iCetana Pty Ltd and Its Controlled Entities

ABN 90 140 449 725

Financial Report - 30 June 2018

iCetana Pty Ltd
Financial report
30 June 2018

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General information

The financial report covers iCetana Pty Ltd as a consolidated entity ('Consolidated Entity') consisting of iCetana Pty Ltd ('Company') and the entities it controlled during and at the end of the year. The financial report is presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration.

iCetana Pty Ltd is a company limited by shares, incorporated in Australia. Its registered office and principal place of business is:

Registered Office

First Floor Suite 4
6 Centro Avenue
Subiaco WA 6008

Principal Place of Business

First Floor Suite 4
6 Centro Avenue
Subiaco WA 6008

The financial report was authorised for issue, in accordance with a resolution of directors, on 7 February 2019.
The Directors have the power to amend and reissue the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of iCetana Pty Ltd and its controlled entities for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 8 February 2019

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Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373

iCetana Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue			
Sales revenue		1,328,691	1,710,707
		1,328,691	1,710,707
Other income			
Grant income		72,159	120,090
Interest income		24,699	8,918
Other income		-	182
		96,858	129,190
Operating expenses			
Accountancy & audit fees		64,279	56,864
Advertising and marketing		554,119	276,186
Consultancy fees		1,482,370	739,034
Depreciation & amortisation expense		51,364	8,460
Employment costs		4,988,711	1,869,069
Forex exchange gains / (losses)		(72,808)	73,222
Other expenses	2	2,167,630	1,350,477
		9,235,665	4,373,312
Loss before income tax expense		(7,810,116)	(2,533,415)
Income tax benefit / (expense)	3	1,012,609	547,122
Net loss after income tax expense for the year		(6,797,507)	(1,986,293)
Other comprehensive income for the year, net of tax			
Foreign currency translation adjustments		(47,888)	4,439
Total comprehensive loss		(6,845,395)	(1,981,854)
Net loss after income tax expense attributable to:			
Equity holders of iCetana Pty Ltd		(6,617,102)	(1,912,645)
Non-controlling interests		(180,405)	(73,648)
		(6,797,507)	(1,986,293)
Total comprehensive loss attributable to:			
Equity holders of iCetana Pty Ltd		(6,658,320)	(1,908,206)
Non-controlling interests		(187,075)	(73,648)
		(6,845,395)	(1,981,854)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to these financial statements

iCetana Pty Ltd
Consolidated statement of financial position
As at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	4	3,275,964	6,838,122
Trade and other receivables	5	680,537	187,469
Prepayments	6	125,298	75,034
Stock on hand		28,632	-
Other current assets		11,475	-
Income tax refundable		1,012,609	547,122
Total current assets		5,134,515	7,647,747
Non-current assets			
Intangibles assets	7	31,400	39,789
Property, plant and equipment	8	180,553	130,966
Total non-current assets		211,953	170,755
Total assets		5,346,468	7,818,502
Liabilities			
Current liabilities			
Trade and other payables	9	1,222,408	200,371
Provisions	10	187,052	123,646
Total current liabilities		1,409,460	324,017
Total liabilities		1,409,460	324,017
Net assets		3,937,008	7,494,485
Equity			
Issued capital	11	13,717,127	10,429,209
Foreign currency translation reserves		(6,457)	34,761
Non-controlling interest		(260,723)	(73,648)
Accumulated losses	12	(9,512,939)	(2,895,837)
Total equity		3,937,008	7,494,485

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

iCetana Pty Ltd
Consolidated statement of changes in equity
As at 30 June 2018

	Issued capital	Accumulated losses	Foreign currency translation reserve	Total equity attributable to Parent non-controlling	Minority Interest	Total Equity attributable to parent
	$	$	$	$	$	$
Balance at 1 July 2016	2,416,002	(983,192)	30,322	1,463,132	-	1,463,132
Net loss for the year	-	(1,912,645)	-	(1,912,645)	(73,648)	(1,986,293)
Other comprehensive income	-	-	4,439	4,439	-	4,439
Share capital issued	8,013,207	-	-	8,013,2017	-	8,013,207
Balance at 30 June 2017	10,429,209	(2,895,837)	34,761	7,568,133	(73,648)	7,494,485
Net loss for the year	-	(6,617,102)	-	(6,617,102)	(180,405)	(6,797,507)
Other comprehensive income	-	-	(41,218)	(41,218)	(6,670)	(47,888)
Share capital issued	3,287,918	-	-	3,287,918	-	3,287,918
Balance at 30 June 2018	13,717,127	(9,512,939)	(6,457)	4,197,731	(260,723)	3,937,008

