

4DS MEMORY LIMITED
and Controlled Entities

ACN: 145 590 110

Annual Financial Report

For the year ended 30 June 2016



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4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

CORPORATE DIRECTORY

4DS Memory Limited

Directors

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

Company Secretary

Mr Peter Webse

Registered and Principal Office

Level 2, 50 Kings Park Road
West Perth WA 6005
Tel: +61 8 6377 8043
Email: info@4dsmemory.com

Website

www.4dsmemory.com

Share Registry

Automic Share Registry
Suite 1A, Level 1
7 Ventnor Avenue
West Perth WA 6005

Auditors

PKF Mack Chartered Accountants
Level 4, 35-37 Havelock Street,
West Perth WA 6005

Solicitors

GTP Legal
68 Aberdeen Street
Northbridge WA 6003

Securities Exchange Listing

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

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

The Directors of 4DS Memory Limited ("the Company") ("4DS Memory") and its controlled entities ("the Group" or "Consolidated Group") submit the following report for the year ended 30 June 2016 ("Financial Period").

The Board currently comprises the following Directors appointed 7 December 2015:

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

The following directors retired from the Board effective 7 December 2015:

Mr Riccardo Vittino	Non-executive Director
Mr Peter Webse	Non-executive Director
Mr Tim Grice	Non-executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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	- Chief Executive Officer 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

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

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 including Samsung, Hynix and TSMC.
- Directorships held in other listed entities - Non-executive Director of Estrella Resources (ASX: ESR) and currently an advisor to geospatial imagery company Spookfish (ASX: SFI). Directorships held in other listed entities in the last three years — Dimerix Bioscience Limited (January 2013 to November 2015) and Cynata Therapeutics Limited (May 2012 to November 2014).
- Mr David McAuliffe** - Non-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 - Directorships held in other listed entities in the last three years — Oncosil Medical Limited (November 2011 to September 2013) and AO Energy Limited (August 2013 to November 2013).
- Mr Riccardo Vittino** - Non-executive Director (Resigned 7 December 2015)
- Qualifications - BCom (UWA), FAICD
- Experience - Mr Vittino has over 25 years' experience in the resources sector with a focus on corporate and financial management. He graduated from the University of Western Australia with a Bachelor of Commerce degree in 1985 and began his career in the mining industry in 1988 as Company Secretary for Helix Resources Ltd. During his 18-year tenure at Helix, Mr Vittino was involved with various IPOs and Joint Ventures both local and International. He left Helix in 2006 as CEO to pursue a role in South Africa as Finance Director of Central Rand Gold Ltd. He was responsible for overseeing Central Rand Gold's listing on the Main Board of the LSE and the JSE in 2007 and subsequent progress to pre-feasibility and commencement of trial mining. Mr Vittino returned to Perth in 2008 to focus on personal interests. He has held numerous non-executive Director roles including Diamond Ventures NL and Platinum Australia Ltd. He is a Fellow of the Australian Institute of Company Directors.
- Directorships held in other listed entities - Directorship held in Credo Resources Ltd (resigned January 2016)

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

- Mr Peter Webse** - Non-executive Director (Resigned 7 December 2015)
- Qualifications - BBus, FGIA, FCIS, FCPA, MAICD
- Experience - Mr Webse has over 24 years' company secretarial experience and is the Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.
- Directorships held in other listed entities - Mr Webse is currently a director of Cynata Therapeutics Limited. Other Directorships held in other listed entities in the last three years - Blina Minerals Limited (12 January 2012 – 18 February 2014), Sun Biomedical Limited (22 January 2013 – 3 July 2015)
- Mr Tim Grice** - Non-executive Director (Resigned 7 December 2015)
- Qualifications - Nil
- Experience - Mr Grice has a broad range of experience in capital markets where he has worked for 29 years. He has held a number of senior adviser positions at national and international stockbroking companies including Bell Potter, UBS and Merrill Lynch and been involved in raising capital for many emerging companies in mining and technology.
- Directorships held in other listed entities - Nil

Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and options of 4DS Memory Limited were:

30 June 2016		Shareholdings at 30 June 2016			Shareholdings at date of Directors' report		
		Number of Ordinary Shares	Number of Options over Ordinary Shares	Performance Shares	Number of Ordinary Shares	Number of Options over Ordinary Shares	Performance Shares
Mr James Dorrian	Non-Executive Chairman	35,045,806	-	6,533,962	35,045,806	-	6,533,962
Dr Guido Arnout	Chief Executive Officer and Managing Director	1,617,394	36,458,333	301,548	1,617,394	36,458,333	301,548
Mr Howard Digby	Non-Executive Director	3,966,715	-	-	3,966,715	-	-
Mr David McAuliffe	Non-Executive Director	10,840,825	-	156,763	11,540,825	-	156,763

Company Secretary

Mr Peter Webse

- Qualifications - BBus, FGIA, FCIS, FCPA, MAICD
- Experience - Mr Webse has over 25 years' company secretarial experience and is the Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

Principal Activities

The principal activity of the consolidated group during the year was the development of resistive random access memory ("ReRAM"), an emerging non-volatile memory.

In collaboration with HGST, a subsidiary of Western Digital Corporation (NASDAQ: WDC), 4DS Memory is developing a unique, patented, non-filamentary ReRAM well suited for gigabyte ("GB") silicon storage at smaller geometries, using less power with increased reliability and performance when compared to traditional data storage, such as NAND Flash ("Flash").

4DS has research and development facilities located in Fremont in Silicon Valley, United States.

Operating Results

The loss of the Consolidated Group after providing for income tax amounted to \$11,741,689 (2015: \$1,304,852 Loss).

Review of Operations

4D-S Pty Limited

As detailed further in Financial Position and Significant Changes in the State of Affairs, 4DS Memory Limited (formerly Fitzroy Resources Limited) successfully acquired 4D-S and completed a capital raising via Public Offering in December 2015. The Company was relisted on the Australian Securities Exchange ("ASX") on 17 December 2015 after re-complying with Chapters 1 and 2 of the ASX Listing Rules.

For the year ended 30 June 2016, 4DS Memory made significant progress in the development of non-filamentary ReRAM with the consistent achievement of key strategic and technical milestones.

Operational Highlights

- Renewed joint development agreement with Western Digital Corporation subsidiary HGST for 12 months
- Produced viable 50nm ReRAM cells, in line with 3D Flash production geometries
- Accelerated the endurance testing process with a new customised test station, operational since mid-June
- Continued improvements to the core intellectual property on time and within budget
- Received a 16th US patent providing further protection of 4DS Memory non-filamentary ReRAM to 2029
- Raised \$2.75 million through a Public Offering and listed on the ASX on 17 December 2015

At the end of the Financial Period, HGST, a subsidiary of Western Digital Corporation, the leader in digital storage, renewed a 12-month joint development agreement ("JDA") with 4DS Memory.

The Directors consider this renewal an important milestone for 4DS Memory in developing next generation memory solutions.

The collaboration with HGST, which commenced in July 2014, accelerates the evolution of non-filamentary ReRAM with the goal of optimising the 4DS Memory technology for the mobile and cloud GB silicon storage market.

The engagement enables 4DS Memory to demonstrate the necessary data to prove the value of its IP and the viability of the technology for GB silicon storage without incurring the expense of fabricating fully functional GB ReRAM prototypes.

In February 2016, during the second year of the JDA, 4DS achieved a ground breaking milestone demonstrating a scalable non-filamentary ReRAM cell at a 50 nm lithography, and in line with 3D Flash production geometries.

A new test station, which provides 4DS Memory with the ability to test cycling endurance 10 times faster than with off-the-shelf test equipment, has been operational since mid-June.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

During the period, 4DS Memory made continued improvements, on schedule and within budget, to the core intellectual property of its memory cell technology.

The Company's intellectual property portfolio was strengthened by the addition of the 16th US patent, specifically relating to a heterojunction resistive memory device in conjunction with a thin-film access device.

The patent portfolio is based on wholly-owned, in-house developed, intellectual property created during the past ten years and contains both ReRAM cell patents and PCMO deposition patents. An additional seven patent applications are in various stages of review at the United States Patent and Trademark Office.

This most recent patent granted is essential for the commercialisation of 3D stacked ReRAMs and offers patent protection to 2029.

