4DS MEMORY LIMITED
and Controlled Entities
ACN: 145 590 110

Annual Report

For the year ended 30 June 2019

CONTENTS

CORPORATE DIRECTORY

4DS Memory Limited

Directors

Mr James Dorrian	Non-Executive Chairman
Dr Guido Arnout	CEO and Managing Director
Mr David McAuliffe	Executive Director
Mr Howard Digby	Non-Executive Director

Company Secretary
Mr Peter Webse

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Securities Exchange Listing
Australian Securities Exchange
Home Exchange: Perth, Western Australia
Code: 4DS

DIRECTORS' REPORT

The Directors of 4DS Memory Limited ("the Company") ("4DS") and its controlled entities ("the Group" or "Consolidated Group") submit the following report for the year ended 30 June 2019 ("Financial Period").

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Mr James Dorrian	Non-Executive Chairman
Dr Guido Arnout	CEO and Managing Director
Mr David McAuliffe	Executive Director
Mr Howard Digby	Non-Executive Director

Qualifications, Experience and Special Responsibilities of Directors

Mr James Dorrian	-	Non-Executive Chairman
Qualifications	-	BA (Economics and Communications)
Experience	-	Mr Dorrian is former partner at Crosspoint Venture Partners, a Silicon Valley based early stage venture capital firm. He has served as both CEO and Director of several Silicon Valley companies and has in depth M&A and IPO experience gained through founding and managing successful technology exits. Prior to these roles, Mr Dorrian was the Founder and CEO of Arbor Software and has held management roles with a number of multinational IT companies. He is a founding member of the OLAP Council, an industry consortium for On-Line Analytical Processing.
Directorships held in other listed entities	-	Nil
Dr Guido Arnout	-	CEO and Managing Director
Qualifications	-	PhD Electrical Engineering
Experience	-	Dr Arnout has specific expertise with over 30 years in commercialising electronics technology from concept to product. He was the founding President & CEO of PowerEscape, which introduced the first tools for the development of low-power software executing on multicore devices. He was also founding President & CEO of CoWare, which pioneered system-level design tools for hardware-software co-design and the time-based licensing business model. Dr Arnout co-founded the Open SystemC Initiative (OSCI), an industry consortium to standardise a language for system level design, and as its President submitted the SystemC language to IEEE. He served as VP of Engineering and later senior VP of marketing of CrossCheck Technology. He co-founded and later became VP of Engineering of Silvar-Lisco, the first commercial EDA (electronic design automation).
Directorships held in other listed entities	-	Nil
Mr David McAuliffe	-	Executive Director
Qualifications	-	LLB (Hons), BPharm
Experience	-	Mr McAuliffe is an experienced company Director and entrepreneur who has had over 20 years' experience, mostly in the international biotechnology field. During that time, he was involved in numerous capital raisings and in licensing of technologies. He is a founder of several companies in Australia, France and the United Kingdom, many of which have become public companies. He is President of the Dyslexia-Speld Foundation WA (Inc).
Directorships held in other listed entities	-	Non-Executive Director of Invex Therapeutics Limited (ASX: IXC)

DIRECTORS' REPORT

Mr Howard Digby - Non-Executive Director

Qualifications - BE (Mechanical, Hons)

Experience - Mr Digby started his career at IBM and has spent over 25 years managing technology related businesses across the Asia Pacific region, of which 12 years were spent in Hong Kong. More recently, he was with The Economist Group as Regional Managing Director. Prior to this he held senior management roles at Adobe and Gartner where his clients included major semiconductor players inclusive of Samsung, Hynix and TSMC. Upon returning to Perth, Howard served as Executive Editor of WA Business News and now spends his time as an advisor and investor, having played key roles in several M&A and reverse takeover transactions.

Directorships held in other listed entities - Non-Executive Directors of Elsight Limited (ASX: ELS)

Non-Executive Director of Omni Market Tied Limited (ASX: OMT) (formerly Omni Market Tied Limited)

Non-Executive Director of Cirralto Limited (ASX: CRO)

Non-Executive Director of Transaction Solutions International Limited (ASX: TSN)

Directorships held in other listed entities in the last three years:

Estrella Resources Limited (resigned in April 2017)

Interests in shares and options of the Company

		Number of Ordinary Shares at 30 June 2019	Number of Options over Ordinary Shares at 30 June 2019	Number of Ordinary Shares as at the date of this report	Number of Options over Ordinary Shares as at the date of this report
Mr James Dorrian	Non-Executive Chairman	52,128,094	1,250,000	52,128,094	1,250,000
Dr Guido Arnout	CEO and Managing Director	3,030,053	57,838,333	3,030,053	57,838,333
Mr Howard Digby	Non-Executive Director	5,777,172	1,250,000	5,777,172	1,250,000
Mr David McAuliffe	Executive Director	13,077,394	7,000,000	13,077,394	7,000,000

Company Secretary

Mr Peter Webse

Qualifications - B.Bus, FGIA, FCIS, FCPA, MAICD

Experience - Mr Webse has over 27 years' company secretarial experience and is the Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in company secretarial, corporate governance and corporate advisory services.

DIRECTORS' REPORT

Principal Activities

4DS Memory Limited ("the Company") (ASX: 4DS), with facilities located in Silicon Valley, is a semiconductor development company of non-volatile memory technology, pioneering Interface Switching ReRAM, for next generation gigabyte Storage Class Memory. Established in 2007, 4DS owns a patented IP portfolio, comprising 22 US patents granted and an additional 11 patents pending or being filed, which have been developed in-house to create high density Storage Class Memory. 4DS has a joint development agreement with Western Digital subsidiary HGST, a global storage leader, which is now in its sixth year. 4DS also has a development agreement with Belgium based imec.

Operating Results

The loss of the Consolidated Group after providing for income tax amounted to $5,782,665 (2018: $5,203,078 loss).

Review of Operations

For the year ended 30 June 2019, 4DS made significant progress in the development of its Interface Switching ReRAM technology with the consistent achievement of key strategic and technical milestones.

Operational Highlights

- Significant progress – in collaboration with imec – towards a production process for the Company's Interface Switching ReRAM that can be duplicated by any high-density memory maker that uses the same 300mm production equipment.
- The Company provided quarterly reports of this progress which includes cycling endurance in the tens of millions and the best data retention seen to date without compromising speed.
- Renewed joint development agreement with Western Digital Corporation subsidiary HGST for another 12 months, the sixth consecutive yearly renewal.
- The granting of the Company's 21st patent in the USA, "Resistive Memory Device Having a Template Memory". This patent specifically relates to the operation of the Company's fully owned Interface Switching ReRAM technology required for high-speed Storage Class Memory with read speeds comparable to DRAM.
- The Company filed an additional 8 USA patents to protect its stream of innovations and some of these filed patents have been placed on a fast track granting process. An additional three new patents are currently being drafted.
- A marketing, non-deal roadshow in New York.

Placement, Issue of Securities and Release from Escrow

On 23 July 2018, 880,000 unlisted options were issued to corporate advisers, the options are exercisable at $0.045 on or before 23 July 2020, with 50% vesting on issue and 50% vesting after 3 months. All have now vested.

On 28 August 2018, 11,250,000 shares were issued following the exercise of unlisted options.

On 13 November 2018, the Company announced a placement of 70 million ordinary shares at an issue price of $0.045 per share to professional and sophisticated investors to raise $3.15 million. As part of the placement, the 4DS Chairman and Managing Director committed to invest $50,000 each and Mr. David McAuliffe to invest $25,000 towards the placement total, subject to shareholder approval.

On 29 November 2018, the Company issued of the following:

- 930,232 fully paid ordinary shares at $0.043 in satisfaction of the Director's fees owed to Mr James Dorrian from 1 July 2017 until 30 June 2018 as per shareholders' approval on 29 November 2018.
- 495,365 fully paid ordinary shares at $0.043 to David McAuliffe in satisfaction of salary accrued from 1 July 2017 until 30 June 2018 as per shareholders' approval on 29 November 2018.

