

## ASX Appendix 4D

### Half-Year Financial Report to 31 December 2019

#### 1. Details of reporting period

Name of Entity	4DS Memory Limited
ABN	43 145 590 110
Reporting Period	31 December 2019
Previous Corresponding Period	31 December 2018

#### 2. Results for announcement to the market

Key information	31 December 2019	31 December 2018	Increase/ (decrease)	Amount change \$
Revenues from ordinary activities	30,569	10,719	185%	19,850
Loss for the half-year	(2,931,177)	(2,318,039)	26%	(613,138)
Total comprehensive loss for the half-year attributable to members	(2,919,208)	(2,302,108)	27%	(617,100)
		Amount Per Security	Franked Amount Per Security	
Final Dividend		Nil	Nil	
Interim Dividend		Nil	Nil	
Previous Corresponding Period		Nil	Nil	
Record Date for Determining Entitlements	Not Applicable			

Brief explanation of any of the figures reported above necessary to enable figures to be understood:

For further information, refer to the review of operations contained in the directors' report, which forms part of the attached condensed consolidated financial statements.

#### 3. Net tangible asset backing

	31 December 2019	31 December 2018
Net tangible backing per ordinary security	0.34 cents	0.44 cents

#### 4. Details of entities over which control has been gained or lost during the period

N/A

#### 5. Details of Dividends

No dividend has been paid or recommended to be paid for the half-year ended 31 December 2019.

**6. Details of dividend reinvestment plans**

N/A

**7 Details of associate and joint venture entities**

N/A

**8. Foreign entities**

N/A

**9. Audit**

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.



Guido Arnout  
**Managing Director**

20 February 2020

**4DS MEMORY LIMITED  
and Controlled Entities**

ACN: 145 590 110

# Interim Financial Report

For the half year ended 31 December 2019



**CORPORATE DIRECTORY**

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**Securities Exchange listing**

Australian Securities Exchange Limited (**ASX**)  
ASX Code: 4DS

**Legal Advisor**

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**Auditor**

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West Perth WA 6005  
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## DIRECTORS' REPORT

The Directors of 4DS Memory Limited (**4DS Memory**) (the **Company**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 31 December 2019 (**Financial Period**).

## DIRECTORS

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

Name	Status	Appointed
Dr Guido Arnout	Chief Executive Officer and Managing Director	Appointed 7 December 2015
Mr James Dorrian	Non-Executive Chairman	Appointed 7 December 2015
Mr David McAuliffe	Executive Director	Appointed 7 December 2015
Mr Howard Digby	Non-Executive Director	Appointed 7 December 2015

## COMPANY SECRETARY

Mr Peter Webse

## OPERATING RESULTS

The net loss of the Group after income tax for the half year ended 31 December 2019 amounted to \$2,931,177 (31 December 2018 loss: \$2,318,039).

## REVIEW OF OPERATIONS

### PRINCIPAL ACTIVITIES

4DS Memory Limited (ASX: 4DS), with facilities located in Silicon Valley, is a semiconductor company pioneering the development of a non volatile memory known as Interface Switching ReRAM, for next generation gigabyte Storage Class Memory. Established in 2007, 4DS owns an extensive intellectual property portfolio, comprising 22 granted US patents and an additional 11 patents either pending or being filed. The intellectual property portfolio has been developed in-house to create high density Storage Class Memory and is 100% owned. 4DS has a joint development agreement with Western Digital subsidiary HGST, a global storage leader, which accelerates the evolution of 4DS' technology. 4DS also has a development agreement with Belgium based imec.

### Highlights During the Half Year

- On 22 July 2019 announced the fast track granting of its 21<sup>st</sup> USA patent: Resistive Memory Device Having a Template Layer.
- On 14 August 2019 announced the fast track granting of its 22<sup>nd</sup> USA patent: Resistive Memory Device Having a Retention Layer.
- On 3 October 2019, the Company announced that the initial phase of integration of 4DS' memory with imec's proven CMOS platform had commenced in Q4 2019 with the production of an initial lot of 300mm wafers.
- On 28 November 2019, the Company extended its collaboration agreement with imec for additional 12 months having agreed on the terms and conditions of the extension which commenced 1 January 2020.