In December 2015, 4DS Memory raised \$2.75 million through a successful oversubscribed Public Offering, demonstrating investor appetite for the patented and unique technology being pioneered by the Company.

Chief Executive Officer and Managing Director, Dr Guido Arnout said "4DS Memory is addressing the fastest growing segment of the global memory market. In 2020, emerging non-volatile memory is predicted to be a US\$7 billion market.

"With breakthrough technology for next generation GB silicon storage, combined with the expectation of achieving future development goals and underpinned by a strategic partnership with a global leader in digital storage, 4DS Memory is well positioned to meet the needs of a growing multi-billion-dollar market."

Exploration Activities

During the financial period, 4DS Memory Limited announced that, in light of difficult market conditions in the mining and exploration sector, it had withdrawn from the US coking coal sector, with the Company's US based subsidiaries subsequently being wound up in October 2015.

No fieldwork was undertaken on the Glentanna asset during the Financial Period and on 8 February 2016 the tenement was surrendered. Due to a change in focus all exploration assets were fully impaired at 31 December 2015.

At 30 June 2016 the Group retained a 49% interest in the Rookwood asset, with the joint venture being operated by Zenith Minerals Limited, which holds a 51% interest.

Financial Position and Significant Changes in the State of Affairs

The net assets of the Consolidated Group totalled \$1,293,946 (2015: \$1,063,182 net asset deficient). The loss for the year was \$11,741,689 (2015: \$1,304,852 loss). Cash on hand at 30 June 2016 totalled \$1,243,487 (2015: \$9,106).

The following significant changes in the state of affairs of the Group occurred during the Financial Period:

On 13 August 2015, 4DS Memory Limited (the Fitzroy Resources Ltd) announced the execution of the Bid Implementation Agreement, setting out a proposal to acquire all of the issued securities in 4D-S Pty Limited (4D-S) by way of off-market takeover offers and private treaty offers. In conjunction with the acquisition, the Company announced it would raise up to \$2.75million (before costs).

The acquisition of 4D-S and the capital raising were completed in December 2015 at which time the Company changed its Board to reflect the new business direction. The Company was relisted on the ASX on 17 December 2015 after re-complying with Chapters 1 and 2 of the ASX Listing Rules.

Total consideration for all classes of 4D-S securities was 385,603,642 4DS Memory shares, 67,604,019 performance shares and 36,458,333 unlisted options each with an exercise price of \$0.02 and an expiry date of 30 June 2020. The performance shares convert into 4DS Memory shares upon the Company announcing that a suitable independent expert has delivered a report to the Company confirming that 4D-S has achieved endurance consistency.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

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

4DS Memory Limited was placed into a trading halt on 1 July 2016 pending the finalisation of a material announcement in relation to a joint development agreement.

On 4 July 2016, 4DS Memory Limited announced it has agreed to a 12-month renewal of a joint development agreement with HGST, a subsidiary of Western Digital Corporation.

There have been no other matters of significance since reporting date.

Future Developments, Prospects and Business Strategies

Over the next three months, 4DS Memory is working towards the objectives of measuring cell endurance yield at small geometries, completing the performance milestone which relates to cycling endurance and demonstrating viable scalability below 50nm.

4DS will concentrate on refinements to the fabrication process to further optimise cycling endurance, data retention and access speed, and to demonstrate the viability of its technology for gigabyte silicon storage.

Environmental Regulation and Performance

The Company is subject to the environmental regulations under legislation of the Commonwealth of Australia. 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 Memory Limited under option are as follows

Grant Date	Expiry Date	Exercise Price	Number under option
11 May 2015	10 May 2018	\$0.024	26,666,668
26 June 2015	25 June 2018	\$0.042	3,000,000
10 December 2015	30 June 2020	\$0.02	36,458,333
10 December 2015	30 June 2020	\$0.05	30,000,000
18 December 2015	30 June 2020	\$0.05	10,000,000
			106,125,001

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 period, no shares have been issued as a result of 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 period and the number of meetings attended by each Director was as follows:

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Mr James Dorrian	7	6
Dr Guido Arnout	7	7
Mr Howard Digby	7	7
Mr David McAuliffe	7	7
Mr Riccardo Vittino	3	3
Mr Peter Webse	3	3
Mr Tim Grice	3	3

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.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

Non Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the period 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:

- 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 Mack were recognised for non-audit services provided during the year ended 30 June 2016.

Taxation compliance and advice services	\$4,510
	<hr/>
	\$4,510
	<hr/>

Auditor's Independence Declaration

The auditor's Independence Declaration for the year ended 30 June 2016 has been received and can be found on page 19.

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 has 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 Managing Director.

Remuneration of executives will be reviewed annually by the Board. Determination of Non-Executive Director's fees is with regard to the long term performance of the Company.

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.

DIRECTORS' REPORT

Remuneration Report (Audited)

Non-executive Director Mr Howard Digby received a fee of \$20,000 from the Company for the year ended 30 June 2016. The fee was for consulting services provided to the Company in relation to the Takeover Bids (primarily for technical due diligence on 4D's technology and the claims associated with the technology and its development progress, including procuring independent technical expert advice and patent attorney services).

Non-executive Director Mr Richard Vittino received a fee of \$5,000 for additional consulting services provided relating to 4DS transaction and Premier Coking Coal Limited.

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.

During the year ended 30 June 2016, 36,458,333 options exercisable at \$0.02 with expiry of 30 June 2020 were issued to Guido Arnout, as part of the acquisition by 4DS Memory Limited of 4D-S Pty Ltd.

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.

DIRECTORS' REPORT

Remuneration Report (Audited)

Variable Remuneration

Objective

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

Employment Contracts

Dr Guido Arnout, Chief Executive Officer and Managing Director:

Guido was appointed during the year ended 30 June 2016 and is subject to an employment contract with the following conditions:

- remuneration salary of US\$185,000 per annum plus statutory superannuation;
- 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:

- up to six months' written notice or pay the Executive six months' remuneration plus any accumulated entitlements for annual and long service leave; and
- six months' termination pay in the event of a Change of Control;

Melanie Buffier, Corporate Strategy and Investor Relations Director:

Melanie was appointed during the year ended 30 June 2016 and is subject to an employment contract with the following conditions:

- remuneration salary of AU\$250,000 per annum plus statutory superannuation;
- incentive options as disclosed in the remuneration section of the annual report;
- performance bonuses (if any) as may be approved by the Board from time to time (in its absolute discretion)
- entitlement to be reimbursed for all reasonable expenses incurred in the performance of her 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:

- up to six months' written notice or pay the Executive an amount equal to 6 months' Salary; and
- six month's termination pay in the event of a Change of Control.

Michael Van Buskirk, Chief Engineering Officer:

Michael was appointed during the year ended 30 June 2016 and is subject to an employment contract with the following conditions:

- remuneration salary of US\$240,000 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 up to three months' written notice or by the employee with three month's written notice.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

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:

- The report relates to the listed entity only, 4DS Memory Limited being the legal acquirer. The accounting acquirer remuneration will be disclosed from the date of control. Consequently, amounts reported below will differ from note 14 key management personnel compensation;
- The remuneration for KMP of the listed entity (4DS Memory Limited) need to be disclosed for the full year for both current year and comparatives.

TABLE 1: REMUNERATION FOR THE YEAR ENDED TO 30 JUNE 2016 – GROUP

	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other	Share Based Payment Options	Total	Performance based remuneration
<i>Non-Executive Directors</i>						
Mr James Dorrian - Chairman	22,631	-	-	-	22,631	
Mr Howard Digby	16,974	-	20,000	-	36,974	
Mr David McAuliffe	16,974	-	-	-	16,974	
Mr Riccardo Vittino	13,750	-	5,000	-	18,750	
Mr Peter Webse	13,065	-	62,750	-	75,815	
Mr Tim Grice	11,931	1,133	-	-	13,064	
<i>Other key management personnel</i>						
Dr Guido Arnout ¹ Managing Director	224,714	-	-	-	224,714	
Melanie Buffier ²	151,268	11,263	-	77,898	240,429	32%
Michael Van Buskirk ³	275,899	-	86,898	-	362,797	
Total	747,206	12,396	174,648	77,898	1,012,148	

¹ Guido Arnout receives an annual salary of US\$185,000 (exclusive of superannuation), which has been converted to AUD\$ in the above table at the monthly average FX rate.

