's best interests.

Recommendation 1.6: *A listed entity should:*

- (a) *Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) *Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered pursuant to the Company's Performance Evaluation Policy. The level of remuneration for Non-Executive Directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders.

The Board also reviews the appropriate criteria for Board membership collectively. The Board has established processes to review its own performance and the performance of individual directors (including the Managing Director/Chief Executive Officer (the "CEO")) and any committees of the Board, annually. The Board continually evaluates the composition and performance of the Board, however given the Company's operations over the 2019 Financial Year, a formal performance evaluation of its performance and the performance of its committees and individual directors was not conducted.

Serpentine Technologies Limited

Corporate Governance Statement

Recommendation 1.7: *A listed entity should:*

- (a) *Have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) *Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The CEO is responsible for assessing the performance of the key executives within the Company and its operating subsidiary. The Company has implemented a process whereby annual and quarterly priorities and key performance indicators (“KPIs”) are established for each key executive and their department. These priorities and KPIs are continuously reviewed in regular formal meetings with the CEO and the other executives, which take place on a weekly, monthly, quarterly and annual basis. Each executive’s performance is accordingly regularly evaluated against these priorities and KPIs, examining the effectiveness and results of their contribution and to identify areas of potential improvement.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1: *The board of a listed entity should:*

- (a) *Have a nomination committee which:*
 - (1) *Has at least three members, a majority of whom are independent directors; and*
 - (2) *Is chaired by an independent director, and disclose:*
 - (3) *The charter of the committee;*
 - (4) *The members of the committee; and*
 - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board has established a nomination committee (the “Nomination Committee”) of the Board, to carry out the responsibilities delegated by the Board relating to the Company’s director nominations process and procedures. The Board has adopted the Nomination Committee charter that sets out the roles and responsibilities of the Nomination Committee, which can be viewed on the Company Website.

Pursuant to the Nomination Committee Charter, the Nomination Committee shall consist of three or more directors. A majority of the members of the Nomination Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Currently, all Directors are the members of the Nomination Committee and Stuart Carmichael is the chair. Mr. Carmichael is considered to be an “independent” Director. During the 2019 Financial Year, the Nomination Committee did not meet separately as a committee, other than during regular Board meetings.

Recommendation 2.2: *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

Given the Company’s operations over the 2019 Financial Year, the Board has not yet established a formal board skills matrix. Gaps in the collective skills of the Board are regularly reviewed as part of the Remuneration and Nomination Charters, with the Remuneration and Nomination Committee proposing candidates for directorships for consideration by the Board having regard to the desired skills and experience required by the Company as well as the proposed candidates’ diversity of background.

Recommendation 2.3: *A listed entity should disclose:*

- (a) *The names of the directors considered by the board to be independent directors;*
- (b) *If a director has an interest, position, association or relationship that might cause doubts about their independence as a director but the board is of the opinion that their independence isn’t compromised, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) *The length of service of each director.*

The names of the Directors as at the end of the 2018 Financial Year, their length of service and status as independent (in the reasonable opinion of the Board) is set out on the next page:

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Director	Date of Appointment	Whether Considered Independent
Stuart Carmichael	30 June 2017	Non-executive Chairman and considered independent
Colm O'Brien	18 July 2016	Non-executive Director and considered independent
Michael Edwards	3 November 2017	Non-executive Director and considered independent

Director independence is ascertained by the Board in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies.

Recommendation 2.4: *A majority of the board of a listed entity should be independent directors.*

As at the end of the 2019 Financial Year, all Board members were considered to be independent Directors.

Recommendation 2.5: *The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

As at the end of the 2019 Financial Year, the Chairman of the Board was considered to be independent and is not the CEO of the Company.