DIRECTORS' REPORT

On 21 January 2019, the Company issued of the following:

- 1,111,111 fully paid ordinary shares at $0.045 invested by Mr James Dorrian on the same terms and conditions as the placement announced on 13 November 2018 and as per shareholders' approval on 18 January 2019.
- 1,111,111 fully paid ordinary shares at $0.045 invested by Dr Guido Arnout on the same terms and conditions as the placement announced on 13 November 2018 and as per shareholders' approval on 18 January 2019.
- 555,555 fully paid ordinary shares at $0.045 invested by Mr David McAuliffe on the same terms and conditions as the placement announced on 13 November 2018 and as per shareholders' approval on 18 January 2019.
- 1,222,222 fully paid ordinary shares at $0.045 in satisfaction of Director's fees owed to Mr Howard Digby from 1 January 2017 until 31 October 2018 as per shareholders' approval on 18 January 2019.

In addition, effective from 1 January 2019, Mr McAuliffe's annual salary was set at $200,000 and was paid a bonus of $50,000 for the successful completion of capital raisings undertaken by the Company in 2017 and 2018.

On 27 February 2019, 2,000,000 shares were issued following the exercise of unlisted options.

On 17 April 2019, 1,750,000 shares were issued following the exercise of unlisted options.

Incentive Options

On 22 January 2019, the Company issued 8,900,000 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 22 January 2024.

On 6 May 2019, the Company issued 16,880,000 incentive options to the Directors as per shareholder approval, on the same terms as the incentive options to employees and consultants, except for the vesting conditions of the options that were to be issued to Mr McAuliffe. Of the 7,000,000 options to be issued to Mr McAuliffe, 5,750,000 vested immediately upon grant and the balance of 1,250,000 to vest quarterly over ten quarters.

Financial Position and Significant Changes in the State of Affairs

The net assets of the Consolidated Group totalled $2,403,402 (2018: $3,174,842). Cash on hand at 30 June 2019 totalled $2,167,613 (2018: $2,932,232).

Material changes to issued share capital include:

- Exercise of options during the year to the value of $1,034,055 and,
- Capital raising to the value of $3,276,250, refer to review of operations for additional detail.

Dividends Paid or Recommended

No dividend has been declared or paid by the Company. The Directors do not recommend the payment of a dividend.

After Reporting Date Events

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 25 July 2019, the Company issued 15 million ordinary shares at an issue price of $0.05 pursuant to Share Sale Purchase Plan to raise $750,000.

There have been no other matters or circumstances that have arisen since 30 June 2019 that have significantly affected or may significantly affect:

- the Group's operations in future years; or

DIRECTORS' REPORT

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

Future Developments, Prospects and Business Strategies

The Company continues to collaborate closely with imec (i) to develop a backend-of-line (BEOL) process for its Interface Switching ReRAM for volume production 300mm equipment, (ii) to use this process to integrate its Interface Switching ReRAM cells with imec's proven CMOS megabit memory vehicle, and (iii) to collect the statistically significant meaningful data for these megabit memory devices on yield, speed, cycling endurance, and data retention that is essential for high-volume memory makers to make informed decisions.

Environmental Regulation and Performance

The Company aims to comply with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known material breaches of the environmental regulations.

Share Options

Unissued shares

At the date of this report, the unissued ordinary shares of 4DS under option are as follows

Grant Date	Expiry Date	Exercise Price	Number under option
10 December 2015	30 June 2020	$0.020	36,458,333
10 December 2015	30 June 2020	$0.050	15,000,000
18 December 2015	30 June 2020	$0.050	2,500,000
2 May 2017	31 December 2019	$0.050	2,000,000
2 May 2017	31 December 2019	$0.050	3,000,000
30 October 2017	27 October 2022	$0.042	28,275,000
10 November 2017	30 June 2020	$0.070	5,000,000
22 January 2018	27 October 2022	$0.042	14,000,000
23 July 2018	23 July 2020	$0.045	880,000
22 January 2019	22 January 2024	$0.052	8,900,000
6 May 2019	22 January 2024	$0.052	16,880,000
			132,893,333

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

DIRECTORS' REPORT

Shares issued as a result of the exercise of options

During the financial year ended 30 June 2019, 15,000,000 shares were issued from the exercise of options.

Indemnification and Insurance of Directors and Officers

Indemnification

The Company indemnifies each of its Directors, Officers and Company Secretary. The Company indemnifies each Director or Officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a Director or Officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or Officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

Insurance premiums

During the year the Company paid insurance premiums to insure Directors and Officers against certain liabilities arising out of their conduct while acting as an Officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Meetings of Directors

The number of formal meetings of Directors (including committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Mr James Dorrian	13	12
Dr Guido Arnout	13	13
Mr Howard Digby	13	13
Mr David McAuliffe	13	13

Proceedings on Behalf of Company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Non Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

DIRECTORS' REPORT

- All non-audit services are reviewed and approved by the Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the audit; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees to PKF Perth were recognised for non-audit services provided during the year ended 30 June 2019.

Taxation compliance and advice services	$7,800
	$7,800

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 17.

DIRECTORS' REPORT

Remuneration Report (Audited)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

Remuneration Policy

The Company has adopted a remuneration policy designed to align individual and team reward and encourage Executives to perform to their full capacity.

Remuneration packages may contain any or all of the following:

a) annual salary base with provision to recognise the value of the individuals' personal performance and their ability and experience;
b) rewards, bonuses, commissions, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
c) share participation - the Company proposes to put in place an equity incentive plan; and
d) other benefits, such as a holiday leave, sickness benefits, superannuation payments and long service benefits.

The Board will determine the appropriate level and structure of remuneration of the executive team and such consideration will occur each year on the recommendation of the CEO and Managing Director.

Remuneration of Executives and Non-Executives will be reviewed annually by the Board.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors to the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate Directors' fees payable to Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. Shareholders' have approved aggregate Directors' fees payable of $300,000 per year.

The amount of aggregate Directors' fees sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board may consider advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company. However, if a Director performs extra or special services beyond their role as a Director, the Board may resolve to provide additional remuneration for such services.

Fees for Directors are not linked to the performance of the Group however, to align all Directors' interests with shareholder interests, Directors are encouraged to hold shares in the Company and may receive options. This effectively links Directors' performance to the share price performance and therefore to the interests of shareholders. For this reason, there are no performance conditions prior to grant, but instead an incentive to increase the value to all shareholders.

DIRECTORS' REPORT

Remuneration Report (Audited)
Executive Remuneration

Objective

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward Executives for Company performance;
- Align the interest of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

Executive remuneration may consist of both fixed and variable elements.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the Board and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal policies and practices.

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

Objective

Variable remuneration may be provided into reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

Dr Guido Arnout, CEO and Managing Director:
Dr Arnout is subject to an employment contract with the following conditions:

- remuneration salary of US$270,000 per annum, increased to US$294,000 per annum effective from 1 January 2019;
- entitlement to be reimbursed for all reasonable out-of-pocket expenses necessarily incurred in the performance of his duties; and
- remuneration reviewed annually on each review date or at any other time as the Board may determine (in its absolute discretion).

Termination conditions are as follows:
- six months' written notice or pay the Executive six months; and
- six months' termination pay in the event of a Change of Control;

DIRECTORS' REPORT

Remuneration Report (Audited)

Employment Contracts

Mr David McAuliffe, Executive Director:
Mr McAuliffe is subject to an employment contract with the following conditions:

- remuneration salary of $125,000 per annum, increased to $200,000 per annum plus statutory superannuation effective from 1 January 2019;
- an equity package to be determined by the Board (subject to shareholder approval);
- performance bonuses (if any) as may be approved by the Board from time to time;
- entitlement to be reimbursed for all reasonable out-of-pocket expenses necessarily incurred in the performance of his duties; and
- remuneration reviewed annually on each review date or at any other time as the Board may determine (in its absolute discretion).