² Melanie Buffier commenced as an employee on 23 November 2015. Melanie receives an annual remuneration salary of \$250,000 plus statutory superannuation.

³ Michael Van Buskirk started as a contractor in mid January 2015 and converted to an employee on 1 September 2015. Michael receives an annual salary of US\$240,000, which has been converted to AUD\$ in the above table at the monthly average FX rate.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

Remuneration Report (Audited)

Key Management Personnel Remuneration

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2015 – LEGAL PARENT

	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other	Share Based Payment Options	Total	Performance based remuneration
<i>Non-Executive Directors</i>						
Tom Henderson – Chairman	48,000	-	-	168,000 ¹	216,000	78%
Will Dix	19,250	-	-	-	19,250	-
Russel Lynton-Brown	24,452	2,323	-	-	26,775	-
Riccardo Vittino	39,000	-	-	24,650 ²	63,650	39%
Peter Webse	11,145	-	-	24,650 ²	35,795	69%
Tim Grice	4,023	382	-	24,650 ²	29,055	85%
<i>Other key management personnel</i>						
Benjamin Lane – CEO	102,955	7,917	-	-	110,872	
Total	248,825	10,622	-	241,950	501,397	

¹ Value of 20,000,000 options (pre consolidation) received by Tisia Nominees Pty Ltd, as Nominee of Forrest Capital Pty Ltd, for acting as advisors to the Company for capital raising as approved by shareholders on 8 May 2015.

² 1,000,000 options received by each director, as approved by Shareholders on 26 June 2015.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

Remuneration Report (Audited)

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

Vested at 30 June 2016

30 June 2016	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Total	Exercisable	Not Exercisable
<i>Non-Executive Directors</i>								
Mr James Dorrian	-	-	-	-	-	-	-	-
Dr Guido Arnout	-	36,458,333	-	-	36,458,333	36,458,333	36,458,333	-
Mr Howard Digby	-	-	-	-	-	-	-	-
Mr David McAuliffe	-	-	-	-	-	-	-	-
Mr Riccardo Vittino ¹	1,166,667	-	-	(1,166,667)	-	-	-	-
Mr Peter Webse	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
Mr Tim Grice ¹	1,000,000	-	-	(1,000,000)	-	-	-	-
<i>Other key management personnel</i>								
Melanie Buffier	-	10,000,000	-	12,500,000	22,500,000	22,500,000	15,000,000	7,500,000
Michael Van Buskirk	-	-	-	-	-	-	-	-
Total	3,166,667	46,458,333	-	10,333,333	59,958,333	59,958,333	59,958,333	7,500,000

¹ Balance at resignation date.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

DIRECTORS' REPORT

Remuneration Report (Audited)

SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2016	Balance 1 July 2015	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2016
<i>Non-Executive Directors</i>					
Mr James Dorrian ¹	-	-	-	35,045,806	35,045,806
Dr Guido Arnout ¹	-	-	-	1,617,394	1,617,394
Mr Howard Digby ¹	666,667	-	-	3,300,048	3,966,715
Mr David McAuliffe ¹	-	-	-	10,840,825	10,840,825
Mr Riccardo Vittino	4,945,667	-	-	(4,945,667)	-
Mr Peter Webse	1,166,667	-	-	-	1,166,667
Mr Tim Grice	-	-	-	-	-
<i>Other key management personnel</i>					
Melanie Buffier	-	-	-	3,500,000	3,500,000
Michael Van Buskirk	-	-	-	965,790	965,790
Total	6,779,001	-	-	50,324,196	57,103,197

PERFORMANCE SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2016	Balance 1 July 2015	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 2016
<i>Non-Executive Directors</i>					
Mr James Dorrian ²	-	-	-	6,533,962	6,533,962
Dr Guido Arnout	-	-	-	301,548	301,548
Mr Howard Digby	-	-	-	-	-
Mr David McAuliffe ²	-	-	-	156,763	156,763
Mr Riccardo Vittino	-	-	-	-	-
Mr Peter Webse	-	-	-	-	-
Mr Tim Grice	-	-	-	-	-
<i>Other key management personnel</i>					
Melanie Buffier	-	-	-	-	-
Michael Van Buskirk	-	-	-	180,062	180,062
Total	-	-	-	7,172,335	7,172,335

¹ Issue pursuant to takeover of 4D-S Pty Limited.

² Issue pursuant to takeover of 4D-S Pty Limited.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

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 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.



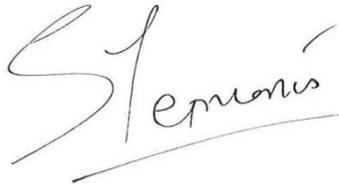
Guido Arnout
Managing Director
25 August 2016

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 2016, 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 MACK



SIMON FERMANIS
PARTNER
25 AUGUST 2016
WEST PERTH
WESTERN AUSTRALIA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

		2016	2015
	Note	\$	\$
Revenue	2	137,009	13
Directors fees		(55,671)	-
Employee benefits expense	3	(147,324)	
Travel and accommodation		(136,275)	(90,061)
Leases and utilities	3	(198,805)	(144,353)
Research costs	3	(1,209,460)	(485,590)
Legal and professional fees	3	(319,812)	(50,003)
Excess consideration on 4DS transaction		(8,914,880)	-
Share based payment		(646,008)	(233,840)
Depreciation and amortisation expense		(6,799)	(3,914)
Unrealised / realised foreign exchange		(44,064)	(94,906)
Other expenses		(199,600)	(202,198)
Loss before income tax		(11,741,689)	(1,304,852)
Income tax expense	4	-	-
Loss for the year		(11,741,689)	(1,304,852)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		(171,773)	13,325
Total comprehensive loss for the year		(11,913,462)	(1,291,527)
Basic and diluted loss per share (dollars per share)	5	(0.03)	(0.01)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,243,487	9,106
Trade and other receivables	8	64,026	42,357
Other current assets		55,000	-
TOTAL CURRENT ASSETS		<u>1,362,513</u>	<u>51,463</u>
NON-CURRENT ASSETS			
Plant and equipment		23,173	18,326
TOTAL NON-CURRENT ASSETS		<u>23,173</u>	<u>18,326</u>
TOTAL ASSETS		<u>1,385,686</u>	<u>69,789</u>
CURRENT LIABILITIES			
Trade and other payables	9	84,189	126,356
Employee benefits	10	7,551	-
Borrowings	11	-	771,115
TOTAL CURRENT LIABILITIES		<u>91,740</u>	<u>897,471</u>
TOTAL NON-CURRENT LIABILITIES			
Borrowings	11	-	235,500
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>235,500</u>
TOTAL LIABILITIES		<u>91,740</u>	<u>1,132,971</u>
NET ASSETS/(DEFICIENCY)		<u><u>1,293,946</u></u>	<u><u>(1,063,182)</u></u>
EQUITY			
Issued capital		20,733,292	10,574,049
Reserves		4,797,742	1,363,414
Accumulated losses		(24,237,088)	(13,000,645)
TOTAL EQUITY	12	<u><u>1,293,946</u></u>	<u><u>(1,063,182)</u></u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	10,574,049	(11,695,793)	1,024,791	91,458	(5,495)
<i>Total Comprehensive Income</i>					
Loss attributable to members	-	(1,304,852)	-	-	(1,304,852)
Foreign currency translation difference	-	-	-	13,325	13,325
Total comprehensive loss for the period	-	(1,304,852)	-	13,325	(1,291,527)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	-	233,840	-	233,840
Balance at 30 June 2015	10,574,049	(13,000,645)	1,258,631	104,783	(1,063,182)
	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	10,574,049	(13,000,645)	1,258,631	104,783	(1,063,182)
<i>Transactions with owners in their capacity as owners:</i>					
Conversion of convertible notes	1,604,563	-	-	-	1,604,563
Pre-acquisition balance	12,178,612	(13,000,645)	1,258,631	104,783	541,381
<i>Total Comprehensive Income</i>					
Loss attributable to members	-	(11,741,689)	-	-	(11,741,689)
Foreign currency translation difference	-	-	-	(171,773)	(171,773)
Total comprehensive loss for the period	-	(11,741,689)	-	(171,773)	(11,913,462)
<i>Transactions with owners in their capacity as owners:</i>					
Extinguishment of 4D-S shares on reverse acquisition	(12,178,612)	-	-	-	(12,178,612)
Recognise 4DS Memory Shares	12,178,612	-	-	-	-
Acquisition of Fitzroy Resources Limited	5,969,680	(753,385)	753,385	-	5,969,680
Issue of Performance Shares	-	-	2,467,547	-	2,467,547
Issue of share capital net of costs	2,585,000	-	-	-	2,585,000
Extinguishment of 4D-S Options	-	1,258,631	(1,258,631)	-	-
Issue of Options	-	-	1,643,800	-	1,643,800
Balance at 30 June 2016	20,733,292	(24,237,088)	4,864,732	(66,990)	1,293,946