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes to these financial statements

iCetana Pty Ltd
Consolidated statement of cash flows
30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		835,623	2,440,413
Payments to suppliers and employees		(8,189,229)	(4,255,576)
Receipts from government grants		72,159	120,090
Interest received		24,699	8,918
Taxation		547,122	(48,392)
Net cash used in operating activities	16(b)	(6,709,626)	(1,734,547)
Cash flows from investing activities			
Payments for plant and equipment		(92,562)	(135,860)
Payments for intangibles		-	(41,943)
Net cash used in investing activities		(92,562)	(177,803)
Cash flows from financing activities			
Proceeds from share issue		3,287,918	8,013,207
Net cash from financing activities		3,287,918	8,013,207
Net (decrease) / increase in cash and cash equivalents		(3,514,270)	6,100,857
Cash and cash equivalents at the beginning of the financial year		6,838,122	732,826
Exchange rate movements		(47,888)	4,439
Cash and cash equivalents at the end of the financial year	16(a)	3,275,964	6,838,122

The consolidated statement of cash flows should be read in conjunction with the accompanying notes to these financial statements

Note 1. Significant accounting policies

iCetana Pty Ltd ("the Company") is a Company incorporated and domiciled in Australia. Its registered office and principal place of business is located at First Floor Suite 4, 6 Centro Avenue Subiaco WA 6008.

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

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

This financial report has been prepared in accordance with the full recognition and measurement requirements of the Australian Accounting Standards and Interpretations and the disclosure requirements of the following Australian Accounting Standards:

AASB 101	Presentation of Financial Statements
AASB 107	Cash Flow Statements
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1048	Interpretation and Application of Standards
AABS 1054	Australian Additional Disclosures

The board has assessed the impact of non-mandatory standards as minimal.

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

Basis of preparation
The financial statements are special purpose financial statements that have been prepared in order to meet the company's requirements pursuant to its shareholder agreement.

The financial report of the Consolidated Entity has been prepared as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of investors.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB').

Historical cost convention
The financial statements have been prepared on an accruals basis under the historical cost convention. All figures presented in the financial report are rounded to the nearest dollar.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of iCetana Pty Ltd ('company' or 'parent entity') as at 30 June 2018 and the results of its subsidiary for the year then ended. iCetana Pty Ltd and its subsidiary together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Note 1. Significant accounting policies (continued)

Principles of consolidation (continued)
The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated.

Foreign exchange
Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the year. All resulting foreign exchange differences are recognised through the foreign currency reserve in equity.

Revenue recognition
Revenue consists of sales of goods, interest and sundry income. Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Interest
Interest revenue is recognised on an accrual basis.

Other revenue
Other revenue is recognised at invoiced value less provisions for doubtful debts.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of plant and equipment over their expected useful lives.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 1. Significant accounting policies (continued)

Plant and equipment (continued)
An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Employee benefits
Provision is made for the Consolidated entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the amounts expected to be paid when the liability is settled.

Financial Assets
Investments in financial assets are initially recognised at cost, which includes transaction costs, and are subsequently measured at fair value, which is equivalent to their market bid price at the end of the reporting period. Movements in fair value are recognised through the profit and loss.

Inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Intangible assets

Investments and Goodwill
Investments made during the year were valued in accordance with the Australian Private Equity and Venture Capital Association's ("AVCAL") valuation guidelines. Goodwill represents the difference between the valuation of consideration determined under these AVCAL guidelines and the value of the net assets acquired.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions
Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Going concern
The Consolidated Entity has incurred a loss after tax of $6,797,507 for the year ended 30 June 2018 (2017: $1,986,293). The loss for the 2018 year is largely attributable to the set up of the wholly owned subsidiaries, iCetana Inc (USA) and iCetana Ltd (UK), and expansion of the business into these geographic markets as well as increased product development expenditure. The Consolidated Entity is dependent on further capital raising and/or improved trading conditions after year end in order to continue to operate as a going concern.