### Placement, Issue of Securities and Release from Escrow

On 17 July 2019, the Company announced a placement of 65 million ordinary shares at an issue price of \$0.05 per share to professional and sophisticated investors raising \$3.25 million.

On 24 September 2019, 750,000 ordinary shares were issued following the exercise of unlisted options with expiry of 31 December 2019.

On 7 October 2019, 350,000 ordinary shares were issued following the exercise of unlisted options with expiry of 31 December 2019.

On 7 October 2019, 1,675,000 ordinary shares were issued following the exercise of unlisted options with expiry of 31 December 2019.

On 29 November 2019, the Company issued of the following:

- 655,737 fully paid ordinary shares at \$0.061 in satisfaction of the Director's fees owed to Mr. James Dorrian from 1 July 2018 until 30 June 2019 (being a total of \$40,000) as per shareholders' approval on 29 November 2019.
- 245,901 fully paid ordinary shares at \$0.061 to David McAuliffe in satisfaction of salary accrued from 1 July 2018 until 31 December 2018 (being a total of \$15,000) as per shareholders' approval on 29 November 2019.

On 24 December 2019, 350,000 ordinary shares were issued following the exercise of unlisted options with expiry of 31 December 2019.

On 31 December 2019, 1,875,000 unlisted options having an exercise price of \$0.05 each expired.

### **Incentive Options**

On 28 August 2019, the Company issued 2,600,000 incentive options to its USA based employees and consultants. The options are exercisable at \$0.052 each, of which 10% vest on a quarterly basis over ten quarters, with the options expiring on 28 August 2024.

### **SUBSEQUENT EVENTS**

There have been no matters or circumstances that have arisen since 31 December 2019 that have significantly affected or may significantly affect:

- the Group's operations in future years; or
- the results of those operations in future years; or
- the Group's state of affairs in future years.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 20.

This report is signed in accordance with a resolution of the Board of Directors.



Guido Arnout  
Chief Executive Officer and Managing Director  
20 February 2020

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

		31 December 2019	31 December 2018
	Notes	\$	\$
Revenue		30,569	10,719
Corporate and administration expenses		(127,165)	(167,415)
Depreciation expense		(62,144)	(59,726)
Directors and employee expenses		(155,757)	(109,752)
Research and development		(2,019,620)	(1,717,392)
Share based payments		(409,848)	(167,128)
Unrealised / realised foreign exchange		11,535	35,436
Other expenditures		(198,747)	(142,781)
Loss before income tax expense		(2,931,177)	(2,318,039)
Income tax expense		-	-
Loss for the period		(2,931,177)	(2,318,039)
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation (net of tax)		11,969	15,931
<b>Total comprehensive loss for the period net of tax</b>		<b>(2,919,208)</b>	<b>(2,302,108)</b>
Basic and diluted loss per share	12	(0.0026)	(0.0024)

The accompanying condensed notes form part of these financial statements.



<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
<b>AS AT 31 DECEMBER 2019</b>			
		<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,570,185	2,167,613
Trade and other receivables		8,435	5,868
Prepayments		110,774	47,289
Right-to-use asset	13	105,190	-
<b>TOTAL CURRENT ASSETS</b>		<b>3,794,584</b>	<b>2,220,770</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	4	268,785	318,162
Right-to-use asset	13	315,570	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>584,355</b>	<b>318,162</b>
<b>TOTAL ASSETS</b>		<b>4,378,939</b>	<b>2,538,932</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		103,746	121,294
Provisions		22,570	14,236
Lease liabilities	13	83,770	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>210,086</b>	<b>135,530</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	13	336,989	-
<b>TOTAL LIABILITIES</b>		<b>547,075</b>	<b>135,530</b>
<b>NET ASSETS</b>		<b>3,831,864</b>	<b>2,403,402</b>
<b>EQUITY</b>			
Issued capital	7	39,983,579	36,025,887
Reserves		4,456,273	4,066,248
Accumulated losses		(40,607,988)	(37,688,733)
<b>TOTAL EQUITY</b>		<b>3,831,864</b>	<b>2,403,402</b>