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		81,629	-
Payments to suppliers and employees		(1,150,071)	(1,003,836)
Payments for product development		(1,316,055)	-
Interest received		20,380	13
Interest paid		-	(55,877)
Net cash used in operating activities	7 b	<u>(2,364,117)</u>	<u>(1,059,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from acquisition of subsidiary	7 c	3,083,093	-
Purchase of plant and equipment		(11,647)	(7,907)
Net cash used in investing activities		<u>3,071,446</u>	<u>(7,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	965,747
Proceeds from issue of shares and options		527,052	-
Net cash from financing activities		<u>527,052</u>	<u>965,747</u>
Net increase/ (decrease) in cash and cash equivalents		1,234,381	(101,860)
Cash and cash equivalents at the beginning of the financial year		9,106	110,100
Foreign Exchange		-	866
Cash and cash equivalents at the end of the financial year	7 a	<u>1,243,487</u>	<u>9,106</u>

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 4DS Memory Limited (4DS or the Company) and controlled entities (collectively the Group). 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 issued on 25 August 2016 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.

ii. Reverse Acquisition

On 9 December 2015, 4DS Memory Limited (formerly Fitzroy Resources Limited), the legal parent, completed the acquisition of 4D-S Pty Limited (“4D-S”). 4D-S (the legal subsidiary) was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer 4DS Memory (accounting subsidiary). Accordingly, the consolidated financial statements of 4DS Memory have been prepared as a continuation of the financial statements of 4D-S. 4D-S (as the accounting acquirer) has accounted for the acquisition of 4DS Memory from 9 December 2015. The comparative information presented in the consolidated financial statements is that of 4-DS.

The impact of the reverse acquisition on each of the primary statements is as follows:

- The consolidated statement of profit or loss and other comprehensive income:
 - o for the year to 30 June 2016 comprises twelve months of 4D-S and the period from 9 December 2015 to 30 June 2016 of 4DS Memory; and
 - o for the comparative period comprises 1 July 2014 to 30 June 2015 of 4D-S.
- The consolidated statement of financial position:
 - o as at 30 June 2016 represents both 4D-S and 4DS Memory and their controlled entities as at that date; and
 - o as at 30 June 2015 represents 4D-S and its controlled entities as at that date.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- The consolidated statement of changes in equity:
 - o for the year ended 30 June 2016 comprises 4D-S balance at 1 July 2015, its loss for the year and transactions with equity holders for twelve months. It also comprises the loss incurred and transactions with equity holders from 9 December 2015 to 30 June 2016 of 4DS Memory; and
 - o for the comparative period comprises 1 July 2014 to 30 June 2015 of 4D-S.
- The consolidated statement of cash flows:
 - o for the year ended 30 June 2016 comprises the cash balance of 4D-S, as at 1 July 2015, the cash transactions for the twelve months, including operating cashflows, investing cash flows and transactions with equity holders for twelve months. It also comprises cash transactions from 9 December 2015 to 30 June 2016 of 4DS Memory; and
 - o for the comparative period comprises 1 July 2014 to 30 June 2015 of 4D-S's cash transactions.

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.

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.

iii. Reverse Acquisition

As detailed in a(ii) the acquisition by 4DS Memory Limited of 4D-S Limited was determined to be a reverse acquisition. Certain estimates and judgements are made in this determination and in the fair value adjustments, refer Note 1(e) and Note 16.

c. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. 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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- 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,
- 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.

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

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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. Acquisition of 4D-S Limited

During the period ended 30 June 2016 4DS Memory Limited (formerly Fitzroy Resources Limited) acquired all the shares in 4D-S, the acquisition of 4D-S was affected through takeover bids and privately treaty offers for 100% of the issued capital of 4D-S.

Total consideration for all classes of 4D-S securities was the issue of 385,603,642 4DS Memory shares, 67,604,019 performance shares and 36,458,333 unlisted options each with an exercise price of \$0.02 and an expiry date of 30 June 2020, giving 4D-S a controlling interest in 4DS Memory and equating to a controlling interest in the combined entity. 4D-S has thus been deemed the acquirer for accounting purposes. The acquisition of 4DS Memory by 4D-S is deemed to be a business combination, as 4DS Memory is considered to be a business under AASB 3 Business Combinations. As such, the consolidation of these two companies was on the basis of the continuation of 4D-S with fair value adjustments at acquisition date (9 December 2015), whereby 4D-S was deemed to be the accounting parent.

Refer Note 16 for further details on the business combination.

f. Going Concern

The Group has net assets of \$1,293,946 (2015: \$1,063,182 deficiency) as at 30 June 2016 and incurred a loss of \$11,741,689, which includes a one-off loss of \$8,914,880 arising from the accounting treatment of the 4D-S acquisition and net operating cash outflow of \$2,364,117 for the period ended 30 June 2016.

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

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

g. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

h. 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.

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.

i. 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.

j. Financial Instruments

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

k. 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.

l. 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.

m. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

n. 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.

o. Revenue and other Income

Interest

Interest revenue is recognised as it accrues.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

p. 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.

q. 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.

r. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

s. 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.

t. 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 regards, 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.

u. 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.

v. 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.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

w. 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.

AASB No.	Title	Application date of	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2014
AASB 2010-7	Amendments arising from Accounting Standards arising from AASB 9 (December 2010)	1 January 2018	September 2012
AASB 2014-1	Amendments to Australian Accounting Standards Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E - Financial Instruments	Part D - 1 January 2016 Part E - 1 January 2018	June 2014
AASB 2014-4	Amendments to Australian Accounting Standard - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	August 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 January 2018	December 2014
AASB 2014-7	Amendments to Australian Accounting Standard Arising From AASB 9 (December 2014)	1 January 2018	December 2014
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	January 2015
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	January 2015
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2018	October 2015
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs	1 January 2016	November 2015
AASB 2015-10	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.	1 January 2018	December 2015
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	February 2016
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	March 2016
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	May 2016
AASB 16	Leases	1 January 2019	February 2016
AASB 1057	Application of Australian Accounting Standards	1 January 2016	November 2015

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The Consolidated Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period there has been no significant impact on the application of those standards.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group has not yet determined the financial impact if any on the application of those standards.

y. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

	30 June 2016	30 June 2015
	\$	\$
2. REVENUE		
Interest revenue	20,381	13
- Consulting Income	50,000	-
- Fair value gain on financial asset	35,000	-
- Other income	31,628	-
Other	116,628	-
Revenue	<u>137,009</u>	<u>13</u>
3. LOSS FOR THE PERIOD		
Loss before income tax from continuing operations includes the following specific expenses:		
- Salary and wages	134,928	-
- Superannuation	12,396	-
Employee benefits	147,324	-
- Lease expense	87,531	59,048
- Office rent	88,737	68,532
- Utilities	22,537	16,773
Leases and utilities	198,805	144,353
- Consultants	-	208,519
- Salary and wages	854,947	254,573
- Other research expenses	354,513	22,498
Research costs	1,209,460	485,590
Interest expense	<u>69,536</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS**4. INCOME TAX**

	30 June 2016	30 June 2015
	\$	\$
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

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	(11,741,689)	(1,304,852)
At the group's statutory income tax rate of 30% (2015: 30%) <i>Add/(Less): tax effect of non-deductible amounts</i>	(3,522,507)	(391,455)
Share based payments	193,802	70,152
Provisions and accruals	5,565	-
Other permanent differences	53,429	251,486
Unrealised foreign exchange	(15,553)	28,772
Capital raising costs	(27,947)	(3,421)
Other non-deductible/ non-assessable items	(10,500)	-
Non-deductible impairment	2,674,464	-
Deferred tax balances not recognised	649,247	44,466
Income tax expense/(benefit)	<u>-</u>	<u>-</u>

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX

	30 June 2016	30 June 2015
	\$	\$
The following deferred tax balances have not been recognised:		
Deferred Tax Assets:		
Carry forward revenue losses	418,506	147,886
Capital raising costs	97,779	38,631
Other	29,285	28,772
Total Deferred Tax Assets	545,570	215,289

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

o changes in income tax legislation adversely affect the consolidated group in utilising the benefits.

