4DS Memory Limited

ACN 145 590 110

Annual Report - 30 June 2022

General information

The financial statements cover 4DS Memory Limited as a Group consisting of 4DS Memory Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is 4DS Memory Limited's functional and presentation currency.

4DS Memory Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, 50 Kings Park Road
West Perth WA 6005

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2022. The Directors have the power to amend and reissue the financial statements.

Directors	Drs. Wilbert van den Hoek Mr. David McAuliffe Dr. Guido Arnout Mr. Howard Digby
Company secretary	Mr. Peter Webse
Registered and Principal Office	Level 2, 50 Kings Park Road, West Perth WA 6005 PO Box 271 West Perth WA 6872
Share register	Automic Registry Services Level 5 191 St Georges Terrace, Perth WA 6000 Phone: +61 8 9324 2099 Fax: +61 8 9321 2337 Email: info@automic.com.au Web: www.automic.com.au
Auditor	PKF Perth Level 4, 35 Havelock Street, West Perth WA 6005
Solicitors	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth WA 6000
Stock exchange listing	4DS Memory Limited shares are listed on the Australian Securities Exchange (ASX code: 4DS)
Website	www.4dsmemory.com

The directors present their report together with the consolidated financial statements of the Group comprising of 4DS Memory Limited (the Company) and its subsidiaries for the year ended 30 June 2022 and the auditor's report thereon.

Directors

The following persons were Directors of 4DS Memory Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Drs. Wilbert van den Hoek	Executive Chairman from 15 August 2022 (Formerly Non-Executive Chairman)
Mr. David McAuliffe	Executive Director
Dr. Guido Arnout	Non-Executive Director
Mr. Howard Digby	Non-Executive Director
Mr. Kenneth Hurley	Chief Executive Officer and Managing Director (appointed 14 March 2022 and resigned on 15 August 2022)

Information on Directors

Name:	***Drs. Wilbert van den Hoek***
Title:	Executive Chairman from 15 August 2022. (Formerly Non-Executive Chairman)
Appointed:	30 November 2020
Qualifications:	Drs. van den Hoek graduated Cum Laude from the Rijks Universiteit Utrecht, The Netherlands in December 1979 with a Doctorandus degree in Chemistry
Experience and expertise:	Drs. van den Hoek was on the Board of Cypress Semiconductor Corporation ("Cypress") from 2011 to 2017. Cypress was a leader in advanced embedded solutions for the world's most innovative automotive, industrial, smart home appliances, consumer electronics and medical products. Cypress was acquired by Infineon Technologies AG at an enterprise value of approximately US$10 billion in a transaction that was announced in June 2019 and completed in April 2020. Drs. van den Hoek also spent 17 years of his career at Novellus Systems, Inc. ("Novellus"). Novellus was a leading provider of advanced process equipment for the world's semiconductor industry. From 1999 until 2005, he served as Novellus' Chief Technical Officer and Executive Vice President, Integration and Advanced Development. From 2005 until 2008, he was President and CEO of Novellus Development Company, LLC, the venture arm of Novellus. Novellus was acquired by Lam Research Corp in a transaction valued at approximately US$3.3 billion, announced in December 2011. Drs. van den Hoek currently serves as Chairman of Jiaco Instruments BV, a member of the board of directors of Innovent Technologies, LLC and as an Advisory Board member of Kinetics Holding GMBH.
Other current directorships:	Director of Kinetics Holding GMBH Chairman of Jiaco Instruments BV Director of Innovent Technologies, LLC
Former directorships (last 3 years):	Executive Chairman of Neocera, LLC Director of Neocera Magma, LLC
Interests in shares:	1,170,000 ordinary shares
Interests in options:	18,830,000 unlisted options exercisable at $0.064 each, expiring 29 November 2025, subject to vesting conditions

Information on Directors (continued)