Termination of employment can be provided by the Company with three months' written notice or by the Executive with three month's written notice. The notice period can be waived if there is sufficient cause.

Mr Michael Van Buskirk, Chief Engineering Officer:
Mr Buskirk is subject to an employment contract with the following conditions:

- remuneration salary of US$240,000 per annum, increased to US$264,000 per annum effective from 1 January 2019;
- provision with both a Health and Dental Plan;
- participation in any employee incentive scheme;
- entitlement to be reimbursed for all reasonable out-of-pocket expenses necessarily incurred in the performance of his duties; and
- remuneration reviewed annually on each review date or at any other time as the Board may determine (in its absolute discretion).

Termination of employment can be provided by the Company with three months' written notice or by the employee with three month's written notice. The notice period can be waived if there is sufficient cause.

Mr Seshubabu Desu, Chief Technology Officer:
Mr Desu is subject to an employment contract with the following conditions:

- remuneration salary of US$200,000 per annum;
- provision with both a Health and Dental Plan;
- participation in any employee incentive scheme;
- entitlement to be reimbursed for all reasonable out-of-pocket expenses necessarily incurred in the performance of his duties; and
- remuneration reviewed annually on each review date or at any other time as the Board may determine (in its absolute discretion).

Termination of employment can be provided by the Company with three months' written notice or by the employee with three month's written notice. The notice period can be waived if there is sufficient cause.

DIRECTORS' REPORT

Remuneration Report (Audited)

Key Management Personnel Remuneration

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of KMP of the Group and is prepared on the following bases:

TABLE 1: REMUNERATION FOR THE YEAR ENDED TO 30 JUNE 2019

	Short Term Salary, Fees & Commissions	Other	Termination benefits	Post-Employment Superannuation	Share Based Payment Options[1]	Total	Performance based remuneration
Executive Director							
Dr Guido Arnout[2]	394,867	-	-	-	302,969	697,836	-
Mr David McAuliffe	162,500	50,000[3]	-	21,612	420,814	654,926	-
Non-Executive Director							
Mr James Dorrian	40,000	-	-	-	14,976	54,976	-
Mr Howard Digby	30,000	-	-	-	14,976	44,976	-
Other key management personnel							
Mr Michael Van Buskirk[2]	352,881	-	-	-	67,883	420,764	-
Mr Seshubabu Desu[2]	282,156	-	-	-	60,737	342,893	-
Total	**1,262,404**	**50,000**	**-**	**21,612**	**882,355**	**2,216,371**	

TABLE 2: REMUNERATION FOR THE YEAR ENDED TO 30 JUNE 2018

	Short Term Salary, Fees & Commissions	Other	Termination benefits	Post-Employment Superannuation	Share Based Payment Options	Total	Performance based remuneration
Executive Director							
Dr Guido Arnout[2]	346,378	-	-	-	685,247	1,031,625	-
Mr David McAuliffe	95,000	30,000	-	9,025	-	134,025	-
Non-Executive Director							
Mr James Dorrian	40,000	-	-	-	-	40,000	-
Mr Howard Digby	30,000	-	-	-	-	30,000	-
Other key management personnel							
Mr Michael Van Buskirk[2]	307,891	-	-	-	267,179	575,070	-
Mr Seshubabu Desu	258,713	-	-	-	239,055	497,768	-
Total	**1,077,982**	**30,000**	**-**	**9,025**	**1,191,481**	**2,308,488**	

[1] Employee options issued during the financial year.
[2] Conversion to AUD of US equivalent
[3] A bonus paid for successfully completed capital raisings undertaken by the Company in years 2017 and 2018.

DIRECTORS' REPORT

Remuneration Report (Audited)

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

Option holdings of Key Management Personnel					Vested at 30 June 2019		
30 June 2019	Balance at beginning of year	Granted as remuneration	Options exercised	Net change other	Balance at end of year	Exercisable	Not Exercisable
Executive Director							
Dr Guido Arnout	50,458,333	7,380,000	-	-	57,838,333	49,796,333	8,042,000
Mr David McAuliffe	-	7,000,000	-	-	7,000,000	5,875,000	1,125,000
Non-Executive Director							
Mr James Dorrian	-	1,250,000	-	-	1,250,000	125,000	1,125,000
Mr Howard Digby	-	1,250,000	-	-	1,250,000	125,000	1,125,000
Other key management personnel							
Mr Michael Van Buskirk	9,500,000	5,000,000	-	-	14,500,000	9,440,000	5,060,000
Mr Seshubabu Desu	8,500,000	-	-	-	8,500,000	7,650,000	850,000
Total	**68,458,333**	21,880,000	-	-	90,338,333	73,011,333	17,327,000

Option holdings of Key Management Personnel					Vested at 30 June 2018		
30 June 2018	Balance at beginning of year	Granted as remuneration	Options exercised	Net change other	Balance at end of year	Exercisable	Not Exercisable
Executive Director							
Dr Guido Arnout	36,458,333	14,000,000	-	-	50,458,333	43,458,333	7,000,000
Mr David McAuliffe	-	-	-	-	-	-	-
Non-Executive Director							
Mr James Dorrian	-	-	-	-	-	-	-
Mr Howard Digby	-	-	-	-	-	-	-
Other key management personnel							
Mr Michael Van Buskirk	-	9,500,000	-	-	9,500,000	4,750,000	4,750,000
Mr Seshubabu Desu	-	8,500,000	-	-	8,500,000	4,250,000	4,250,000
Total	**36,458,333**	**32,000,000**	**-**	**-**	**68,458,333**	**52,458,333**	**16,000,000**

DIRECTORS' REPORT

Remuneration Report (Audited)

SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2019	Balance 1 July 2018	Granted as remuneration	On exercise of options	On conversion of performance share	Net change other	Balance 30 June 2019
Executive Director						
Dr Guido Arnout	1,918,942	-	-	-	1,111,111	3,030,053
Mr David McAuliffe	12,026,474	495,365	-	-	555,555	13,077,394
Non-Executive Director						
Mr James Dorrian	50,086,751	930,232	-	-	1,111,111	52,128,094
Mr Howard Digby	4,554,950	1,222,222	-	-	-	5,777,172
Other key management personnel						
Mr Michael Van Buskirk	1,145,852	-	-	-	-	1,145,852
Mr Seshubabu Desu	658,984	-	-	-	-	658,984
Total	**70,391,953**	2,647,819	-	-	2,777,777	75,817,549

30 June 2018	Balance 1 July 2017	Granted as remuneration	On exercise of options	On conversion of performance share	Net change other	Balance 30 June 2018
Executive Director						
Dr Guido Arnout	1,918,942	-	-	-	-	1,918,942
Mr David McAuliffe	11,697,588	328,886	-	-	-	12,026,474
Non-Executive Director						
Mr James Dorrian	44,206,121	630,630	-	-	5,250,000	50,086,751
Mr Howard Digby	4,554,950	-	-	-	-	4,554,950
Other key management personnel						
Mr Michael Van Buskirk	1,145,852	-	-	-	-	1,145,852
Mr Seshubabu Desu	658,984	-	-	-	-	658,984
Total	**64,182,437**	**959,516**	-	-	**5,250,000**	**70,391,953**

PERFORMANCE SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

For the year ended 30 June 2019 and 30 June 2018 the Performance Shareholdings balances of key management personnel were nil.

DIRECTORS' REPORT

Remuneration Report (Audited)

Loans to Key Management Personnel
There are no loans between the entity and Key Management Personnel.

Employee Share Acquisition Plan
There were no equity issues under the Company's Employee Share Acquisition Plan during the financial year.

Principles of Compensation
The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and Executives by the issue of options to the Directors to encourage the alignment of personal and shareholder interests.

The Company believes this policy will be effective in increasing shareholder wealth.

Remuneration Report - End

Signed in accordance with a resolution of the Directors.