Deferred Tax Liabilities:

Other	-	-
Total Deferred Tax liabilities	-	-

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.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

5. LOSS PER SHARE (EPS)

	30 June	30 June
	2016	2015
a) Reconciliation of loss to profit and loss		
Loss for the year	<u>(11,741,689)</u>	<u>(1,304,852)</u>
	No.	No.
b) Weighted average number of ordinary shares outstanding during the year used in the calculation of EPS	<u>414,891,297</u>	<u>98,668,973</u>
c) Loss per share	(\$0.03)	(\$0.01)
d) The Group does not report diluted earnings per share with options on annual losses as it is anti-dilutive in nature.		
e) As noted in 1a.iii. the equity structure in these consolidated financial statements following the reverse acquisition reflects the equity structure of 4D-S Pty Ltd being the accounting acquirer (the legal acquiree), including the equity interests issued by 4D-S to effect the business combination.		
i. In calculating the weighted average number of ordinary shares outstanding (the denominator of the EPS Calculation) for the year ended 30 June 2016:		
• The number of ordinary shares outstanding from 1 July 2015 to 9 December 2015 (acquisition date) are computed on the basis of the weighted average number of ordinary shares of 4D-S (legal acquiree/ accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement; and		
• The number of ordinary shares outstanding from 10 December 2015 to the end of the year shall be the actual number of ordinary shares of 4DS outstanding during that period		
ii. The basic EPS for the period ended 2015 shall be calculated by dividing:		
• The profit or loss of 4D-S attributable to ordinary shareholders in each of those periods by		
• 4D-S historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement		

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

6. PARENT ENTITY – 4DS MEMORY LIMITED

	30 June	30 June
	2016	2015
	\$	\$
As at 30 June 2016 the legal parent of the Group was 4DS Memory Limited		
Statement of financial position		
Current assets	1,254,572	1,137,221
Non-current assets	-	430,871
Total Assets	<u>1,254,572</u>	<u>1,568,092</u>
Current Liabilities	72,517	71,769
Non-current Liabilities	-	-
Total Liabilities	<u>72,517</u>	<u>71,769</u>
Shareholders' Equity		
Share Capital	27,320,264	10,660,732
Reserves	4,864,732	1,157,186
Accumulated losses	<u>(31,002,941)</u>	<u>(10,321,595)</u>
Total Shareholders' Equity	<u>1,182,055</u>	<u>1,496,323</u>
Statement of comprehensive income		
Loss for the period	(20,681,346)	(5,441,460)
Other Comprehensive Income	-	-
Total Comprehensive Loss	<u>(20,681,346)</u>	<u>(5,441,460)</u>

The Parent Company 4DS Memory Limited has no contingent liabilities as at 30 June 2016 and 30 June 2015.

4DS Memory Limited is the legal owner of the Group, however under the applicable accounting standards, a reverse acquisition by 4D-S Pty Ltd is deemed to have occurred on the net assets if 4DS Memory Limited's net assets. For accounting purposes, 4D-S Pty Ltd, is the deemed parent entity of the Group.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

7. CASH AND CASH EQUIVALENTS

	30 June	30 June
	2016	2015
	\$	\$
<i>(a) Total cash and cash equivalents in the Statement of Cash Flows</i>		
Cash at bank	1,243,487	9,106
	<u>1,243,487</u>	<u>9,106</u>
 <i>(b) Reconciliation of net loss after income tax to cash flows used in operations</i>		
<i>Net loss after income tax</i>	(11,741,689)	(1,304,852)
 <i>Non-cash adjustments</i>		
Excess consideration on 4DS transaction	8,914,880	-
Foreign loss	44,064	94,906
Share based payments	646,008	233,840
Unrealised movement in financial assets	(35,000)	-
Convertible note interest	70,896	-
Depreciation	6,799	-
Other non-cash items	-	5,368
 <i>Changes in assets and liabilities</i>		
Decrease/(Increase) in trade and other receivables	(21,669)	1,261
Decrease/(Increase) in trade and other payables	(42,167)	-
Increase/(Decrease) in provisions	7,551	-
Increase/(Decrease) in other foreign exchange reserve	(213,790)	-
Net cash used in operations	<u>(2,364,117)</u>	<u>(1,059,700)</u>

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

7. CASH AND CASH EQUIVALENTS

	30 June	30 June
	2016	2015
	\$	\$
<i>(c) Acquisition of Entities</i>		
On 9 December 2015, 4DS acquired 100% of the ordinary share capital and voting rights in 4-DS Memory Limited as described in Note 1(a)(ii):		
Assets and Liabilities held at acquisition date:		
Fair value of assets acquired	520,139	-
Trade and other receivables	209,285	-
Other current assets	20,000	-
Acquisition costs 4-DS Pty Ltd	354,252	-
Trade and other payables	(3,112,052)	-
Other Current Liabilities	(34,439)	-
Net cash acquired	<u>3,083,093</u>	-

Non Cash Financing – On the 9 December 2015 the Company had received \$2,750,000 before costs in funds for shares. Shares were issued at \$0.025 on the 10 December 2015.

8. TRADE AND OTHER RECEIVABLES

CURRENT

GST receivable	7,617	94
Other receivables	94	35,015
Prepayments	<u>56,315</u>	<u>7,248</u>
	<u>64,026</u>	<u>42,357</u>

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

NOTES TO THE FINANCIAL STATEMENTS**9. TRADE AND OTHER PAYABLES**

	30 June 2016	30 June 2015
	\$	\$
CURRENT		
Trade payables and accruals	84,189	126,356

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

10. EMPLOYEE BENEFITS

Provision for employee benefits	7,551	-
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11. BORROWINGS

Current

Convertible notes ¹	-	771,115
	-	771,115

Non-Current

Convertible notes ²	-	235,500
	-	235,500

Opening balance	1,006,615	-
Funds from convertible notes	-	1,006,615
Issued during the year	597,948	-
Converted to equity	(1,604,563)	-
	-	1,006,615

¹ 2014 Convertible Notes – Converted on 7 October 2015

² 2015 Convertible Notes – Converted on 7 October 2015

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

12. ISSUED CAPITAL AND RESERVES

(a) Movements in ordinary share capital	Note	2016	2015	2016	2015
		Shares	Shares	\$	\$
Balance at beginning of year		893,417	893,417	10,574,049	10,574,049
<i>Pre-Acquisition:</i>					
Conversion of opening 4-DS Pty Ltd shares		97,775,556	-	-	-
Settlement of 4-DS Pty Ltd convertible notes and preference shares		34,416,638	-	1,604,563	-
<i>Post-Acquisition:</i>					
Issued capital – extinguish 4D-S Pty Ltd shares on reverse acquisition		(133,085,611)	-	(12,178,612)	-
Issued capital – recognise 4DS Memory Shares		165,552,872	-	12,178,612	-
Issued capital – acquisition of 4D-S Pty Ltd		385,603,642	-	5,969,680	-
Issued capital – general placement		110,000,000	-	2,700,000	-
Capital raising costs		-	-	(115,000)	-
Balance at end of year		659,156,514	893,417	20,733,392	10,574,049

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.

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**

(b) Movements in options	Note	2016	2015	2016	2015
		Option	Options	\$	\$
Balance at beginning of year		820,524	646,000	1,258,631	1,024,791
Extinguished for shares		(820,524)	-	(1,258,631)	-
Value of 4DS Memory Limited options on issue at acquisition date		29,666,668	-	753,385	-
Options issued		-	198,500	-	233,840
Options cancelled/lapsed during the period		-	(23,976)	-	-
Share based payment, transaction options	16(b)(i)	36,458,333	-	997,792	-
Share based payment, adviser options	16(b)(ii)	30,000,000	-	568,110	-
Share based payment, incentive options	16(b)(iii)	10,000,000	-	77,898	-
Balance at end of year		106,125,001	820,524	2,397,185	1,258,631

(i) Transaction options

36,458,333 Options were issued 10 December as part of the 4D-S acquisition at \$0.02 each expiring 30 June 2020. These options were valued using the Black and Scholes option valuation methodology taking into account the terms and conditions upon which the options were granted. Details of the assumptions used in the valuation of these options issued are as follows:

Item	Transaction Options
Number of options	36,458,333
Spot price (\$)	0.0365
Exercise price (\$)	0.02
Valuation (grant) date	10 December 2015
Expiry date	30 June 2020
Expiration period (years)	4.67
Vesting date	Nil
Exercise conditions	Nil
Value	\$0.0273

Total value of \$997,792 vested immediately and expensed as excess consideration per note 16.