Name:	***Mr. David McAuliffe***
Title:	Executive Director
Appointed:	7 December 2015
Qualifications:	LLB (Hons), BPharm
Experience and expertise:	Mr. McAuliffe is an experienced Company Director and Entrepreneur who has had over 23 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).
Other current directorships:	Non-Executive Director of Invex Therapeutics Limited (ASX: IXC)
Former directorships (last 3 years):	-
Interests in shares:	7,328,706 ordinary shares
Interests in options:	7,000,000 unlisted options exercisable at $0.052 each on or before 22 January 2024

Name:	***Dr. Guido Arnout***
Title:	Non-Executive Director (from 14 March 2022)
Appointed:	7 December 2015
Qualifications:	PhD Electrical Engineering
Experience and expertise:	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) company.
Other current directorships:	-
Former directorships (last 3 years):	-
Interests in shares:	7,230,053 ordinary shares
Interests in options:	7,380,000 unlisted options exercisable at $0.052 each on or before 22 January 2024

Information on Directors (continued)

Name:	***Mr. Howard Digby***
Title:	Non-Executive Director
Appointed:	7 December 2015
Qualifications:	BE (Mechanical, Hons)
Experience and expertise:	Mr. Digby started his career at IBM and has spent over 25 years managing technology related businesses across the Asia Pacific region, of which 12 years were spent in Hong Kong. More recently, he was with The Economist Group as Regional Managing Director. Prior to this he held senior management roles at Adobe and Gartner where his clients included major semiconductor players inclusive of Samsung, Hynix and TSMC. Upon returning to Perth, Howard served as Executive Editor of WA Business News and now spends his time as an advisor and investor, having played key roles in several M&A and reverse takeover transactions.
Other current directorships:	Non-Executive Directors of Elsight Limited (ASX: ELS) Non-Executive Director of Spenda Limited (ASX: SPX) Non-Executive Chairman of Singular Health Group Ltd (ASX: SHG)
Former directorships (last 3 years):	Non-Executive Director of IMEXHS Limited (ASX: IME)(Formerly known as Omni Market Tide Limited (ASX: OMT) (Resigned on 30 April 2020) Non-Executive Chairman of Vortic Limited (ASX: VOR)(Resigned on 19 April 2021)
Interests in shares:	6,388,629 ordinary shares
Interests in options:	1,250,000 unlisted options exercisable at $0.052 each on or before 22 January 2024

Name:	***Mr. Kenneth Hurley***
Title:	Chief Executive Officer and Managing Director
Appointment and resignation:	14 March 2022 (appointed) 15 August 2022 (resigned)
Qualifications:	BSC (Bachelor of Science in Commerce)
Experience and expertise:	Mr. Hurley is a 40+ year veteran of the semiconductor industry with key executive roles at Hitachi America Semiconductor and Nanya Technology Corporation Inc, a major Taiwanese maker of dynamic random-access memory (DRAM) chips. He was CEO of Genesis Semiconductor, a Semiconductor Design Company and President of Memoright USA, a manufacturer of Solid State Drives and Controllers. During his time at Nanya Technology, Mr. Hurley negotiated strategic supply relationships with Dell, Hewlett Packard, Compaq, IBM, Apple, Google and other multi-national companies and established product design centers in Vermont and Texas.
Other current directorships:	-
Former directorships (last 3 years):	-
Interests in shares:	-
Interests in options:	-

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Mr. Peter Webse

Qualifications	B.Bus, FGIA, FCIS, FCPA, MAICD
Experience	Mr. Webse has over 28 years company secretarial experience and is Director of Governance Corporate Pty Ltd, a company specialising in company secretarial, corporate governance and corporate advisory services.

Meetings of Directors

The number of directors meetings and the number of meetings attended by each of the directors of the Company during the financial year are:

	Number of eligible to attend	Number attended
Drs. Wilbert van den Hoek	16	16
Mr. David McAuliffe	16	16
Dr. Guido Arnout	16	15
Mr. Howard Digby	16	16
Mr. Kenneth Hurley	5	5

Principal activities

4DS Memory Limited **(ASX: 4DS)**, with facilities located in Silicon Valley, is a semiconductor company pioneering the development of a non-volatile memory technology known as Interface Switching ReRAM, for next-generation gigabyte Storage Class Memory. Established in 2007, 4DS owns a patented IP portfolio, comprising 32 USA patents granted (of which 4 have expired) and an additional 1 patent pending , which have been developed in-house to create high-density Storage Class Memory. 4DS has a joint development agreement with Western Digital subsidiary HGST, a global storage leader, which is now in its ninth year. 4DS also has a development agreement with Belgium-based imec – a world-leading research and innovation hub in nanoelectronics and digital technologies.