Note 2. Other expenses

	2018 $	2017 $
Cost of sale and services	621,691	495,661
Legal fees	97,722	93,527
Rent and outgoings	186,926	120,772
Travel	505,676	332,458
Other	755,615	308,059
	2,167,630	1,350,477

Note 3. Income tax expense

(a) Income tax expense

	2018 $	2017 $
Current tax	(1,012,609)	(547,122)
Deferred tax	-	-
Aggregate income tax expense	(1,012,609)	(547,122)

(b) Numerical reconciliation of income tax expense and tax at the statutory rate

	2018 $	2017 $
Loss before income tax expense	(7,810,116)	(2,533,415)
Tax at the statutory tax rate of 27.5%	(2,147,782)	(696,689)
Tax effect of permanent differences	(390,110)	(162,794)
Tax effect of temporary differences	4,490	(18,815)
Tax losses unrecognised / (recouped)	1,520,793	331,176
Current tax expense	(1,012,609)	(547,122)

(c) Franking credits

The Company has no franking credits available for future offset.

Note 4. Cash and cash equivalents

	2018 $	2017 $
Bank – Business One transaction account	49,970	155,968
Bank – Business Cash Reserve account	2,988,517	6,323,462
Bank – Flexi account	37,058	47,563
Bank – USD bank account	719	133,743
Bank – USD bank account	17,424	-
Bank – USD bank account	42,904	139,410
Bank – GBP account	1,396	-
Bank – Term Deposit	137,974	37,974
Cash in hand	2	2
	3,275,964	6,838,122

Note 5. Trade and other receivables

	2018 $	2017 $
Trade debtors	679,092	172,516
Sundry debtors	1,445	14,953
	680,537	187,469

Note 6. Prepayments

	2018 $	2017 $
Prepayments	125,298	75,034
	125,298	75,034

Note 7. Intangibles

	2018 $	2017 $
Intangible assets – at cost	41,943	41,943
Less accumulated depreciation	(11,928)	(3,539)
Trademark	1,385	1,385
	31,400	39,789

iCetana Pty Ltd
Note to the Financial Statements
30 June 2018

	2018	2017
	$	$

Note 8. Property, plant and equipment

	2018 $	2017 $
Structural improvements – at cost	77,244	68,502
Less accumulated depreciation	(1,891)	-
	75,353	68,502
Computers & office equipment – at cost	151,039	67,506
Less accumulated depreciation	(46,302)	(5,227)
	104,737	62,279
Low value pool – at cost	630	247
Less accumulated depreciation	(167)	(62)
	463	185
Total property, plant & equipment	180,553	130,966

Note 9. Trade and other payables

	2018 $	2017 $
Trade payables	208,334	119,510
PAYG withholding payable	69,569	45,782
Accrued expenses	140,225	17,227
Net GST (refundable) / payable	(33,379)	(52,484)
Accrued employee benefits	45,000	13,761
Radium Capital R & D advance	452,697	-
Unearned revenue	246,559	56,575
Sundry creditors	93,403	-
	1,222,408	200,371

Note 10. Provisions

	2018 $	2017 $
Provision for annual leave	129,278	86,292
Provision for long service leave	13,618	20,951
Provision for employee entitlements	44,156	16,403
	187,052	123,646

Note 11. Share capital

	2018 $	2017 $
1,000,000 ordinary shares (2017: 1,000,000)	2	2
1,500,000 series A preference shares (2017: 1,500,000)	1,500,000	1,500,000
916,000 series B preference shares (2017: 916,000)	916,000	916,000
5,024,818 series C preference shares (2017: 1,128,417)	11,301,125	8,013,207
	13,717,127	10,429,209

Ordinary shares have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and to vote either by show of hands or upon a poll at a shareholders' meeting.