Dr Guido Arnout
Managing Director
19 August 2019

Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF 4DS MEMORY LIMITED

In relation to our audit of the financial report of 4DS Memory Limited for the year ended 30 June 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

PKF PERTH

SHANE CROSS
PARTNER

19 AUGUST 2019
WEST PERTH
WESTERN AUSTRALIA

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue and other income	2	17,774	32,468
Directors fees	3	(70,000)	(70,000)
Employee benefits expense	3	(246,071)	(143,146)
Travel and accommodation		(120,964)	(105,307)
Rent and utilities	3	(144,173)	(122,862)
Research and development	3	(3,418,221)	(2,453,390)
Legal and professional fees		(311,033)	(380,412)
Share based payment	13	(1,091,054)	(1,690,355)
Depreciation and amortisation expense		(123,250)	(50,363)
Impairment of asset		(23,332)	-
Unrealised / realised foreign exchange		38,863	(13,961)
Other expenses		(291,204)	(205,750)
Loss before income tax		(5,782,665)	(5,203,078)
Income tax expense	4	-	-
Loss for the year after income tax		**(5,782,665)**	**(5,203,078)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (net of tax)		15,054	(11,568)
Total comprehensive loss for the year		**(5,767,611)**	**(5,214,646)**
Basic and diluted loss per share (dollars per share)	5	(0.006)	(0.006)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	2,167,613	2,932,232
Trade and other receivables	8	5,868	7,938
Prepayments		47,289	43,194
TOTAL CURRENT ASSETS		2,220,770	2,983,364
NON-CURRENT ASSETS			
Plant and equipment	9	318,162	374,087
TOTAL NON-CURRENT ASSETS		318,162	374,087
TOTAL ASSETS		**2,538,932**	**3,357,451**
CURRENT LIABILITIES			
Trade and other payables	10	121,294	170,929
Provisions	11	14,236	8,507
Other current liabilities		-	3,173
TOTAL CURRENT LIABILITIES		135,530	182,609
TOTAL LIABILITIES		**135,530**	**182,609**
NET ASSETS		**2,403,402**	**3,174,842**
EQUITY			
Issued capital	12(a)	36,025,887	31,836,715
Reserves	12(d)	4,066,248	3,244,195
Accumulated losses		(37,688,733)	(31,906,068)
TOTAL EQUITY		**2,403,402**	**3,174,842**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2019

	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Exchange Reserve $	Total $
Balance at 1 July 2017	26,936,180	(26,740,785)	2,428,905	(76,317)	2,547,983
Total Comprehensive Income					
Loss attributable to members	-	(5,203,078)	-	-	(5,203,078)
Foreign currency translation of subsidiary	-	-	-	(11,568)	(11,568)
Total comprehensive loss for the period	-	(5,203,078)	-	(11,568)	(5,214,646)
Transactions with owners in their capacity as owners:					
Issue of share capital net of costs	3,212,656	-	-	-	3,212,656
Share-based payment advisor options	-	-	241,893	-	241,893
Issue of shares in lieu of Director fees	23,333	-	-	-	23,333
Issue of shares in lieu of Salary	12,169	-	-	-	12,169
Issue of employee options	-	-	1,480,455	-	1,480,455
Issue of shares on exercise of options	1,652,377	-	(781,378)	-	870,999
Options lapsed	-	37,795	(37,795)	-	-
Balance at 30 June 2018	**31,836,715**	**(31,906,068)**	**3,332,080**	**(87,885)**	**3,174,842**

	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Exchange Reserve $	Total $
Balance at 1 July 2018	31,836,715	(31,906,068)	3,332,080	(87,885)	3,174,842
Total Comprehensive Income					
Loss attributable to members	-	(5,782,665)	-	-	(5,782,665)
Foreign currency translation of subsidiary	-	-	-	15,054	15,054
Total comprehensive loss for the period	-	(5,782,665)	-	15,054	(5,767,611)
Transactions with owners in their capacity as owners:					
Issue of share capital net of costs	3,038,816	-	-	-	3,038,816
Share-based payment advisor options	-	-	21,032	-	21,032
Issue of employee options	-		1,070,022	-	1,070,022
Issue of shares on exercise of options	1,034,055	-	(284,055)	-	750,000
Issue of shares in lieu of Director fees	95,000	-	-	-	95,000
Issue of shares in lieu of Salary	21,301	-	-	-	21,301
Balance at 30 June 2019	**36,025,887**	**(37,688,733)**	**4,139,079**	**(72,831)**	**2,403,402**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019	Note	2019	2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(987,710)	(850,059)
Payments for research and development		(3,540,995)	(2,520,764)
Interest received		17,588	24,373
Net cash used in operating activities	7 (b)	(4,511,117)	(3,346,450)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(96,029)	(373,532)
Proceeds from sale of fixed assets		-	6,420
Net cash used in investing activities		(96,029)	(367,112)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		3,276,250	3,455,000
Payment of capital raising cost		(237,434)	(242,344)
Issue of shares on exercise of options		750,000	870,999
Net cash from financing activities		3,788,816	4,083,655
Net increase/ (decrease) in cash and cash equivalents		**(818,330)**	**370,093**
Cash and cash equivalents at the beginning of the financial year		2,932,232	2,576,100
Foreign Exchange		53,711	(13,961)
Cash and cash equivalents at the end of the financial year	7 (a)	2,167,613	2,932,232

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

These are the consolidated financial statements and notes of the Company and controlled entities. 4DS is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of 4DS, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001 (Cth)*.

The financial statements were authorised for issue on 19 August 2019 in accordance with a resolution by the Directors of the Company. The Directors have the power to amend and reissue the financial statements.

a. Basis of Preparation

i. Statement of Compliance

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements as issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for "for-profit" oriented entities. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

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 to which they apply.

The financial report has 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.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

b. Critical Accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

i. Impairment - General

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

ii. Share Based Payments

The grant date fair value of share-based payment is recognised as an expense with a corresponding increase in equity, over the period that the recipient unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that, the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Company follows the guidelines of AASB 2 'Share-based payments' and takes into account all performance conditions and estimates the probability and expected timing of achieving these performance conditions. Accordingly, the expense recognised over the vesting period may vary based upon information available and estimates made at each reporting period, until the expiry of the vesting period.

During the year, the Company engaged an external expert to perform share based payment valuations. See note 13 for valuation assumptions and inputs.

iii. Research and Development Costs

All research and development costs during the year have been expensed. The research and development costs have not been recognised as intangible assets as they did not meet the criteria as set out in policy at note 1(k).

iv. Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise option, or not exercise option a termination option. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension has reflected in the commitment Note 21.

c. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit and loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

d. 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.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

e. Going Concern

The Group has net assets of $2,403,402 (2018: $3,174,842) as at 30 June 2019 and incurred a loss of $5,782,665 (2018: $5,203,078) and net operating cash outflow of $4,511,117 (2018: $3,346,450) for the year ended 30 June 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.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

f. Foreign currency transactions and balances

Functional and presentation currency
The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.
Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive Income; otherwise the exchange difference is recognised in profit or loss.

Group companies
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed of.

g. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

h. Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use.
The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	30%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

i. Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming the market participants acts in their economic best interests.

(i) Loans and receivables

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. All other loans and receivables are classified as non-current assets.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit and loss through the amortisation process and when the financial liability is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees.

Impairment

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

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

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

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

j. Impairment of Non-Financial Assets

At the end of each reporting date, the Directors assess whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

k. Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

l. Employee Benefits

i. Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within one year of the reporting date are recognised 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. Superannuation

Contributions are made by the Consolidated Entity to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

iii. Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

iv. Options

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

v. Equity-settled Compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

m. Cash and Cash Equivalents

Cash in the statement of financial position comprises cash at bank.
For the purposes of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

n. Revenue and other Income

i. Interest
Interest revenue is recognised as it accrues.
ii. Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. Trade and other Receivables

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is raised when some doubt as to collection exists.

q. Trade and other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

r. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Operating lease payments, where substantially all the risk and benefits remain with the lessor, are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

From 1 January 2019, leases are recognised as a right-of-use asset and 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 so as 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 the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- Amount expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for termination the lease, if the lease term reflects the lessee exercising that option.