Review of operations

For the year ending 30 June 2022, 4DS continued in the research of its Interface Switching ReRAM technology with the achievement of some of its key strategic and technical milestones as per technical updates below.

Technical Updates

During the 2022 financial year the Company made a number of updates to shareholders. A summary of the main updates are summarised below.

On 17 August 2021 a Technical Update provided the following summary;

- New Process breakthroughs
- Order of magnitude decrease in cell on-resistance
- Second Platform Lot demonstrated both device scaling and memory switching
- Third Platform lot manufacture planned for Q3 2021
- HGST requests technical update

Please refer to the ASX announcement on 17 August 2021 for full details.

On 4 November 2021 a Technical Update provided the following summary;

- Extensive testing identified a potentially modest degradation in endurance
- A stack etch mask modification is needed and optimization of the etch process
- After successful completion of this a Third Platform Lot would be started

Please refer to the ASX announcement on 4 November 2021 for full details.

Review of operations (continued)
Technical Updates

On 11 April 2022 a Technical Update provided the following summary;
· Successful elimination of the etch residues that caused electrical shorting
· These results allowed for the Third Platform Lot to restart
· Out-of-fab date July 2022

Please refer to the ASX announcement on 11 April 2022 for full details.

Collaboration agreements

- On 3 November 2021, the development partner, imec agreed to extend the collaboration agreement for an additional twelve months, commencing on 1 January 2022.
- On 19 May 2022, the Company reported that Western Digital Corporation subsidiary HGST renewed the joint development agreement for the 9th consecutive year for another 12 months.

Patent portfolio

- 4DS Memory has a patented IP portfolio, comprising 32 USA patents granted (of which 4 have expired) and an additional 1 patent pending, which have been developed in-house to create high-density Storage Class Memory. The granted patents are 100% owned by the Company. These patents are specifically related to the operation of the Company and are free from any royalty or licensing obligations. The 32nd patent was granted on 29 September 2021.

COVID-19

- The ongoing of the coronavirus disease (COVID-19) has impacted the global economic markets. The Company's share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures are taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company. However, as a result of the ongoing and ever-evolving pandemic, the longer-term impacts on the Group cannot be fully determined at this time.

Corporate and Management

- On 14 March 2022, Mr. Kenneth Hurley was appointed as the Company's Chief Executive Officer and Managing Director[1]. Dr. Guido Arnout remains on the Board as Non-Executive Director and as a part time advisor to the CEO.

[1] Mr. Hurley resigned on 15 August 2022.

Financial Position and Significant Changes in the State of Affairs
The net assets of the Group totalled $6,732,079 (2021: $3,944,057). Cash on hand at 30 June 2022 totalled 5,234,447 (2021: $4,298,794).

There were no other significant changes in the state of affairs of the Group during the financial year.

Placement, Issue of Securities and Release from Escrow

- At various dates during the financial year the Company issued ordinary share following the exercise of $0.042 unlisted options. A total of 29,332,000 shares were issued as a result of these exercises, raising $1,231,944.
- On 25 November 2021, the Company announced that it had received binding commitments from domestic and international institutions and high net worth investors which raised $2.5 million at an issue price of $0.048 and 52,083,334 shares ("Placement").