The accompanying condensed notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued capital	Accumulated Losses	Share Based Payment Reserve	Foreign Exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2018	31,836,715	(31,906,068)	3,332,080	(87,885)	3,174,842
<i>Total Comprehensive Income</i>					
Loss for the period	-	(2,318,039)	-	-	(2,318,039)
Foreign currency translation differences	-	-	-	15,931	15,931
<b>Total comprehensive loss for the period</b>	<b>31,836,715</b>	<b>(2,318,039)</b>	<b>-</b>	<b>15,931</b>	<b>(2,302,108)</b>

Transactions with owners in their capacity as owners:

Issue of share capital	3,151,250	-	-	-	3,151,250
Capital raising cost	(227,112)	-	-	-	(227,112)
Share based payment – advisor options	-	-	21,032	-	21,032
Issue of employee options	-	-	146,097	-	146,097
Issue of shares on exercise of options	775,541	-	(213,041)	-	562,500
Issue of shares in lieu of director fees	61,301	-	-	-	61,301
<b>Balance as at 31 December 2018</b>	<b>35,597,695</b>	<b>(34,224,107)</b>	<b>3,286,168</b>	<b>(71,954)</b>	<b>4,587,802</b>

	Issued capital	Accumulated Losses	Share Based Payment Reserve	Foreign Exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2019	36,025,887	(37,688,733)	4,139,079	(72,831)	2,403,402
<i>Total Comprehensive Income</i>					
Loss for the period	-	(2,931,177)	-	-	(2,931,177)
Foreign currency translation	-	-	-	11,969	11,969
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(2,931,177)</b>	<b>-</b>	<b>11,969</b>	<b>(2,919,208)</b>

Transactions with owners in their capacity as owners:

Issue of share capital	3,250,000	-	-	-	3,250,000
Share purchase plan	750,000	-	-	-	750,000
Capital raising costs	(273,428)	-	-	-	(273,428)
Issue of employee options	-	-	37,706	-	37,706
Options lapsed	-	11,922	(11,922)	-	-
Issue of shares on exercise of options	176,120	-	352,272	-	528,392
Issue of shares in lieu of director fees	40,000	-	-	-	40,000
Issue of shares in lieu of salary	15,000	-	-	-	15,000
<b>Balance as at 31 December 2019</b>	<b>39,983,579</b>	<b>(40,607,988)</b>	<b>4,517,135</b>	<b>(60,862)</b>	<b>3,831,864</b>

The accompanying condensed notes form part of these financial statements.

<b>CONSOLIDATED STATEMENT OF CASHFLOWS</b>		
<b>FOR THE HALF YEAR ENDED 31 DECEMBER 2019</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	7,985	10,538
Insurance claim	22,419	-
Payment for research and development	(1,948,698)	(1,676,164)
Payment for business development	(58,063)	(91,711)
Payments to suppliers and employees	(504,819)	(382,485)
Net cash used for operating activities	(2,481,176)	(2,139,822)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(10,653)	(94,708)
Net cash (used)/provided by investing activities	(10,653)	(94,708)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issue of shares	4,000,000	3,151,250
Payment of capital raising costs	(273,428)	(227,112)
Repayment to lender	-	(3,173)
Issue of shares on exercise of options	156,250	562,500
Net cash provided by financing activities	3,882,822	3,483,465
<b>Net increase in cash and cash equivalents held</b>	<b>1,390,993</b>	<b>1,248,934</b>
Cash and cash equivalents at 1 July	2,167,613	2,932,232
Exchange rate changes on the balance of cash held in foreign currencies	11,579	50,060
<b>Cash and cash equivalents at 31 December</b>	<b>3,570,185</b>	<b>4,231,226</b>

The accompanying condensed notes form part of these financial statement

## **CONDENSED NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1: REPORTING ENTITY**

The interim financial report (**Report**) of 4DS Memory Limited (**4DS Memory**) (the **Company**) and its controlled entities (the **Group**) (**Consolidated Entity**) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 20 February 2020.

4DS is a listed public company, trading on the Australia Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's principal place of business and registered office is located at Level 2, 50 Kings Park Road, West Perth Western Australia 6005, Australia.

### **NOTE 2: BASIS OF PREPARATION**

This consolidated Report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34.