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 of 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
- Restoration cost

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 asset comprise IT equipment and small items of office furniture.

s. Operating Segments

Operating segments are identified, and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position.

t. Earnings Per Share

i. Basic earnings per share
Basic earnings per share is determined by dividing the net loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

u. Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Shares issued by the Company to a trust, the Group controls are shown as a reduction in equity. Administration expenses of the trust are expensed to the statement of profit or loss and other comprehensive income.

Where any controlled entity purchases the Company's equity share capital as treasury shares, the consideration paid is deducted from equity attributable to the Company's equity holders until those shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable increment transactions costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

v. New Accounting Standards and Interpretations that are not yet mandatory

The following Australian Accounting Standards have been issued or amended and are applicable to the annual financial statements of the consolidated group (or the company) but are not yet effective. This assumes the following have not been adopted in preparation of the financial statements at the reporting date.

AUSTRALIAN ACCOUNTING STANDARDS

AASB No.	Title	Application date of standard *	Issue date
AASB 2017-4	Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019	July 2017
AASB 2017-6	Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	December 2017
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019	December 2017
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019	February 2018
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019	March 2018
AASB 2018-6	Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	December 2018
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	December 2018
AASB 2019-1	Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	May 2019
AASB 16	Leases	1 January 2019	February 2016
AASB Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019	June 2017

* Annual reporting periods beginning after

AASB 16 Leases (effective for annual reporting periods commencing on or after 1 January 2019). The Group will adopt AASB 16 from 1 July 2019.

The AASB has issued a new standard for lease accounting – AASB 16 will replace AASB 117. AASB 16 introduces a single, on balance sheet accounting model, similar to the current finance lease accounting, the standard includes two recognition exemptions for lessees, being lease of "low-value" assets and short-term leases.

Under the new standard, the Group will be required to recognized a 'right-of-use' asset and a lease liability for identified leased assets in the balance sheet. The current operating lease expense will be replaced with a depreciation and finance charge.

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The standard must be implemented using either retrospective approach or modified retrospective approach. Under the modified retrospective approach entities will recognize transitional adjustments in retained earnings on initial application (e.g. 1 July 2019), without restating the comparative period.

The Group has assessed the impact of the new standard on the statement of comprehensive income and balance sheet and has determined there to be no impact

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

w. New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

AASB 9 Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

AASB 15 Revenue from Contracts with Customers

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

Management has assessed there to be no material impact on the financial performance or position of the Group from the adoption of these Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS

	30 June 2019 $	30 June 2018 $
2. REVENUE AND OTHER INCOME		
Interest revenue	17,774	26,048
Other Income - Gain on sale of fixed asset	-	6,420
	-	6,420
Revenue and Other Income	17,774	32,468

	30 June 2019 $	30 June 2018 $
3. LOSS FOR THE YEAR		
Loss before income tax from continuing operations includes the following specific expenses:		
- Director fees (cash settled)	10,000	-
- Director fees (accrued)	60,000	70,000
Directors fees	70,000	70,000
- Salary and wages (cash settled)	153,229	126,897
- Salary and wages (equity settled) [1]	15,000	-
- Bonus (cash settled)	50,000	-
- Superannuation (cash settled)	21,612	10,802
- Worker Compensation Insurance	6,230	5,447
Employee benefits expense	246,071	143,146
- Office rent	116,219	100,600
- Utilities	27,954	22,262
Rent and utilities	144,173	122,862
- Lease expense	(12,914)	115,560
- Consultants	419,233	215,699
- Salary and wages	1,592,439	1,394,230
- R&D partner	1,273,357	623,886
- Other research expenses	146,106	104,015
Research and development	3,418,221	2,453,390

[1] Mr McAuliffe elected for partial salary to be settled in equity, subject to shareholder approval.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX	**30 June 2019 $**	**30 June 2018 $**
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
The prima facie income tax expense/(benefit) on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:		
Accounting loss before income tax	(5,782,665)	(5,203,078)
At the group's statutory income tax rate of 27.5% (2018: 27.5%)	(1,590,233)	(1,430,846)
Add/(Less): tax effect of non-deductible amounts		
Share based payments	300,040	464,848
Provisions and accruals	(6,090)	(1,509)
Other permanent differences	32,775	(34,824)
Unrealised foreign exchange	(10,687)	(5,055)
Capital raising costs	(56,505)	(49,345)
Other non-deductible amounts	6,416	-
Effect of difference in overseas tax rate	(62,505)	(57,109)
Deferred tax balances not recognised	1,386,789	1,113,840
Income tax expense/(benefit)	-	-

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX

	30 June 2019 $	30 June 2018 $
The following deferred tax balances have not been recognised:		
Deferred Tax Assets:		
Carry forward revenue losses	2,274,518	1,621,679
Capital raising costs	134,262	125,472
Other	16,655	5,982
Total Deferred Tax Assets	2,425,435	1,753,133

The tax benefits of the above losses will only be obtained if:

(a) the consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefits

(b) the consolidated group complies with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the consolidated group in utilising the benefits.

Deferred Tax Liabilities:		
Prepayments	10,347	-
Unrealised forex gain	10,687	
Total Deferred Tax liabilities	21,034	-

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry-forward revenue losses for which the Deferred Tax Asset has not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

5.	**LOSS PER SHARE (EPS)**	**30 June 2019**	**30 June 2018**
		$	**$**
a)	Reconciliation of loss to profit and loss Loss for the year	(5,782,665)	(5,203,078)
		No.	**No.**
b)	Weighted average number of ordinary shares outstanding during the year used in the calculation of EPS	1,020,359,171	841,411,612
c)	Loss per share	($0.006)	($0.006)

d) The Group does not report diluted earnings per share with options on annual losses as it is anti-dilutive in nature.

NOTES TO THE FINANCIAL STATEMENTS

6. PARENT ENTITY – 4DS MEMORY LIMITED

As at 30 June 2019 the legal parent of the Group was 4DS Memory Limited	30 June 2019 $	30 June 2018 $
Statement of financial position		
Current assets	2,039,211	2,694,601
Non-current assets	281,162	342,833
Total Assets	2,320,373	3,036,894
Current Liabilities	120,696	163,319
Total Liabilities	120,696	163,319
Shareholders' Equity		
Share Capital	42,612,860	38,423,688
Reserves	4,139,080	3,332,081
Accumulated losses	(44,552,263)	(38,882,194)
Total Shareholders' Equity	2,199,677	2,873,575
Statement of comprehensive income		
Loss for the year	(5,670,069)	(5,363,194)
Other Comprehensive Income	-	-
Total Comprehensive Loss	(5,670,069)	(5,363,194)

The Parent Company 4DS Memory Limited has no contingent liabilities as at 30 June 2019 and 30 June 2018, other than contingent liabilities in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

7. CASH AND CASH EQUIVALENTS

	30 June 2019	30 June 2018
	$	$
(a) Total cash and cash equivalents in the Statement of Cash Flows		
Cash at bank	2,167,613	2,932,232
	2,167,613	2,932,232
(b) Reconciliation of net loss after income tax to cash flows used in operations		
Net loss after income tax	(5,782,665)	(5,203,078)
Non-cash adjustments		
Share based payments	1,091,054	1,722,347
Director fee – equity settled	95,000	23,333
Executive salary – equity settled	21,301	12,169
Realised/ Unrealised movement in foreign currency	(33,285)	(9,244)
Depreciation	123,250	50,363
Impairment of asset	23,332	-
Gain on sale of fixed asset	-	(6,420)
Changes in assets and liabilities		
Decrease/(Increase) in other receivable	107	(480)
Increase/(Decrease) in trade and other payables and provisions	(47,081)	56,457
Decrease/(Increase) in prepayments	(2,130)	8,103
Net cash used in operations	(4,511,117)	(3,346,450)

NOTES TO THE FINANCIAL STATEMENTS

8. TRADE AND OTHER RECEIVABLES

	30 June 2019	30 June 2018
	$	$
CURRENT		
GST receivable	4,925	5,031
Other receivables	943	2,907
	5,868	7,938

None of the receivables are past due. Receivables are therefore not impaired and are within initial trade terms.