  The Placement was followed by a share purchase plan ("SPP") under which the Company intended to raise up to $2.5 million at the same price as the Placement, with the ability to accept subscriptions for an additional $1 million worth of shares. The Company successfully completed its Share Purchase Plan (SPP) which closed, oversubscribed, on 14 December 2021. Based on strong support for the SPP the Company accepted oversubscriptions and on 20 December 2021 issued 72,916,667 shares at $0.048 each to raise $3.5 million under the SPP.
- On 3 December 2021, the Company issued 5,000,000 unlisted options to the Lead Manager, Mac Equity Partners. The options are exercisable at $0.08 each and expire on 3 December 2023.
- On 8 June 2022, the Company announced that 1,040,000 ordinary shares were issued following the exercise of $0.052 unlisted options.
- On 16 June 2022, the Company announced that 1,170,000 ordinary shares were issued following the exercise of $0.064 unlisted options.

Sales Bonus Pool

On 15 March 2022, the Company announced that the Board had reached a successful outcome with respect to Mr. Kenneth Hurley and Dr. Arnout's remuneration. The incentive is in the form of participation in a cash bonus pool **(Sale Bonus Pool)**, the size of which will be determined by the value received by shareholders upon a liquidity event, such as a takeover of the Company or a sale of the Company's intellectual property. The members of 4DS' technical team, based in Silicon Valley, as well as Drs. Wilbert van den Hoek, are eligible to participate in the Sale Bonus Pool.

Upon a liquidity event occurring, Mr. Kenneth Hurley, Dr. Guido Arnout, Drs. Wilbert van den Hoek and US-based employees (**Eligible Participants)** will each be entitled to receive a proportion of the Sale Bonus Pool. Mr. Kenneth Hurley will be entitled to receive 30%[1], Dr. Guido Arnout will be entitled to receive 15% and Drs. Wilbert van den Hoek will be entitled to receive 25%, with the balance to be allocated to Eligible Participants at the discretion of the Board.
[1] Mr. Hurley resigned on 15 August 2022 and is no longer eligible to participate in the Sales Bonus Pool.

Incentive options

On 27 May 2022, 30,000,000 unlisted options were issued to Mr. Kenneth Hurley pursuant to the terms of the Executive Services Agreement, as approved by the shareholders at the General Meeting held on the 26 May 2022. The options were subsequently lapsed upon his resignation on 15 August 2022.

On 31 May 2022, the Company issued 15,500,000 [2] incentive options to the US employees. The options are exercisable at $0.10 each and expire on 31 May 2027 with 25% of options vesting after 6 months and the balance vesting quarterly over following 10 quarters.
[2] On 22 August 2022, 5,000,000 incentive options were cancelled following the termination of an employee.

Dividends Paid or Recommended

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

Events post 30 June 2022 and Short-Term Development Strategies

On 8 July 2022, the Company issued 2,275,000 ordinary shares following the exercise of $0.042 unlisted options to raise $95,550.

On 15 August 2022, Mr. Kenneth Hurley resigned as Managing Director and CEO of the Company. Drs. Wilbert van den Hoek transitioned from Non-executive Chairman to Executive Chairman.

In light of the unexpected testing outcome, and to conserve Company's existing cash reserves, the Board members have agreed to defer their fees for three months effective from 15 August 2022.

Events post 30 June 2022 and Short-Term Development Strategies (continued)

On 16 August 2022, the Company announced that the Third Platform Lot has successfully arrived at its facilities in Fremont, California and that extensive internal testing has successfully demonstrated that the reference memory cells on the Third Platform Lot perform similarly to the identical reference structures on the Third Non-Platform Lot, indicating that the Lot has been manufactured properly. However, testing of the cells used in the imec megabit memory array showed unexpected problems with scaling the memory cell to small dimensions suitable for Storage Class Memory potential applications. These result suggest that the memory stack etch mask modification and further optimization of the etch process utilizing this new mask appears to have created another problem, while having resolved the root cause of the electrical shorting of the memory devices in the Second Platform Lot.

The Company is now performing a Root Cause Corrective Action process which includes further electrical testing, Transmission Electron Microscopy and material analysis to identify the reason for the difference in results between the Second Platform Lot and Third Platform lot.