NOTES TO THE FINANCIAL STATEMENTS**12. ISSUED CAPITAL AND RESERVES****(ii) Advisor options**

30,000,000 Advisor Options were issued 10 December 2015 at \$0.05 each expiring 30 June 2020 pursuant for services provided in relation to the acquisition 4D-S. These options were valued using the Black and Scholes option valuation methodology taking into account the terms and conditions upon which the options were granted. Details of the assumptions used in the valuation of these options issued are as follows:

Item	Transaction Options
Number of options	30,000,000
Spot price (\$)	0.0365
Exercise price (\$)	0.05
Valuation (grant) date	10 December 2015
Expiry date	30 June 2020
Expiration period (years)	4.67
Vesting date	Nil
Exercise conditions	Nil
Value	\$0.0189

Total value of \$568,110 vested immediately and expensed as share based payments.

(iii) Employee incentive options

The following tranches of incentive options were issued to key management personnel on 18 December 2015:

- Tranche 1 - 2,500,000 incentive options at \$0.05 each expiring 30 June 2020
- Tranche 2 - 2,500,000 incentive options at \$0.05 each expiring 30 June 2020
- Tranche 3 - 2,500,000 incentive options at \$0.05 each expiring 30 June 2020
- Tranche 4 - 2,500,000 incentive options at \$0.05 each expiring 30 June 2020

Tranche 2,3 and 4 options have market based vesting conditions, in that they can only be exercised if the share price of the Company achieves a 10-day volume weighted average price ("VWAP") of greater than 10 cents, 15 cents and 20 cents respectively before expiry. These options were valued using the Black and Scholes option valuation methodology taking into account the terms and conditions upon which the options were granted. Details of the assumptions used in the valuation of these options issued are as follows:

NOTES TO THE FINANCIAL STATEMENTS**12. ISSUED CAPITAL AND RESERVES**

Item	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Number of options	2,500,000	2,500,000	2,500,000	2,500,000
Spot price (\$)	0.0365	0.0365	0.0365	0.0365
Exercise price (\$)	0.05	0.05	0.05	0.05
Valuation (grant) date	18 December 2015	18 December 2015	18 December 2015	18 December 2015
Expiry date	30 June 2020	30 June 2020	30 June 2020	30 June 2020
Expiration period (years)	4.65	4.65	4.65	4.65
Vesting date	Nil	Nil	Nil	Nil
Exercise conditions	Nil	10 day VWAP of greater than \$0.10	10 day VWAP of greater than \$0.15	10 day VWAP of greater than \$0.20
Value	\$0.0189	\$0.0064	\$0.0037	\$0.0027

Total value of \$77,898 vested immediately and expensed as share based payments.

(c) Movements in performance shares	Note	2016	2015	2016	2015
		No.	No.	\$	\$
Balance at beginning of year		-	-	-	-
Performance shares issued	16(c)(i)	67,604,019	-	2,467,547	-
Balance at end of year		67,604,019	-	2,467,547	-

(i) Performance shares

During the full year, the following performance shares were issued:

- 67,604,019 Class 1 Performance Shares as consideration for the acquisition.

Details of the issue are:

Class 1 Performance shares

The Class 1 Performance Share are shares that will each convert into Share on a one for one basis upon satisfaction of a performance milestone, being 4DS Memory announcing that the Expert has delivered a report to 4DS Memory confirming that it has achieved "endurance consistency" (the **Milestone**). Endurance consistency will be achieved on the first successful duplication of PDR cells in two wafers on one or more lots (that are different lots from the lot that define the PQR), as measured by either:

- linear scale endurance yields for 400 cycles where the state current is read after each cycle; or
- logarithmic scale endurance yields for 10,000 cycles where the state current is read 4 times per decade. That are higher than or equal to 90% for each of the 2 wafers where including all POR cells with sizes up to 3 times the smallest cell size in at least 2 die per wafer.

12. ISSUED CAPITAL AND RESERVES

NOTES TO THE FINANCIAL STATEMENTS

The Class 1 Performance Share expire on 31 December 2018. To the extent that the Milestone has not been achieved on or before the expiry date, then the Class 1 Performance Shares will automatically consolidate to a nominal number which the Milestone will be taken to have been met:

- All silicon products used in mobile devices (smartphones, tablets, laptops) and data centres (cold storage and the cloud) are very complex high-volume semiconductor products that need a very high degree of manufacturing consistency and operating consistency to be profitable for the chip maker and affordable for the chip buyer.
- Today's high-density memory chips contain billions of memory cells together with the control circuits to select certain cells, read their state ("0" or "1"), or write a different state. The smaller the cells, the more data that can be packed into a single chip. Many memory chips are manufactured together on a wafer through a complex sequence of depositing super thin materials and etching away certain sections of the depositions. When all process steps are completed, the wafer is cut into lots of individual memory chips which are then tested, packaged and sold.
- 4DS Memory's initial focus was to establish a baseline process that could manufacture individual memory cells of various sizes that perform the desired function consistently cell-to-cell on the same wafer on the same lot (manufactured together). The first goal was to demonstrate that 4DS Memory had a repeatable process that could manufacture cells on wafers in a new lot that behave very similar to cells on wafers manufactured in an earlier lot (i.e. lot-to-lot consistency).
- Having achieved, lot-to-lot consistency, 4DS Memory's focus is to gradually improve the process in incremental steps to improve the fundamental behaviour of the cell (reading, writing, storing) while maintaining lot-to-lot consistency. The Milestone is specially focused on 4DS Memory ReRAM cells reaching a certain endurance level: how many times the state of the cell can be changed reliably from a "0" to a "1".
- 4DS has entered into the Joint Development Agreement with HGST Netherlands B.V., to investigate the scaling of 4DS ReRAM cells to small cell geometries for memory applications.
- Following the achievement of the Milestone, 4DS Memory will be well positioned to develop array of cells and test chips.
- The Milestone is further detailed in the necessary technical terms in the full terms and conditions of the Class 1 Performance Shares to ensure that the Milestone can be verified and audited using clear metrics by an independent expert.

No Class 1 Performance Shares were converted or cancelled for the year ending 30 June 2016.

No Class 1 Performance Share milestones were met during the year ending 30 June 2016.

The deemed value per performance share is \$0.0365. The company was in voluntary suspension on the grant date therefore the deemed value is based on the 30-day average of the closing price of the Company's securities after relisting. Total value of \$2,467,547 vested immediately and expensed as excess consideration per note 16.

NOTES TO THE FINANCIAL STATEMENTS**12. ISSUED CAPITAL AND RESERVES**

	30 June 2016	30 June 2015
	\$	\$
(d) Share based payment reserve		
Balance at beginning of year	1,258,631	1,024,791
Acquisition of Fitzroy Resources Limited	753,385	-
Issue of Performance Shares	2,467,547	-
Extinguishment of 4D-S Limited Options	(1,258,631)	-
Share based payment expense	1,643,800	233,840
Balance at end of year	<u>4,864,732</u>	<u>1,258,631</u>

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 16 for further details.