This consolidated Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by 4DS Memory during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

The same accounting policies and methods have been consistently applied by the Consolidated Entity in these interim financial statements as compared with the most recent annual financial statements.

#### **Initial Application of AASB 16: Leases**

The Group has adopted AASB 16: Leases retrospectively from 1 July 2019. In accordance with AASB 16.C7 the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under AASB 117: Leases where the Group is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 has been used to discount the lease payments.

The right-of-use assets for the remaining leases have been measured and recognised in the statement of financial position as at 31 December 2019 by taking into consideration the lease liability and the prepaid and accrued lease payments (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same way as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 2: BASIS OF PREPARATION (CONTINUED)**

- Applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

### **Going Concern**

The Group has net assets of \$3,831,864 (30 June 2019: \$2,403,402) as at 31 December 2019 and incurred a loss of \$2,931,177 (31 December 2018: \$2,318,039) and net operating cash outflow of \$2,481,177 (31 December 2018: \$2,139,822) for the period ended 31 December 2019.

The Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on the Company's ability to raise sufficient working capital to ensure the continued implementation of the Group's business plan.

The financial report has been prepared on a going concern basis. In arriving at this position, the Directors have had regard to the fact that the Company has, or in the Directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

In the event that the Group does not achieve the above actions, there exists significant uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 3: SEGMENT INFORMATION

The Company has identified its operating segment based on internal reports that are reviewed by the Board and management. There was only one operating segment being research and development of non-volatile memory technology, ReRAM for next generation storage in mobile and cloud.

### NOTE 4: PLANT AND EQUIPMENT

	31 December 2019	30 June 2019
At cost	844,057	831,718
Accumulated depreciation	(551,940)	(490,224)
Less: Provision for impairment	(23,332)	(23,332)
<b>Total Plant and Equipment</b>	<b>268,785</b>	<b>318,162</b>

### NOTE 5: CONTINGENT LIABILITIES

The Company completed the winding up of Premier Coking Coal LLC including surrendering the relevant leases during the period ending 30 June 2015 and according has no ongoing commitments in this required. However, the Group remains a party to a claim with a third party in relation to a claim on a small portion of the Emmaus property lease above the Gilbert Seam. The Company considers this claim to be immaterial.

The Directors are not aware of any other contingent liabilities as at 31 December 2019.

### NOTE 6: FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivables, deposits paid, trade and other payables, and financial liabilities. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amounts of the financial assets and liabilities approximate their fair value.

### NOTE 7: ISSUED CAPITAL

Ordinary fully paid Shares

#### (a) Movements in ordinary share capital

	Number of shares	\$
<b>Balance 1 July 2018</b>	<b>964,564,544</b>	<b>31,836,715</b>
Placement shares	70,027,777	3,151,250
Issued capital – in lieu of Director fees	2,152,454	95,000
Issued capital – in lieu of Salary	495,365	21,301
Issued capital	2,777,777	125,000
Exercised of unlisted options	15,000,000	1,034,055
Capital raising costs	-	(237,434)
<b>Balance 30 June 2019</b>	<b>1,055,017,917</b>	<b>36,025,887</b>
Placement shares	65,000,000	3,250,000
Share purchase plan	15,000,000	750,000
Exercised of unlisted options	3,125,000	176,120
Issued capital – in lieu of Director fees	655,737	40,000
Issued capital – in lieu of Salary	245,901	15,000
Capital raising costs	-	(273,428)
<b>Balance 31 December 2019</b>	<b>1,139,044,055</b>	<b>39,983,579</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 7: ISSUED CAPITAL (CONTINUED)

(b) Movements in options	Number of options	\$
<b>Balance 1 July 2018</b>	121,233,333	3,332,080
Options exercised, advisor options	(15,000,000)	(284,055)
Share based payment, employee options	25,780,000	1,070,022
Share based payment, adviser options	880,000	21,032
<b>Balance 30 June 2019</b>	<b>132,893,333</b>	<b>4,139,079</b>
Share based payment, employee options	2,600,000	37,706
Options vesting, employee options	-	372,142
Options exercised, advisor options	(3,125,000)	(19,870)
Options expired, advisor options	(1,875,000)	(11,922)
<b>Balance 31 December 2019</b>	<b>130,493,333</b>	<b>4,517,135</b>