Until this issue is resolved, endurance and retention testing of the memory cells with imec access transistors, the primary goal of this Third Platform Lot, cannot be successfully completed and will cause a long-term delay in achieving its strategic goal of commercializing the Company's technology.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental Regulation and Performance

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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 ordinary shares of 4DS Memory Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under option
03/11/2017	27/10/2022	$0.042	500,000
03/12/2021	03/12/2023	$0.080	5,000,000
22/01/2019	22/01/2024	$0.052	8,900,000
06/05/2019	22/01/2024	$0.052	16,880,000
28/08/2019	28/08/2024	$0.052	1,300,000
30/11/2020	29/11/2025	$0.064	18,830,000
31/05/2022	31/05/2027	$0.100	10,500,000
			61,910,000

All unissued shares are ordinary shares of the Company.

All unvested options expire on termination of employment unless the Board makes a determination (in its absolute discretion) that the employee’s performance during the term and the circumstances of the termination of the employment are such that all unvested options on the date of termination will continue to vest according to the vesting schedule and only expire on the expiry date. Further details about share-based payments to directors and KMP are included in the remuneration report.

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.

Share Options (continued)

Shares issued as a result of the exercise of options

During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of options as follows :

Number of Shares	Amount paid on each share
31,607,000	$0.042
1,040,000	$0.052
1,170,000 [a]	$0.064

[a] On 16 June 2022, the Company announced that 1,170,000 ordinary shares were issued following the exercise of $0.064 unlisted options. The amount to be paid on the exercised of options was offset against accrued Director's fees outstanding as of 31 May 2022.

Indemnification and Insurance of Directors, Officers and Auditors

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.

Non-Audit Services

During the year, PKF Perth, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

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

- 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.

Non Audit Services (continued)
Details of the amounts paid to the auditor of the Group, PKF Perth and its network firms for non-audit services provided during the year are set out below:

Services other than audit and review of financial statements: Other services	2022
Taxation compliance	6,250
	6,250

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.

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

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

Remuneration packages may contain any or all of the following:

(a) Annual salary base with provision to recognise the value of the individuals' personal performance and their ability and experience;
(b) Rewards, bonuses, commissions, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
(c) Share participation - the Company proposes to put in place an equity incentive plan; and
(d) Other benefits, such as 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 Executive Chairman.

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

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

Non-Executive Director Remuneration

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

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

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

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

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

Termination
Termination condition with immediate effect by written notice to the Company or the Company's shareholders may resolve the removal by member's resolution.

Executive Remuneration

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

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

Structure
Executive remuneration may consist of both fixed and variable elements.

Fixed Remuneration

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

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

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

Variable Remuneration

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

Details of remuneration

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of key management personnel of the Group are set out in the following tables.

30 June 2022	Short-term benefits Cash salary and fees $	Cash bonus $	Post-employment benefits Super-annuation $	Share-based payments Equity-settled [A] $	Proportion of remuneration performance related $	Total $
Executive Directors:						
Mr. Kenneth Hurley **[B]**	124,769	-	-	429,995	-	554,764
Mr. David McAuliffe	200,000	-	18,205	726	-	218,931
Non-Executive Directors:						
Drs. Wilbert van den Hoek **[C]**	50,000	-	-	658,512	-	708,512
Dr. Guido Arnout **[D]**	176,841	-	-	765	-	177,606
Mr. Howard Digby	30,000	-	-	130	-	30,130
Other Key Management Personnel:						
Mr. Michael Van Buskirk (resigned 30 April 2022)	224,086	-	-	480	-	224,566
Mr. Seshubabu Desu (resigned 15 October 2021)	28,640	-	-	2,750	-	31,390
	834,336	-	18,205	1,093,358	-	1,945,899

Notes in relation to Directors' and Executive officers' remuneration table

[A] The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the option recognised as an expense in each reporting period.

[B] On 14 March 2022, Mr. Kenneth Hurley was appointed as the Company's Chief Executive Officer and Managing Director and subsequently resigned on 15 August 2022.

[C] On 16 June 2022, 1,170,000 ordinary shares were issued following the exercise of $0.064 unlisted options. The amount to be paid on the exercised of options $74,880 was offset against accrued Director's fees outstanding for the period from December 2020 to May 2022. Of which, $45,833 related to 30 June 2022 financial year.