Recommendation 2.6: *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The Company has established Performance Evaluation Practices to establish review processes relating to the performance of the Board. Professional development opportunities and induction procedures are considered on an individual director basis, with opportunities provided to individual directors where appropriate.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

Recommendation 3.1: *A listed entity should:*

- (a) *Have a code of conduct for its directors, senior executives and employees; and*
- (b) *Disclose that code or a summary of it.*

The Company recognises the importance of establishing and maintaining high ethical standards in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company has established a Code of Conduct which can be viewed on the Company Website. This code of conduct aims to encourage the appropriate standards of conduct and behaviour of the directors, officers, employees and contractors of the Company. Breaches of the Code of Conduct are required to be reported on a timely basis in accordance with the reporting requirements set out therein.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1: *The board of a listed entity should:*

- (a) *Have an audit committee which:*
 - (1) *Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
 - (2) *Is chaired by an independent director, who is not the chair of the board, and disclose:*
 - (3) *The charter of the committee;*

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- (4) *The relevant qualifications and experience of the members of the committee; and*
 (5) *In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
 (b) *If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Board has established an audit committee (the “**Audit Committee**”) of the Board, to assist the Board in overseeing the Company’s accounting and financial reporting processes and the preparation and auditing of the Company’s financial statements. The Audit Committee is responsible for monitoring and reviewing the integrity of the Company’s financial reporting, and reviewing the internal financial control system and risk management framework and systems. The Board has adopted the Audit Committee charter that sets out the roles and responsibilities of the Audit Committee, which can be viewed on the Company Website.

Pursuant to the Audit Committee Charter, the Audit Committee shall consist of three or more directors. Each member of the Audit Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Each member of the Audit Committee must be financially literate, as this term is defined under Canadian National Instrument 52-110 - Audit Committees.

As at the end of the most recently completed financial period, the members of the Company’s audit committee were:

Member	Independence(1)	Financial Literacy(2)
Stuart Carmichael	Independent	Financially literate
Michael Edwards	Independent	Financially literate
Colm O’Brien	Independent	Financially literate

Notes:

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Company’s board of directors, reasonably interfere with the exercise of a member’s independent judgement.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Each member of the Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. During the 2019 Financial Year, the Audit Committee did not meet separately as a committee, other than during regular Board meetings.

For details regarding the qualifications and experience of the members of the Audit Committee, see the Annual Report.

Recommendation 4.2: *The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

In accordance with Recommendation 4.2 and Section 295A of the Corporations Act 2001 the Board receives a signed declaration from the CFO and CEO prior to the approval of the Company’s financial statements.

Recommendation 4.3: *A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer any questions from security holders relevant to the audit.*

The Company welcomes the attendance of its auditor at its Annual General Meeting.

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PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1: *A listed entity should:*

- (a) *Have a written policy for complying with its continuous disclosure obligations under the Listing Rules;*
- and*
- (b) *Disclose that policy or a summary of it.*

The Company has established policies and procedures to ensure timely disclosure of all material matters and ensure that investors have access to information on financial performance. This ensures the Company is compliant with the information disclosure requirements under the ASX Listing Rules. The policies and procedures include a Continuous Disclosure Policy that includes identification of matters that may have a material impact on the price of the Company's securities, notifying them to the ASX and posting relevant information on the Company Website.

The Managing Director/CEO and the Company Secretary have been appointed as the Company's disclosure officers responsible for implementing and administering the Continuous Disclosure Policy. The disclosure officers are responsible for all communication with any applicable stock exchanges, including the ASX, and for making decisions on what should be disclosed publicly under the Continuous Disclosure Policy.

A copy of the Continuous Disclosure Policy is available on the Company Website. The Board receives regular reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at Board meetings.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1: *A listed entity should provide information about itself and its governance to investors via its website.*

In line with adherence to the continuous disclosure requirements of the ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Half Yearly Report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events or other price sensitive information.

The Company values its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX and applicable Canadian securities laws. To keep shareholders informed, the Company maintains a website at <http://serpentinetechnologies.com.au/corporate/>.

Recommendation 6.2: *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company has formulated a Shareholders Communication Policy which can be viewed on the Company Website.

Recommendation 6.3: *A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

Shareholders are encouraged to participate at all Annual General Meetings and other General Meetings of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. The meetings shall also be conducted to allow questions and feedback to the Board and management of the Company.