(e) Foreign exchange translation reserve

Balance at beginning of year	104,783	91,458
Foreign exchange movement on translation of foreign operations	(171,773)	13,325
Balance at end of year	<u>(66,990)</u>	<u>104,783</u>

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

Share based payment reserve	4,864,732	1,258,631
Foreign exchange translation reserve	(66,990)	104,783
	<u>4,797,742</u>	<u>1,363,414</u>

NOTES TO THE FINANCIAL STATEMENTS

12. ISSUED CAPITAL AND RESERVES

(f) Options

Summary of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	WAEP	No.
Outstanding at the beginning of the year	-	31,666,669
Exercised during the year	-	-
Expired during the year	-	(2,000,0001)
Granted during the year (post consolidation)	0.036	76,458,333
Outstanding at the end of the year	0.036	106,125,001

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

NOTES TO THE FINANCIAL STATEMENTS

13. RELATED PARTY DISCLOSURE

(a) Controlled Entities – Legal Parent Entity

4DS Memory Limited is the ultimate parent of the Group (refer to note 1a. ii)

	Country of Incorporation	% Interest	
		2016	2015
4D-S Pty Limited	Australia	100	-
4DS Inc.	United States of America	100	-
Fitzroy Copper Pty Limited	Australia	100	100
Premier Coking Coal Limited	New Zealand	-	100
Fitzroy Employee Share Plan Pty Limited	Australia	100	100

(b) Controlled Entities – Accounting Parent Entity

4D-S Pty Limited is the ultimate parent of the Group (refer to note 1a. ii)

	Country of Incorporation	% Interest	
		2016	2015
4DS Memory Limited	Australia	100	-
4DS Inc.	United States of America	100	100
Fitzroy Copper Pty Limited	Australia	100	-
Premier Coking Coal Limited	New Zealand	-	-
Fitzroy Employee Share Plan Pty Limited	Australia	100	-

(c) Key Management Personnel (“KMP”)

Details relating to KMP, including remuneration paid, are included in Note 14 and the audited remuneration report section of the directors’ report.

(d) Transactions with Other Related Parties

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

NOTES TO THE FINANCIAL STATEMENTS

14. KEY MANAGEMENT PERSONNEL	30 June	30 June
	2016	2015
<i>Compensation for Key Management Personnel</i>		
<i>Short term employee benefits</i>	747,206	-
Post-employment benefits	12,396	-
Equity settled	77,898	-
Other payments	174,648	-
Total compensation	1,012,148	-

Since the end of the financial period, no Director has entered into a material contract with the Group and no material contracts involving Directors' interest existed at 30 June 2016.

No compensation was paid to the Directors of 4D-S Pty Ltd for the year ended 30 June 2015.

15. 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS**15. FINANCIAL INSTRUMENTS*****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.

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

	2016		2015	
	Foreign Currency	AUD Equivalent	Foreign Currency	AUD Equivalent
USD	\$625,860	\$842,241	\$1,671	\$2,573

A 5% movement in foreign exchange rates would increase or decrease the loss before tax by \$42,112 (2015: No Material movement).

At 30 June 2016, the Group has liabilities denominated in the foreign currencies detailed below:

	2016		2015	
	Foreign Currency	AUD Equivalent	Foreign Currency	AUD Equivalent
USD	\$8,550	\$11,527	\$32,756	\$42,651

A 5% movement in foreign exchange rates would not have a material increase or decrease on the loss before tax (2015: 2,133).

(ii) 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:

	2016	2015
	\$	\$
Cash and cash equivalents held at NAB	1,224,966	6,533
Cash and cash equivalents held at HSBC	18,521	2,573
Other receivables and deposits	7,711	35,109
	<u>1,251,198</u>	<u>44,215</u>

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS

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:

	2016	2015
<i>Interest rate risk</i>	\$	\$
Cash and cash equivalents (i)	1,243,487	9,106
Receivables (ii)	7,711	35,109
	<hr/>	<hr/>
	1,251,198	44,215

(i) The weighted average interest rate of cash and cash equivalents is 3.3%

(ii) Receivables are non-interest bearing.

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

Sensitivity Analysis

A change in 100 basis points in the interest rates at the reporting date would have increased or decreased the Group's equity and profit or loss by \$12,435 (2015: \$6,263).

(iii) Liquidity risk

The Group currently does not have major funding in place. However, the Group continuously monitors forecast 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 the accounting policies disclosed in Note 1.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

16. REVERSE ACQUISITION ACCOUNTING

4DS Memory Limited (formerly Fitzroy Resources Limited) acquired all of the issued securities in 4D-S Pty Ltd by way of off-market takeover offers and private treaty offers.

Total consideration for all classes of 4D-S securities was the issue of 385,603,642 4DS Memory shares, 67,604,019 performance shares and 36,458,333 unlisted options each with an exercise price of \$0.02 and an expiry date of 30 June 2022, giving 4D-S a controlling interest in 4DS memory and equating to a controlling interest in the combined group. 4D-S has thus been deemed the acquirer for accounting purposes. The acquisition of 4DS Memory by 4D-S is deemed to be a business combination, as 4DS Memory is considered to be a business under AASB 3 Business Combinations. As such, the consolidation of these two companies was on the basis of the continuation of 4D-S with fair value adjustments at acquisition date deemed to be 9 December 2015, whereby 4D-S was deemed to be the accounting parent. The comparative information of 4DS Memory is subsequently of 4D-S for the period.

As a result, the following principles and guidance on the preparation of the consolidated financial statements has been applied:

- Fair value adjustments arising at acquisition were made to 4DS Memory's assets and liabilities, and not those of 4D-S;
- The cost of acquisition is based on the market value of 4DS Memory shares on completion date, plus the value of performance shares and options issued to the vendors of 4D-S but after subtracting the net assets of 4DS Memory on the completion date. The cost of acquisition, including the listing status of 4DS Memory does not qualify for recognition as an intangible asset and therefore has been expensed in the profit and loss for the period;
- The amounts recognised as issued equity instruments in the consolidated financial statements have been determined by adding the cost of acquisition to the issued equity of 4D-S immediately before the acquisition;
- Retained earnings and other equity balances in the consolidated financial statements at the date of acquisition are retained earnings and other equity balances of 4D-S immediately before the acquisition; and
- The results for the period ended 30 June 2016 comprise the results of 4D-S for the full year and results of 4DS Memory Limited subsequent to the acquisition.

The pre-acquisition equity balances of 4DS Memory are eliminated against this increase in Share Capital of \$5,969,680 on consolidation and the balance is deemed to be the amount paid for the listing status of 4DS Memory, being \$8,914,880 (recognised in the statement of profit or loss). This is tabled below:

	\$
Market capitalisation of 4DS Memory at date of acquisition	5,969,680
Value of performance shares issued as part of acquisition	2,467,547
Value of options issued as part of acquisition	997,792
Net fair value in 4DS Memory Limited at acquisition date	<u>(520,139)</u>
Excess consideration on 4D-S acquisition	8,914,880

The equity structure in the condensed consolidated financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of 4DS Memory, including the equity instruments issued by 4DS Memory to effect the acquisition.

The results for the year ended 30 June 2016 comprise the results of 4D-S and the results of 4DS Memory subsequent to the acquisition.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

17. CONTINGENT LIABILITIES

The Company completed the winding up of Premier Coking Coal, LLC including surrendering the relevant leases during the 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 2016.

18. SEGMENT REPORTING

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

19. EVENTS AFTER THE REPORTING DATE

4DS Memory Limited was placed into a trading halt on 1 July 2016 pending the finalisation of a material announcement in relation to a joint development agreement.

On 4 July 2016, 4DS Memory Limited announced it has agreed to a 12-month renewal of a joint development agreement with HGST, a subsidiary of Western Digital Corporation.

There have been no other matters of significance since reporting date.

20. AUDITORS REMUNERATION

The auditor of 4DS Memory Limited for the year ended 30 June 2016 is PKF Mack Chartered Accountants

Amounts received or due and receivable by PKF Mack for:

	30 June	30 June
	2016	2015
	\$	\$
- Audit and review of financial statements	44,000	-
- Investigating accountants report	15,000	-
	<hr/> 59,000	<hr/> -

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

21. COMMITMENTS

	30 June 2016	30 June 2015
<i>Operating lease commitments</i>	\$	\$
Non-cancellable operating lease commitments contracted for but not capitalised in the financial statements		
<i>Minimum lease payments</i>		
- Not later than one year	78,465	-
- Greater than one year	199,252	-
	277,717	-

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

22. FAIR VALUE HIERARCHY

The following tables detail the consolidated group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

The carrying value of financial assets represents the fair value that will be received in respect of the Rockwood project being the value that would be payable by Zenith Minerals Limited (ZNC) to acquire the remaining interest if ZNC exercises the option to do so.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Financial assets	55,000	-	-	55,000
Total assets	55,000	-	-	55,000
<i>Liabilities</i>	-	-	-	-
Total liabilities	-	-	-	-

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

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 2016 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 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 2016.