9. PLANT AND EQUIPMENT

	30 June 2019	30 June 2018
	$	$
Plant and equipment – at cost	831,718	722,815
Less: Accumulated depreciation	(490,224)	(348,728)
Less: Provision for impairment	(23,332)	-
	318,162	374,087

Reconciliations:
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

NOTES TO THE FINANCIAL STATEMENTS

Consolidated	**Plant and equipment**
	$
Balance 1 July 2017	36,107
Additions	374,087
Disposals	(6,420)
Foreign exchange movements	20,676
Depreciation expense	(50,363)
Balance 30 June 2018	**374,087**
Additions	96,029
Disposals	-
Foreign exchange movements	(28,704)
Depreciation expense	(123,250)
Balance 30 June 2019	**318,162**

10. TRADE AND OTHER PAYABLES

	30 June 2019	**30 June 2018**
	$	**$**
Current		
Trade payables and accruals	121,294	170,929

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

11. PROVISIONS

	30 June 2019	**30 June 2018**
	$	**$**
Provision for employee benefits	14,236	8,507

NOTES TO THE FINANCIAL STATEMENTS

12. ISSUED CAPITAL AND RESERVES

(a) Movements in ordinary share capital	Note	2019	2018	2019	2018
		Shares	Shares	$	$
Balance at beginning of year		964,564,544	845,563,360	31,836,715	26,936,180
Placement shares		70,027,777	86,375,000	3,151,250	3,455,000
Issued capital – in lieu of Director fees		2,152,454	630,630	95,000	23,333
Issued capital – in lieu of Salary		495,365	328,886	21,301	12,169
Issued capital		2,777,777	-	125,000	-
Exercise of unlisted options		15,000,000	31,666,668	1,034,055	1,652,377
Capital raising costs		-	-	(237,434)	(242,344)
Balance at end of year		1,055,017,917	964,564,544	36,025,887	31,836,715

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back scheme.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. The consolidated entity does not have any external debt.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTES TO THE FINANCIAL STATEMENTS

12. ISSUED CAPITAL AND RESERVES (continued)

(b) Movements in options	**Note**	**2019 Option**	**2018 Options**	**2019 $**	**2018 $**
Balance at beginning of year		121,233,333	106,625,001	3,332,080	2,428,905
Options exercised, 4DS Memory Limited options on issue at acquisition date		-	(28,666,668)	-	(715,591)
Options expired, 4DS Memory Limited options on issue at acquisition date		-	(1,000,000)	-	(37,795)
Options exercised, advisor options		(15,000,000)	(3,000,000)	(284,055)	(65,787)
Share based payment, adviser options	13	-	-	-	31,993
Share based payment, employee options	13	25,780,000	42,275,000	1,070,022	1,480,455
Share based payment, adviser options	13	880,000	5,000,000	21,032	209,900
Balance at end of year	12e	132,893,333	121,233,333	4,139,079	3,332,080

(c) Share based payment reserve	**30 June 2019** $	**30 June 2018** $
Balance at beginning of year	3,332,080	2,428,905
Options lapsed during the year	-	(37,795)
Share-based payment expense	1,091,054	1,722,347
Exercised of options	(284,055)	(781,377)
Balance at end of year	4,139,079	3,332,080

The option reserve is used to record the value of share-based payments provided to employees, including Key Management Personnel, as part of their remuneration. Refer to Note 15 for further details.

(d) Foreign exchange translation reserve

Balance at beginning of year	(87,885)	(76,317)
Foreign exchange movement on translation of foreign operations	15,054	(11,568)
Balance at end of year	(72,831)	(87,885)

NOTES TO THE FINANCIAL STATEMENTS

12. ISSUED CAPITAL AND RESERVES (continued)

(d) Foreign exchange translation reserve

The purpose of the foreign exchange translation reserve is to recognise exchange differences arising from the translation of foreign operations to Australian dollars.

	30 June 2019	30 June 2018
	$	$
Share based payment reserve	4,139,079	3,332,080
Foreign exchange translation reserve	(72,831)	(87,885)
Total reserves	4,066,248	3,244,195

(e) Options

Summary of options granted

The following table illustrates the number and weighted average exercise prices of, and movements in, share options issued during the year:

	WAEP	No.
Outstanding at 1 July 2018	0.062	121,233,333
Exercised during the year	(0.028)	(15,000,000)
Granted during the year	0.044	26,660,000
Outstanding at the 30 June 2019	0.078	132,893,333

The following table illustrates the number and weighted average exercise prices of, and movements in, share options issued during the year:

	WAEP	No.
Outstanding at 1 July 2017	0.036	106,625,001
Exercised during the year	(0.018)	(31,666,668)
Expired during the year	(0.001)	(1,000,000)
Granted during the year	0.045	47,275,000
Outstanding at the 30 June 2018	0.062	121,233,333

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE BASED PAYMENTS

The following share-based payment arrangements were entered into during the year ended 30 June 2019:

On 22 January 2018, the Company issued 14,000,000 employee incentive options to the CEO and Managing Director. The options exercisable at $0.042 and expiring 27 October 2022 with 30% of the options vesting immediately on grant date and 70% vesting at 10% per quarter commencing 27 January 2018. During the year ended 30 June 2019 a share-based payment expense of $214,552 was recognised.

On 23 July 2018, 880,000 unlisted options issued to corporate adviser exercisable at $0.045 on or before 23 July 2020, with 50% vesting on issue and 50% vesting after 3 months. All options have vested. During the year ended 30 June 2019 a share- based payment expense of $21,032 was recognised.

On 22 January 2019, the Company issued 8,900,000 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 22 January 2024. During the year ended 30 June 2019 a share-based payment expense of $114,247 was recognised.

On 24 April 2019, the Company issued 16,880,000 incentive options to the Directors as per shareholder approval, on the same terms as the incentive options to employees and consultants, except for the vesting conditions of the options that are to be issued to Mr McAuliffe. Of the 7,000,000 options to be issued to Mr McAuliffe, 5,750,000 will vest immediately upon grant and the balance of 1,250,000 will vest quarterly over ten quarters. During the year ended 30 June 2019 a share-based payment expense of $539,181 was recognised.

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:

Unlisted Share Options	**Advisor Options**	**Employee Incentive Options**	**Employee Incentive Options**
Exercise price	$0.055	$0.052	$0.052
Share price at date of issue	$0.045	$0.053	$0.073
Grant date	20 July 2018	22 January 2019	24 April 2019
Expected volatility	100%	107%	107%
Expiry date	23 July 2020	22 January 2024	22 January 2024
Risk free interest rate	2.05%	1.93%	1.38%
Value per option	$0.0239	$0.0414	$0.0586
Number of options	880,000	8,900,000	16,880,000
Total value of options	**$21,032**	**$368,460**	**$989,168**

For the year ending 30 June 2019 a share-based payment expense of $1,091,054 was recognised in line with option vesting periods. The amount included $202,042 recognised as a vesting expense to employee incentive options issued in a prior period.

NOTES TO THE FINANCIAL STATEMENTS

14. RELATED PARTY DISCLOSURE

(a) Controlled Entities

	Country of Incorporation	% Interest 2019	% Interest 2018
4D-S Pty Limited	Australia	100	100
4DS Inc.	United States of America	100	100
Fitzroy Copper Pty Limited	Australia	100	100
Fitzroy Employee Share Plan Pty Limited	Australia	100	100

(b) Key Management Personnel ("KMP")

Details relating to KMP, including remuneration paid, are included in Note 15 and the audited remuneration report section of the Directors' report.

(c) Transactions with Other Related Parties

Other than the above, there were no transactions with other related parties during the financial year.