Recommendation 6.4: *A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

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The Company encourages the use of electronic communication and offers security holders the option to receive and send electronic communication to the Company and its share registry where possible.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1: *The board of a listed entity should:*

- (a) *Have a committee or committees to oversee risk, each of which:*
 - (1) *Has at least three members, a majority of whom are independent directors; and*
 - (2) *Is chaired by an independent director, and disclose:*
 - (3) *The charter of the committee;*
 - (4) *The members of the committee; and*
 - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Company does not have a risk committee as that role is assumed by the full Board. The Board oversees an ongoing assessment of the Company's effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back (at least annually) on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including but not limited to political, social, economic and environmental risks. Consideration will be given to whether the Company has a material exposure to any of these risks. To mitigate/manage these risks, the Company has in place a broad range of risk management policies and procedures including competent management in all disciplines, an experienced Board, regular Board meetings, six monthly financial audits, rigorous appraisal of new investments and advisers familiar with the Company. A copy of the Company's Risk Management Policy, can be viewed on the Company Website.

Recommendation 7.2: *The board or a committee of the board should:*

- (a) *Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) *Disclose, in relation to each reporting period, whether such a review has taken place.*

The Company does not have a risk committee as that role is assumed by the full Board. The Board is responsible for reviewing the Company's risk management framework. Risk framework reviews may occur more or less frequently than annually as necessitated by changes in the Company and its operating environment. Given the Company's operations over the 2019 Financial Year, a risk framework review did not take place during the 2019 Financial Year.

Recommendation 7.3: *A listed entity should disclose:*

- (a) *If it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk and internal control processes.*

As set out in Recommendation 7.1, the full Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems in line with the Company's Audit Committee Charter.

Recommendation 7.4: *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

A summary of material business risks that could affect the Company's financial performance are set out in the Annual Report. As set out in Recommendation 7.1, the full Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems in line with the Company's Audit Committee Charter.

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PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1: *The board of a listed entity should:*

- (a) *Have a remuneration committee which:*
 - (1) *Has at least three members, a majority of whom are independent directors; and*
 - (2) *Is chaired by an independent director, and disclose:*
 - (3) *The charter of the committee;*
 - (4) *The members of the committee; and*
 - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Board has established a remuneration committee (the “**Remuneration Committee**”) of the Board, to carry out the responsibilities delegated by the Board relating to the review and determination of executive compensation of the Company. The Board has adopted the Remuneration Committee charter that sets out the roles and responsibilities of the Remuneration Committee, which can be viewed on the Company Website.

Pursuant to the Remuneration Committee Charter, the Remuneration Committee shall consist of three or more directors. A majority of the members of the Remuneration Committee shall be independent in accordance with all applicable corporate and securities laws and stock exchange listing standards and policies. Currently, all Directors are the members of the Remuneration Committee and Stuart Carmichael is the chair. Mr. Carmichael is considered to be an “independent” Director. Given the Company’s operations over the 2019 Financial Year, the Remuneration Committee did not meet separately as a committee, other than during regular Board meetings.

Recommendation 8.2: *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The Company’s policies and practices regarding the remuneration of executive and non-executive directors and other senior executives are disclosed in the Annual Report.

Recommendation 8.3: *A listed entity which has an equity-based compensation remuneration scheme should:*

- (a) *Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) *Disclose that policy or a summary of it.*

The Company has established a Securities Trading Policy which outlines, among other things, when Directors, senior management and other employees of the Company may deal in the Company’s securities. This policy also prohibits key management personnel from entering into certain hedging arrangements of the nature referred to in Recommendation 8.3. For further details, refer to the Securities Trading Policy, which is available on the Company Website.

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ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 19 August 2019.