Note 12. Accumulated losses

	2018 $	2017 $
Accumulated losses at the start of the year	(2,895,837)	(983,192)
Net (loss) / profit attributable to members	(6,617,102)	(1,912,645)
Accumulated losses at the end of the year	(9,512,939)	(2,895,837)

Note 13. Investment in subsidiary

The following entity was controlled by the parent company – iCetana Pty Ltd during the year ended 30 June 2018:

Company Name	Percentage Held	Country of Registration
iCetana Inc	100%	United States of America (USA)
iCetana Ltd	100%	United Kingdom (UK)
iCetana Systems Software Trading LLC	49%	United Arab Emirates (UAE)

Note 14. Events after the reporting period

Other than as outlined in Note 19, there have been no matters or circumstances which have arisen since the end of the year and which significantly affect, or may significantly affect, the state of affairs or future operations of the Consolidated Entity.

Note 15. Contingent liabilities and contingent assets

The Consolidated Entity had no contingent assets as at 30 June 2018.

Note 16. Cash flow information

(a) Reconciliation of cash

For the purpose of the cash flow statement, cash includes cash and cash equivalents, net of any outstanding bank overdraft. Cash at the end of the reporting year is reconciled to the related items in the statement of financial position as follows

	2018 $	2017 $
Cash in hand and at bank	3,275,964	6,838,122

(b) Reconciliation of cash flow from operations with net surplus / (deficit) for the year

	2018	2017
Net deficit for the year	(6,797,507)	(1,986,293)
Depreciation of property, plant and equipment	51,364	8,460
Loss on sale of asset	-	7,335
Income tax	(465,487)	(595,514)
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	(493,068)	729,524
(Increase) / decrease in stock & other assets	(40,107)	-
(Increase) / decrease in prepayments	(50,264)	(51,473)
Increase / (decrease) in trade and other payables	1,022,037	72,692
Increase / (decrease) in provisions	63,406	80,722
Cash flows from/(used in) operations	6,709,626	(1,734,547)

Note 17. Capital risk management

The Company's objective is to manage working capital so as to ensure that liabilities can be settled as and when they fall due.

Note 18. Commitments

There is an operating lease commitment over the Australian office premises situated at 6 Centro Avenue, Subiaco, WA.

Due within 1 year	136,439	136,439
Due between 2 – 5 years	102,329	238,768
	238,768	375,207

Note 19. Contingent assets

On 18 December 2018, the Company entered into a release with its insurer in regards to payment of a claim for misappropriation of funds. As at the date of signing the financial report, no amounts had been received by the Company.

iCetana Pty Ltd
Directors Declaration
30 June 2018

In the Directors' opinion:

The financial statements and notes as set out in pages 4 to 15:

- comply with the accounting policies as detailed in note 1 to the financial report; and,
- present fairly the financial position of the Consolidated Entity as at 30 June 2018 and its performance for the year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they fall due and payable.

This declaration is made in accordance with a resolution of the Directors:

On behalf of the Directors

Director

Matthew Macfarlane

Director

Date: 7 February 2019
Perth

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICETANA PTY LTD

Opinion

We have audited the attached financial report, being a special purpose financial report of iCetana Pty Ltd ("the Company") and its controlled entities ('the Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the declaration made by the directors.

In our opinion, the accompanying financial report of iCetana Pty Ltd and its controlled entities is in accordance with the accounting policies described in note 1 to the financial report including giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended and complying with Australian Accounting Standards to the extent described in note 1.

Basis for Opinion

We have 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 Company in accordance with 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 ethical requirements 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared in order to satisfy the requirements as an investee company of the Yuuwa Capital Limited Partnership. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Material Uncertainty Regarding Continuation as a Going Concern

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

As a result of matters referred to in Note 1 to the financial report, "Going Concern", the ability of the Company to continue as a going concern is dependent upon further capital raising and improved trading conditions. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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Butler Settineri (Audit) Pty Ltd
RCA No. 289109 ABN 61 112 942 373

Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements as an investee company of the Yuuwa Capital Limited Partnership and the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report.

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

- Identify and assess risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

BUTLER SETTINERI (AUDIT) PTY LTD

MARIUS VAN DER MERWE CA
Director

Perth
Date: 8 February 2019