### NOTE 8: SHARE BASED PAYMENTS

The following share based payment arrangements were entered into during the period ended 31 December 2019:

On 29 November 2019, the Company issued of the following:

- 655,737 fully paid ordinary shares at \$0.061 in satisfaction of the Director's fees owed to Mr. James Dorrian from 1 July 2018 until 30 June 2019 (being a total of \$40,000) as per shareholders' approval on 29 November 2019.
- 245,901 fully paid ordinary shares at \$0.061 to David McAuliffe in satisfaction of salary accrued from 1 July 2018 until 31 December 2018 (being a total of \$15,000) as per shareholders' approval on 29 November 2019.

### Incentive Options

On 28 August 2019, the Company issued 2,600,000 incentive options to its USA based employees and consultants. The options are exercisable at \$0.052 each, of which 10% vest on a quarterly basis over ten quarters, with the options expiring on 28 August 2024.

### Fair value of options

The fair value of share options granted have been valued using a Black Scholes Methodology, taking into account the terms and conditions upon which the unlisted share options were granted.

A summary of the inputs used in the valuation of the options is as follows:

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 8: SHARE BASED PAYMENTS (CONTINUED)

Unlisted Share Options	Employee Incentive Options
Exercise price	\$0.052
Share price at date of issue	\$0.052
Grant date	28 August 2019
Expected volatility	105.86%
Expiry date	28 August 2024
Risk free interest rate	0.70%
Value per option	\$0.0399
Number of options	2,600,000
<b>Total value of options</b>	<b>\$103,805</b>

For the period ending 31 December 2019 a share based payment expense of \$409,848 was recognised in line with option vesting periods. An amount of \$372,142 was recognised as a vesting expense from options issued in a prior period.

### NOTE 9: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 31 December 2019.

### NOTE 10: SUBSEQUENT EVENTS

There have been no other matters or circumstances that have arisen since 31 December 2019 that have significantly affected or may significantly affect:

- the Group's operations in future years; or
- the results of those operations in future years; or
- the Group's state of affairs in future years.

### NOTE 11: COMMITMENTS

#### *Material commitments*

The Company entered into an agreement with imec on the 31 October 2017 to develop a transferrable production compatible process flow for its interface Switching ReRAM technology and to demonstrate this process on imec's megabit test chip. On 31 October 2019, an amendment to the collaboration agreement was signed where both parties agreed to add extra activities to the project and therefore extend the duration of the agreement and additional payment terms.

From 1 January 2020 the Company shall pay imec a total of 1,000,000 Euro, with payments made quarterly until 1 October 2020.

There has been no other significant change in commitments since the last reporting date other than reported above.



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 12: LOSS PER SHARE

The following reflects income and share data used in the calculation of basic and diluted loss per share.

	31 December 2019	31 December 2018
	\$	\$
Net loss	(2,931,177)	(2,318,039)
	No.	No.
Weighted average number of ordinary shares in calculating basic and diluted loss per share	1,126,548,395	988,195,328
Loss per share	(\$0.0026)	(\$0.0024)

Options are considered anti-dilutive in nature.

### NOTE 13: LEASES

The group leases office space. Rental contract is typically made for a fixed period of 4 years, with extension options available on the office lease. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The rental contract was renewed with the lease started from December 2019 and a month rental waiver was granted.

Until the 2019 financial year, leases were classified as operating leases. Payments made under the group's operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (including in-substance fixed payments), less any lease incentive receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets may comprise IT-equipment and small items of office furniture.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 13: LEASES (CONTINUED)**

#### *Impact of the New Accounting Policy on Amounts Recognised in the Financial Statements*

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Lease liabilities – increase by \$420,760; and
- Right of use assets – increase by \$420,760.

The net impact on accumulated losses on 1 July 2019 was nil.

#### *Impact on the statement of cash flows*

The application of AASB 16 has an impact on the consolidated statement of cash flows of the Group.

Under AASB 16, leases must present:

- Short-term lease payments, payments of leases of low-value assets and variable lease payments not included in the measurement of the lease liabilities as part of the operating activities (the Group has included these payments as part of payments to suppliers and employees)
- Cash paid for the interest portion of lease liabilities as either operating activities or financing activities as permitted by AASB 107 Statement of Cash Flows (The Group has opted to include interest paid as part of operating activities)
- Cash payments for principal portion of leases liabilities, as part of financing activities.