ORDINARY FULLY PAID SHARES

Distribution of Share Holders

	Number of Holders	Number of Shares
1 - 1,000	37	3,435
1,001 - 5,000	5	8,715
5,001 - 10,000	9	88,261
10,001 - 100,000	338	22,676,322
100,001 - and over	655	699,319,380
TOTAL	1,044	722,096,113

There were 928 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted shares are listed below:

Name	Number of shares	%
FERGUSON SUPERANNUATION	39,998,274	5.54%
MR ATHAN MALLOS	18,250,000	2.53%
MR TIM POWE & MRS SUZANNE PATRICIA GULIKERS	16,000,000	2.22%
TELTOO PTY LTD	15,038,577	2.08%
SUNSET CAPITAL MANAGEMENT PTY LTD	14,000,000	1.94%
J & J BANDY NOMINEES PTY LTD	13,665,197	1.89%
JALAVER PTY LTD	12,000,000	1.66%
MR JOSEPH ADAM LEE	12,000,000	1.66%
MR DEREK FAYNE	11,000,000	1.52%
MR PANAYIOTIS LUCA	10,700,000	1.48%
MRS BIANCA JEAN EDWARDS	10,000,000	1.38%
MR DAVID JASON BOURKE	9,394,578	1.30%
JLD1 PTY LTD	7,680,086	1.06%
MR MATTHEW DEAN QUINN	6,780,000	0.94%
MR JON SEN TIO	6,600,000	0.91%
MR COLM JOHN O'BRIEN & MS FIONA ELIZABETH GEORGE	6,570,000	0.91%
MR HOOMAN MOHAMMAD POUR	6,200,000	0.86%
C L PRESTIGE RESTORATIONS PTY LTD	6,000,000	0.83%
MR MICHAEL CHRISTODOULOU	5,525,000	0.77%
SJ & T CARMICHAEL SUPERANNUATION PTY LTD	5,500,000	0.76%
MS CHARMAINE TERESA HAYES	5,359,080	0.74%
	238,260,792	33.00%

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ASX Additional Information

LISTED OPTIONS – S3ROB

Distribution of Option Holders

	Number of Holders	Number of Options
1 - 1,000	9	1,040
1,001 - 5,000	5	14,260
5,001 - 10,000	7	51,600
10,001 - 100,000	81	3,548,309
100,001 - and over	104	117,111,699
TOTAL	206	120,726,908

Top Twenty Listed Option holders

The names of the twenty largest holders of quoted options are listed below:

Name	Number of options	%
MR ALFREDO VARELA	18,500,000	15.32%
J & J BANDY NOMINEES PTY LTD	13,500,000	11.18%
JALAVER PTY LTD	8,000,000	6.63%
JAGUAR INVESTMENTS PTY LTD	5,500,000	4.56%
J & J BANDY NOMINEES PTY LTD	4,320,000	3.58%
MRS BIANCA JEAN EDWARDS	4,000,000	3.31%
MR DAVID JASON BOURKE	3,906,724	3.24%
SEVENTY THREE PTY LTD	3,507,120	2.91%
YEOH SUPER PTY LTD	3,300,000	2.73%
SUNSET CAPITAL MANAGEMENT PTY LTD	3,000,000	2.48%
MR HUGH ANTHONY SHARPE	2,779,560	2.30%
MR COLM JOHN O'BRIEN & MS FIONA ELIZABETH GEORGE	2,400,000	1.99%
MR ROGER DO	2,390,000	1.98%
MS MERLE SMITH & MS KATHRYN SMITH	2,268,000	1.88%
SJ & T CARMICHAEL SUPERANNUATION PTY LTD	2,200,000	1.82%
SBV CAPITAL PTY LTD	1,800,000	1.49%
REDIMA PTY LTD	1,520,000	1.26%
MR DIMITRI JAMES ILIOPOULOS & MISS KYLIE BETH SANDLAND	1,500,000	1.24%
MR BEN SMITH	1,455,501	1.21%
CELTIC CAPITAL PTY LTD	1,421,516	1.18%
	87,268,421	72.29%

Substantial Option holders

Name	Number of options	%
MR ALFREDO VARELA	18,500,000	15.32%
J & J BANDY NOMINEES PTY LTD	13,500,000	11.18%
JALAVER PTY LTD	8,000,000	6.63%
	40,000,000	33.13%

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ASX Additional Information

ON-MARKET BUY BACK

There is no current on-market buy back.

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options have no voting rights.