[D] On 14 March 2022, Dr. Guido Arnout retired as the Company's Chief Executive Office and Managing Director. Dr. Arnout remains with the Company as a Non-Executive Director and will act on a part-time basis employee.

Details of remuneration (continued)

30 June 2021	Short-term benefits Cash salary and fees $	Cash bonus $	Post-employment benefits Super-annuation $	Share-based payments Equity-settled $	Proportion of remuneration performance related $	Total $
Executive Directors:						
Dr Guido Arnout	394,301	-	-	40,785	-	435,086
Mr David McAuliffe	200,000	75,000	21,694	38,685	-	335,379
Non-Executive Directors:						
Drs. Wilbert van den Hoek	29,167	-	-	1,056,340	-	1,085,507
Mr James Dorrian	32,778	-	-	6,908	-	39,686
Mr Howard Digby	30,000	-	-	6,908	-	36,908
Other Key Management Personnel:						
Mr Michael Van Buskirk	354,066	-	-	29,683	-	383,749
Mr Seshubabu Desu	144,234	-	-	14,502	-	158,736
	1,184,546	75,000	21,694	1,193,811	-	2,475,051

Employment Contracts

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	**Mr. Kenneth Hurley**
Title:	**Chief Executive Officer and Managing Director (resigned on 15 August 2022)**
Agreement commenced:	15 March 2022

Mr. Hurley is subject to an employment contract with the following conditions:

- Remuneration salary of US$310,000 per annum
- 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)

Incentives

(1) On 27 May 2022, the Company issued Mr. Hurley 30,000,000 unlisted options exercisable at $0.063 each, expiring 14 March 2027, with 7,500,000 vesting following the completion of 6 months service to the Company and the remaining 22,500,000 options vesting quarterly over the following 10 quarters subject to the holder continuing to remain a Director of the Company.

(2) Upon a liquidity event occurring, Mr. Hurley will be entitled to receive 30% of the Sale Bonus Pool if Mr. Hurley continuously provided the services through the time of the liquidity events.

The size of the Sale Bonus Pool shall be calculated as follows:

Sales Value	**Sales Bonus Pool**
US$120M to US$350M	5% of the Sales Value
US$350M to US$550M	US$17.5M plus 6.25% of the excess above US$350M
Above US$550M	US$30M plus 7.5% of the excess above US$550M

Termination

Mr. Hurley employment agreement was terminated on 15 August 2022 upon his resignation and he is no longer eligible to participate in the Sales Bonus Pool.

Employment Contracts (continued)

Name:	**Drs. Wilbert van den Hoek**
Title:	**Executive Chairman from 15 August 2022 (Formerly Chairman and Non-Executive Director)**
Agreement commenced:	30 November 2020 and amended on 15 August 2022

Drs. van den Hoek is subject to a letter of appointment with the following conditions:

- Director fee of $50,000 per annum, with an option to convert to 4DS shares. If the option is taken the shares would be convertible at the 30 June share price and approved at the Annual General Meeting.
- Entitlement to be reimbursed for all reasonable out-of-pocket expenses necessarily incurred in the performance of his duties.
- Remuneration payable shall be subject to review by Board of the Company on the date which is three months after 15 August 2022, and otherwise subject to annual review by the Board of the Company and approval by the shareholders of the Company (if required).

Incentives

(1) On 30 November 2020, the Company issued Drs. van den Hoek 20,000,000 unlisted options exercisable at $0.064 each, expiring 29 November
2025, with 5,000,000 vesting following the completion of 6 months service to the Company and the remaining 15,000,000 options vesting quarterly over the following 10 quarters subject to the holder continuing to remain a Director of the Company.

(2) Upon a liquidity event occurring, Drs. van den Hoek will be entitled to receive 25% of the Sale Bonus Pool if Drs. van de Hoek continuously provided the services through the time of the liquidity events.

The size of the Sale Bonus Pool shall be calculated as follows:

Sale Value	**Sale Bonus Pool**
US$120M to US$350M	5% of the Sale Value
US$350M to US$550M	US$17.5M plus 6.25% of the excess above US$350M
Above US$550M	US$30M plus 7.5% of the excess above US$550M

Termination

Termination condition with immediate effect by written notice to the Company or the Company's shareholders may resolve the removal by member's resolution.