15. KEY MANAGEMENT PERSONNEL

	30 June 2019	30 June 2018
Compensation for Key Management Personnel		
Short term employee benefits	1,262,404	1,077,982
Post-employment benefits	21,612	9,025
Equity settled	882,355	1,191,481
Other payments	50,000	30,000
Termination benefits	-	-
Total compensation	2,216,371	2,308,488

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS

Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks equity instruments and accounts receivable and payable. The main purpose of non-derivative financial instruments is to raise finance for the Group's operation. The Group does not speculate in the trading of derivative instruments.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1.

Specific Financial Risk Exposures and Management

The Group's activities expose it to a variety of financial risks; market risk (including interest rate risk, price risk and foreign currency risk), credit risk and liquidity risk.

(i) Market Risk

The board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the Group as no interest-bearing debt arrangements have been entered into.

(iii) *Price risk*

Price risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to securities price risk on investments classified as available for sale. The investment in listed equities has been valued at the market price prevailing at reporting date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

(iv) Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on the Group's financial results. The Group's exposure to foreign exchange risk is monitored by the board. The majority of the Group's funds are held in Australian and United States dollars.

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

At 30 June, the Group has financial assets denominated in the foreign currencies detailed below:

	2019		2018	
	Foreign Currency	**AUD Equivalent**	**Foreign Currency**	**AUD Equivalent**
USD	$691,219	$984,410	$341,045	$460,642

A 5% movement in foreign exchange rates would increase or decrease the loss before tax by $49,220 (2018: $23,032).

At 30 June, the Group has financial liabilities denominated in the foreign currencies detailed below:

	2019		2018	
	Foreign Currency	**AUD Equivalent**	**Foreign Currency**	**AUD Equivalent**
USD	$6,950	$9,909	$14,281	$19,291

A 5% movement in foreign exchange rates would not have a material increase or decrease on the loss before tax (2018: No material movement).

(v) Credit Risk

Credit exposure represents the extent of credit related losses that the group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables. The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Group's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the Statement of Financial Position and notes to the financial statements.

The credit quality of the financial assets was high during the year. The table below details the credit quality of the financial assets at the end of the year:

	2019	2018
	$	$
Cash and cash equivalents held at NAB	2,000,738	2,651,772
Cash and cash equivalents held at HSBC	166,874	280,460
Other receivables and deposits	5,868	7,938
	2,173,480	2,940,170

NOTES TO THE FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (Continued)

(vi) *Cash flow and fair value interest rate risk*

From time to time the Group has significant interest-bearing assets, but they are as a result of the timing of equity raisings and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

At reporting date, the Group had the following financial assets exposed to interest rate risk:

	2019	**2018**
Interest rate risk	$	$
Cash and cash equivalents (i)	2,167,613	2,932,232
	2,167,613	2,932,232

(i) The weighted average interest rate of cash and cash equivalents is 0.7%

None of the Group's financial liabilities are interest bearing.

(vii) Liquidity Risk

The Group currently does not have major funding in place. However, the Group continuously monitors forecasts and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

Net fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with accounting policies disclosed in Note 1.

17. CONTINGENT LIABILITIES

The Company completed the winding up of Premier Coking Coal, LLC including surrendering the relevant leases during a previous period and accordingly 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 the claim to be immaterial.

The Directors are not aware of any other contingent liabilities as at 30 June 2019.

18. SEGMENT REPORTING

The Company has identified its operating segments based on internal reports reviewed by the Board and management. There was only one operating segment being research and development of Interface Switching ReRAM technology for next generation storage in mobile and cloud.

NOTES TO THE FINANCIAL STATEMENTS

19. EVENTS AFTER THE REPORTING DATE

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 to raise $3.25 million.

On 25 July 2019, the Company issued 15 million ordinary shares at an issue price of $0.05 pursuant to Share Sale Purchase Plan to raise $750,000.

There have been no other matters or circumstances that have arisen since 30 June 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.

20. AUDITORS REMUNERATION

The auditor of 4DS Memory Limited for the year ended 30 June 2019 is PKF Perth Chartered Accountants	30 June 2019	30 June 2018
Amounts received or due and receivable by PKF Mack for:	$	$
- Audit and review of financial statements	29,050	27,950
- Other services	7,800	7,040
	36,850	34,990

21. 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.

From 1 January 2018 the Company shall pay imec a total of 1,595,000 Euro, with payments made quarterly until 1 October 2019. The remaining contractual commitment at 30 June 2019 was 398,750 Euro.

Operating lease commitments

Non-cancellable operating lease commitments contracted for but not capitalised in the financial statements

Minimum lease payments	30 June 2019	30 June 2018
	$	$
- Not later than one year	37,221	102,710
- Greater than one year	-	43,281
	37,221	145,991

The property lease is for the period 1 December 2015 to 30 November 2019, with rent payable monthly in advance.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements, notes and additional disclosures included in the Directors' report designated as audited, of the Consolidated Group are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the Company's and Consolidated Group's financial position as at 30 June 2019 and of their performance for the year ended on that date.

2 The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1(a) (i) to the financial report.

3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

Managing Director
Dr Guido Arnout

19 August 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 4DS MEMORY LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of 4DS Memory Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of 4DS Memory Limited is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the consolidated entity in accordance with 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.

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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matters below, our description of how our audit addressed each matter is provided in that context.

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1. Value of Share Based Payments

Why significant

For the year ended 30 June 2019 the value of share based payments issued totalled $1,091,054, as disclosed in Note 13. This amount has been expensed.

The consolidated entity's accounting judgement and estimates in respect of share based payments is outlined in Note 1(b). Significant judgement is required in relation to:

- The valuation method used in the model; and
- The assumptions and inputs used within the model.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Reviewed the independent expert's valuations of options issued, including:
  - ensuring the independence of the independent expert;
  - assessing the credentials of the independent expert;
  - assessing the appropriateness of the valuation method used; and
  - assessing the reasonableness of the assumptions and inputs used within the valuation model.
- Reviewed Board meeting minutes and ASX announcements as well as enquired of relevant personnel to ensure all share based payments had been recognised;
- Assessed the allocation and recognition to ensure reasonable; and
- Assessed the appropriateness of the related disclosures in Note 12(b), 12 (c) and Note 13.

2. Funding and Liquidity

Why significant

While the consolidated entity recorded cash and cash equivalents at 30 June 2019 of $2,167,613, the Group's net cash outflows from operating activities totalled $4,511,117 for the year then ended.

The consolidated entity has also disclosed in note 1(e) that additional funds may be required to meet the consolidated entity's mid-to-long-term strategic objectives.

How our audit addressed the key audit matter

We evaluated the consolidated entity's funding and liquidity position at 30 June 2019 and the ability of the consolidated entity to repay its debts as and when they fall due for a minimum of 12 months from the date of signing the financial report.

In order to assess the funding and liquidity position, we:

- Reviewed the process undertaken to determine the appropriateness of the going concern basis;
- Reviewed the funding plan for the consolidated entity to achieve its future operational and program development needs; and
- Obtained external confirmation of the consolidated entity's cash and short-term deposits and sighted subsequent capital raises to supporting documentation.

Other Information

Other Information is financial and non-financial information in the Annual Report of the consolidated entity which is provided in addition to the Financial Report and Auditor's Report. The Directors are responsible for the Other Information in the Annual Report.

The Other Information we obtained prior to the date of this Auditor's Report is the Director's Report. The remaining Other Information, if any, is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express as audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities 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 Note 1(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 scepticism 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 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 consolidated entity'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 consolidated entity 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 consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the 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 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

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of 4DS Memory Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

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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.

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

19 AUGUST 2019
WEST PERTH
WESTERN AUSTRALIA

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 16 August 2019 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3rd Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are available on the Company's website at www.4dsmemory.com.