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



Managing Director
Guido Arnout

25 August 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 4DS MEMORY LIMITED

Report on the Financial Report

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 2016, 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. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

- (a) 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 2016 and their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(f) in the financial report, which indicates that the consolidated entity incurred a loss of \$(11,741,689) (2015: \$(1,304,852)) during the year ended 30 June 2016. This condition, along with other matters as set out in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of 4DS Memory Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.



PKF MACK



SIMON FERMANIS

PARTNER

25 AUGUST 2016

WEST PERTH

WESTERN AUSTRALIA

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 11 August 2016 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;
- 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 Managing Director responsibility for the management and operation of 4DS. The Managing Director is responsible for the day-to-

CORPORATE GOVERNANCE STATEMENT

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 at this stage of the Company's development, 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.

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 18%
- Women in senior management positions 33%
- 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.

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

CORPORATE GOVERNANCE STATEMENT

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.

Given, the size of the Board, the change to the composition of the Board during the financial year and the current level of operations of the Company, no formal appraisal of the Board was conducted during the financial year.

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

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.

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	Non-Executive Director (appointed 7 December 2015);
Mr Howard Digby	Non-Executive Director (appointed 7 December 2015);
Mr Tim Grice	Non-Executive Director (appointed 8 May 2015 resigned 7 December 2015);
Mr Riccardo Vittino	Non-Executive Director (appointed 4 August 2010 resigned 7 December 2015); and
Mr Peter Webse	Non-Executive Director (appointed 8 May 2015 resigned 7 December 2015).

Prior to 7 December 2015, the Board was made up entirely of Non-Executive Directors. From 7 December 2015, the Board has been comprised of three Non-Executive Directors and the Managing Director.

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

Prior to the change of the Board on 7 December 2015, the Company had a majority of independent Directors, with Messrs Grice and Vittino considered to be independent as they were not members of management and were 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 their judgement. Mr Webse was not considered to be independent due to him providing company secretarial services to the Company.

As the Board presently exists, the Company's Non-Executive Chairman, Mr James Dorrian, is not considered to be an independent director as he is a substantial shareholder of the Company and Dr Guido Arnout is not considered to be independent as he is an executive of the Company.

Messrs McAuliffe and Digby are considered to be independent as they are not members of management and are 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 their 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.

CORPORATE GOVERNANCE STATEMENT

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;
- 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 to 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.

CORPORATE GOVERNANCE STATEMENT

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.

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, 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 recognizes 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

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

CORPORATE GOVERNANCE STATEMENT

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.

4DS assesses its risks on a residual basis; the Board evaluates the level of risk remaining and considers 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 reviews 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;

CORPORATE GOVERNANCE STATEMENT

- 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 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.

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 fees paid to Non-Executive Directors during the reporting period were \$121,458.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are 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.

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For the year ended 30 June 2016

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 11 October 2016.

As at 11 October 2016 there were 775 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 and performance shares 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
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	44,889,427	6.81%
James Dorrian	35,045,806	5.32%
Kurt Pfluger	25,133,349	3.81%
BNM Holdings Pty Ltd <BJD Beresford Family A/C>	25,027,900	3.80%
Southam Investments 2003 Pty Ltd <Warwickshire Investment A/C>	21,797,002	3.31%
Tisia Nominees Pty Ltd <Henderson Family A/C>	21,343,824	3.24%
JK Nominees Pty Ltd <The JK Fund A/C>	20,304,486	3.08%
Hoperidge Enterprises Pty Ltd	16,666,667	2.53%
Oaktone Nominees Pty Ltd <Grist Investment A/C>	15,741,667	2.39%
Tatsuo International Pte Ltd	12,491,944	1.90%
Dan Brors	10,788,728	1.64%
Aviemore Capital Pty Ltd	10,666,667	1.62%
Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C>	10,259,972	1.56%
Zero Nominees Pty Ltd	8,186,667	1.24%
Dr Winston O Pty Ltd <DACM Family A/C>	7,858,755	1.19%
David Jerimiah Mcauliffe <The Lazy D9M Investment A/C>	7,501,188	1.14%
National Nominees Limited	7,490,739	1.14%
Rohan Vanden Driesen	7,487,632	1.14%
HSBC Custody Nominees (Australia) Limited	7,032,492	1.07%
Michael Hawran	6,493,439	0.99%
Total Top 20	322,208,351	48.92%
Others	336,948,163	51.08%
Total Ordinary Shares on Issue	659,156,514	100.00%

4DS Memory Limited and Controlled Entities

For the year ended 30 June 2016

ASX ADDITIONAL INFORMATION

SUBSTANTIAL HOLDERS

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 11 October 2016 are:

Name	No of Shares Held	% of Issued Capital
Mr James Dorrian	35,045,086	5.32%

DISTRIBUTION OF EQUITY SECURITIES

Ordinary Fully Paid Shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	14	6,109	0.00%
1,001 - 5,000	61	211,706	0.03%
5,001 - 10,000	58	480,008	0.07%
10,001 - 100,000	245	12,845,860	1.95%
100,001 - 9,999,999,999	397	645,612,831	97.95%
Totals	775	659,156,514	100.00%

Unmarketable Parcels – 137 Holders

RESTRICTED SECURITIES

As at 11 October 2016 the following shares are subject to escrow:

7,800,823 Ordinary Shares until 17 December 2016
105,603,724 Ordinary Shares until 17 December 2017

UNQUOTED SECURITIES

As at 11 October 2016, the following unquoted securities are on issue:

26,666,668 Options Expiring 10/05/2018 @ \$0.024 – 5 Holders

Holder Name

Holder Name	Holding	% IC
Hoperidge Enterprises Pty Ltd <Jones Family A/C>	5,416,667	20.31%
Tisia Nominees Pty Ltd <Henderson Family A/C>	5,416,667	20.31%
Oaktone Nominees Pty Ltd <Grist Investment A/C>	5,416,667	20.31%
JK Nominees Pty Ltd <The JK Fund A/C>	5,416,667	20.31%

3,000,000 Options Expiring 25/06/2018 @ \$0.042 – 3 Holders

Holder Name

Holder Name	Holding	% IC
Mr Riccardo Vittino & Ms Jacqueline Vittino <Gargoyle Super Fund A/C>	1,000,000	33.33%
Mr Tim Grice	1,000,000	33.33%
Mr Peter Gordon Webse	1,000,000	33.33%

10,000,000 Options Expiring 30/06/2020 @ \$0.050 – 1 Holder

Holder Name

Holder Name	Holding	% IC
Melanie Buffier	10,000,000	100.00%

4DS Memory Limited and Controlled Entities

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ASX ADDITIONAL INFORMATION

36,458,333 Options Expiring 30/06/2020 @ \$0.02 escrowed until 17 December 2017 – 1 Holder

Holders with more than 20%

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

30,000,000 Options expiring 30/06/2020 @ \$0.05 escrowed until 17 December 2017 – 4 Holders

Holders with more than 20%

Holder Name	Holding	% IC
JK Nominees Pty Ltd <The JK Fund A/C>	7,500,000	25.00%
Oaktone Nominees Pty Ltd	7,500,000	25.00%
Melanie Buffier	7,500,000	25.00%
Tisia Nominees Pty Ltd <Henderson Family A/C>	7,500,000	25.00%

6,666,669 Performance Shares¹ expiring 23/12/16 – 4 Holders

Holders with more than 20%

Holder Name	Holding	% IC
Nortle Holdings Ltd	2,033,334	30.50%
Custodian Nominee Company Limited	2,033,334	30.50%
Argonaut Investments Pty Ltd <Argonaut Investment A/C>	1,666,667	25.00%

67,604,019 Class 1 Performance Shares² expiring 31/12/18 escrowed – 92 Holders

No Holder holds more than 20% of the Issued Capital

ON-MARKET BUY BACK

There is currently no on-market buyback program.

ASX LISTING RULE 4.10.19

The Group has used its cash and assets in a form readily convertible to cash that it had at the time of reinstatement of the Group's securities to quotation following compliance with Listing Rule 11.1.3 in a way consistent with its business objectives.

¹ The milestones for conversion of these Performance Shares are incapable of satisfaction and on 23 December 2016 they will convert into a nominal number of Shares.

² 41,884,378 Performance Shares are escrowed until 17/12/16 and 25,719,641 are escrowed until 17/12/17. Details of the performance conditions surrounding the Performance Shares are contained within Note 12 of the Notes to the Financial Statements.