#### *Impact on segment disclosures and earnings per share*

The adoption of AASB 16 had no impact on the group's segment disclosures.

The adoption of AASB 16 did not have significant impact on the Company's earnings per shares.

#### *Lease liabilities*

The lease liability of \$420,760 recognised at 31 December 2019 is comprised of minimum lease payments over the lease contract.

The Group had no finance leases at 31 December 2019

The value of the right of use asset at 31 December 2019 has been determined solely with direct reference to the lease liability value at the same date. There are no leases with initial direct costs or removal and restoration costs requiring an adjustment to the value of the right of use asset.

#### *Right of use assets*

Right of use assets are subsequently measured using the cost model, that is, right of use asset less accumulated amortisation and accumulated impairment losses, adjusted for any remeasurements. Leases are to be remeasured upon occurrence of any of the following events:

- Change in original assessment of lease term or purchase/termination options.
- Change in estimate of residual guarantee; and/or
- Change in index or rate affecting payments.

#### *Practical expedients applied*

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 13: LEASES (CONTINUED)

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The right of use asset and lease liabilities have arisen upon adoption of AASB 16 Leases from 1 July 2019.

#### (j) AASB 16 related amounts recognised in the balance sheet

	31 December 2019	30 June 2019
	\$	\$
<b>Right of use assets</b>		
Leased buildings:		
Opening balance	-	-
Addition for the half-year ended	420,760	-
Depreciation expense for the half-year ended	-	-
Net carrying amount	420,760	-
Current	105,190	-
Non-current	315,570	-
Total	420,760	-
<b>Lease liabilities</b>		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	109,016	-
One to five years	378,647	-
More than five years	-	-
<b>Total undiscounted leases liabilities at 31 December 2019</b>	487,663	-
<b>Lease liabilities included in the statement of financial position as at 31 December 2019</b>		
Current	83,770	-
Non-current	336,989	-
Total	420,759	-

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 13: LEASES (CONTINUED)

#### *(ii) AASB 16 related amounts recognised in the statement of profit or loss*

	2019	2018
	\$	\$
Depreciation charge related to right-of-use assets	-	-
Interest expense on lease liabilities (under finance cost)	-	-
Short-term leases expense	-	-
Low-value asset leases expense	-	-

#### *(iii) AASB 16 related amounts recognised in the statement of cash flows*

Total half-yearly cash outflows for leases	-	-
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#### **Short -term leases and leases of low-value assets**

The Group currently does not have any short-term leases.

The Group applies the low-value assets recognition exemption to leases of office equipment that are considered low value (AUD 10,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on straight-line basis over the lease term.

#### **Significant judgment in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applied judgment in evaluating whether it is reasonable certain to exercise the option to renew, That is, it considered all relevant factors that create an economic incentive to exercise the renewal.

## **DIRECTORS' DECLARATION**

The Directors of 4DS Memory Limited declare that:

1. The Financial statements and notes, as set out on pages 6 to 18 are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read 'Guido Arnout', with a long horizontal stroke extending to the right.

Guido Arnout  
Chief Executive Officer and Managing Director  
20 February 2020

AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF 4DS MEMORY LIMITED

In relation to our review of the financial report of 4DS Memory Limited for the half year ended 31 December 2019, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF PERTH



SHANE CROSS  
PARTNER

20 FEBRUARY 2020  
WEST PERTH,  
WESTERN AUSTRALIA

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF 4DS MEMORY LIMITED

### Report on the Interim Financial Report

#### Conclusion

We have reviewed the accompanying interim financial report of 4DS Memory Limited (the company) and controlled entities (consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2019, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of 4DS Memory Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the financial report, which confirmed that the consolidated entity incurred a net loss after tax of \$2,931,177 during the half year ended 31 December 2019. These conditions, along with other matters as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

#### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the Directors of the company a written Auditor's Independence Declaration.

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## Directors' Responsibility for the Interim Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of 4DS Memory Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



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SHANE CROSS  
PARTNER

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