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The Board of Directors is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation, rewarding and if necessary the removal of the Managing Director (or equivalent), the Company Secretary and senior management personnel;
- In conjunction with members of the senior management team, develop corporate objectives, strategies and operations plans and approve and appropriately monitor plans, new investments, major capital and operating expenditures, use of capital, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Executive Directors to allow them to manage the business efficiently;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensure that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;

CORPORATE GOVERNANCE STATEMENT

- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Practices Policy;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management and Internal Compliance and Control Policy;
  - Securities Trading Policy; and
  - Shareholder Communication Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the CEO and Managing Director responsibility for the management and operation of 4DS. The Managing Director is responsible for the day-to-day operations, financial performance and administration of 4DS within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the 4DS website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a Director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of Director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a Non-Executive Director, Executive Directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

CORPORATE GOVERNANCE STATEMENT

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 0%
- Women in senior management positions 0%
- Women on the Board 0%

The Company's Diversity Policy is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:
- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the CEO and Managing Director against agreed key performance indicators.

Board and management performance reviews were conducted during the year in accordance with the above processes.

Independent Advice

Directors have a right of access to all Company information and Executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at 4DS's expense.

CORPORATE GOVERNANCE STATEMENT

Principle 2: Structure the board to add value

Board Composition

During the financial year and to the date of this report the Board was comprised of the following members:

Mr James Dorrian	Non-Executive Chairman (appointed 7 December 2015);
Dr Guido Arnout	CEO and Managing Director (appointed 7 December 2015);
Mr David McAuliffe	Executive Director (appointed 7 December 2015); and
Mr Howard Digby	Non-Executive Director (appointed 7 December 2015).

The Board currently consists of two Executive Directors and two Non-Executive Directors.

4DS has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Board does not consist of a majority of independent Directors. The Company's Non-Executive Chairman, Mr James Dorrian, is not considered to be an independent Director as he was, until recently, a substantial shareholder of the Company and both Dr Guido Arnout and Mr David McAuliffe are not considered to be independent as they are Executives of the Company.

Mr Howard Digby is considered to be independent as he is not a member of management and is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of his judgement.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern 4DS. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of Directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board has established a Board Skills Matrix. The Board Skills Matrix includes the following areas of knowledge and expertise:
- Strategic expertise;
- Specific industry knowledge;
- Accounting and finance;
- Risk management;
- Experience with financial markets; and
- Investor relations.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.
All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;

CORPORATE GOVERNANCE STATEMENT

- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfils the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend 4DS's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act 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.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

CORPORATE GOVERNANCE STATEMENT

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, CEO and Managing Director and the Company Secretary are responsible for ensuring that:

a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Contact" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from 4DS and 4DS's securities registry electronically. The contact details for the registry are available on the "Investors" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout 4DS's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. 4DS has established policies for the oversight and management of material business risks.

4DS's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

4DS believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, 4DS is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

4DS accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather 4DS's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

CORPORATE GOVERNANCE STATEMENT

4DS assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, 4DS applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage 4DS's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of 4DS's management of its material business risks on at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

4DS has implemented a Remuneration Policy which was designed to recognise the competitive environment within which 4DS operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in 4DS's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of 4DS.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of 4DS;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of 4DS shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the CEO and Managing Director, Non-Executive Directors and senior management based on an annual review.

4DS's executive remuneration policies and structures and details of remuneration paid to Directors and senior managers where appointed) are set out in the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total Directors fees paid or payable to Non-Executive Directors during the reporting period were $70,000.

Executive Directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries and set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 8 October 2019.

As at 8 October 2019 there were 4,820 holders of Ordinary Fully Paid Shares

VOTING RIGHTS

The voting rights of the ordinary shares are as follows:

Subject to any rights or restrictions for the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representation more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held.

There are no voting rights attached to any of the options that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Full Paid Shares

Name	No of Ordinary Shares Held	Percentage of Issued Shares
James Dorrian	52,128,094	4.59%
John Clement Cowie Love <The JCC Love Family A/C>	30,149,655	2.65%
BNM Holdings Pty Ltd <BJD Beresford Family A/C>	29,134,591	2.56%
BNP Paribas Nominees Pty Ltd <LB AU Noms Retailclient Drp>	25,509,889	2.25%
Citicorp Nominees Pty Limited	24,014,801	2.11%
Vicex Holdings Proprietary Limited <Vicex Super A/C>	21,000,000	1.85%
Southam Investments 2003 Pty Ltd <Warwickshire Investment A/C>	16,494,883	1.45%
Monterey Domes Pty Ltd <Bransgrove Super Fund A/C>	9,000,000	0.79%
National Nominees Limited	8,997,491	0.79%
Rohan Vanden Driesen	8,883,862	0.77%
Kurt Pfluger	8,691,862	0.77%
Ruth Amanda Stroppiana	8,541,228	0.75%
HSBC Custody Nominees (Australia) Limited	8,261,277	0.73%
Kelland Munro MacCulloch	8,137,505	0.72%
Aurelius Finance Pty Ltd <Aurelius Super Fund A/C>	8,096,871	0.71%
David Jerimiah McAuliffe <The Lazy D9M Investment A/C>	8,056,743	0.71%
Dr Winston O Pty Ltd <DACM Family A/C>	7,509,876	0.66%
B & M Beresford Pty Ltd <B&M Beresford Super Fund A/C>	6,795,178	0.60%
DHU Holdings Pty Ltd <Dhufish Superannuation A/C>	6,379,236	0.56%
Michael Hawran	6,246,814	0.55%
Total Top 20	302,029,625	26.58%
Others	634,088,292	73.42%
Total Ordinary Shares on Issue	**1,135,017,917**	**100.00%**

ASX ADDITIONAL INFORMATION

SUBSTANTIAL HOLDERS

The Company has no substantial shareholders as at 8 October 2019 are:

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	55	14,929	0.00%
1,001 - 5,000	120	464,818	0.04%
5,001 - 10,000	740	6,320,187	0.56%
10,001 - 100,000	2,634	106,421,184	9.37%
100,001 - 9,999,999,999	1,271	1,022,896,799	90.03%
Totals	**4,820**	**1,136,117,917**	**100.00%**

Unmarketable Parcels – 424 Holders

UNQUOTED SECURITIES

As at 8 October 2019, the following unquoted securities are on issue:

3,900,000 Options expiring 31/12/2019 @ $0.05 – 4 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Jason Paul Skinner <Jason Skinner Family A/C>	1,675,000	42.95%
Bobarino Pty Ltd	1,000,000	25.64%
Bryant James McLarty <The McLarty Family A/C>	875,000	22.44%

36,458,333 Options Expiring 30/06/2020 @ $0.02 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Guido Arnout	36,458,333	100.00%

15,000,000 Options expiring 30/06/2020 @ $0.05 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Melanie Buffier	7,500,000	50.00%
Tisia Nominees Pty Ltd <Henderson Family A/C>	7,500,000	50.00%

2,500,000 Options expiring 30/06/2020 @ $0.05 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Melanie Buffier	2,500,000	100.00%

ASX ADDITIONAL INFORMATION

5,000,000 Options expiring 30/06/2020 @ $0.07 – 4 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Bobarino Pty Ltd	2,500,000	50.00%
Jason Paul Skinner <Jason Skinner Family A/C>	1,425,000	28.50%

880,000 Options expiring 23/07/2020 @ $0.045 – 1 Holder

Holders with more than 20%

Holder Name	Holding	% IC
Jett Capital Advisors, LLC	880,000	100.00%

42,275,000 Options expiring 27/10/2022 @ $0.042 – 6 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Guido Arnout	14,000,000	33.12%
Michael Van Buskirk	9,500,000	22.47%
Seshubabu Desu	8,500,000	20.11%

25,780,000 Options expiring 22/01/2024 @ $0.052 – 9 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Guido Arnout	7,380,000	28.63%
Margaret Elizabeth Livingston	7,000,000	27.15%

2,600,000 Options expiring 28/08/2024 @ $0.052 – 2 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Seshubabu Desu	1,300,000	50.00%
Ting Yen	1,300,000	50.00%

ON-MARKET BUY BACK

There is currently no on-market buyback program.