Name:	**Mr. David McAuliffe**
Title:	**Executive Director**

Mr. McAuliffe is subject to an employment contract with the following conditions:

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

Termination

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

Employment Contracts (continued)

Name:	**Dr. Guido Arnout**
Title:	**Non-Executive Director** from 14 March 2022 and part time adviser to the CEO from 1 April 2022 (previously Chief Executive Officer and Managing Director)
Agreement commenced:	14 March 2022 (Amended Agreement)

Dr. Arnout is subject to an employment contract with the following conditions:
- Remuneration salary of US$294,000 per annum reduced to US$48,000 per annum (for a day of service per week) effective from 1 April 2022. Non-Executive Director's fee of A$30,000 per annum effective from 14 March 2022.
- Entitlement to be reimbursed for all reasonable out-of-pocket expenses necessarily incurred in the performance of his duties.
- Remuneration reviewed annually on each review date or at any other time as the Board may determine (in its absolute discretion).

Incentive
Upon a liquidity event occurring, Dr. Arnout will be entitled to receive 15% of the Sale Bonus Pool if Dr. Arnout continuously provided the services through the time of the liquidity events.

The size of the Sale Bonus Pool shall be calculated as follows:

	Sale Bonus Pool
Sale Value of US$120m to US$350m	5% of the sale value
Sale Value of US$350m to US$550m	US$17.5m plus 6.25% of the excess above US$350m
Sale Value above US$550m	US$30m plus 7.5% of the excess above US$550m

Termination
No notice of termination required for role of part time adviser to CEO. Termination condition for Non-Executive Director role with immediate effect by written notice to the Company or the Company’s shareholders may resolve the removal by member’s resolution.

Equity Instruments
[A] Share holdings of Key Management Personnel
The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	On exercise of options	Net change other [a]	Balance at the end of the year
30 June 2022					
Executive Directors					
Mr. Kenneth Hurley (resigned 15 August 2022)	-	-	-	-	-
Mr. David McAuliffe	6,975,647	-	-	353,059	7,328,706
Non-Executive Directors					
Drs. Wilbert van den Hoek	-	-	1,170,000	-	1,170,000
Dr. Guido Arnout	3,030,053	-	14,000,000	(9,800,000)	7,230,053
Mr. Howard Digby	6,211,954	-	-	176,675	6,388,629
Other Key Management Personnel					
Mr. Michael Van Buskirk (resigned on 30 April 2022)	1,145,852	-	9,500,000	(10,645,852)	-
Mr. Seshubabu Desu (resigned on 15 October 2021)	-	-	5,372,000	(5,372,000)	-
	17,363,506	-	30,042,000	(25,288,118)	22,117,388

Equity Instruments (continued)
[A] Share holdings of Key Management Personnel

	Balance at the start of the year	Granted as part of Remuneration	On exercise of options	Net change other [a]	Balance at the end of the year
30 June 2021					
Executive Directors					
Dr. Guido Arnout	3,030,053	-	-	-	3,030,053
Mr. David McAuliffe	13,323,295	-	-	(6,347,648)	6,975,647
Non-Executive Directors					
Drs. Wilbert van den Hoek	-	-	-	-	-
Mr. James Dorrian [i]	52,783,831	652,173	-	(53,436,004)	-
Mr. Howard Digby [ii]	5,777,172	434,782	-	-	6,211,954
Other key management personnel					
Mr. Michael Van Buskirk	1,145,852	-	-	-	1,145,852
Mr. Seshubabu Desu	658,984	-	4,168,000	(4,826,984)	-
	76,719,187	1,086,955	4,168,000	(64,610,636)	17,363,506

[i] 652,173 fully paid ordinary shares at $0.046 in satisfaction of the Director's fees for 2019 and 2020 financial years (being a total of $30,000) as per shareholders' approval on 30 November 2020.
[ii] 434,782 fully paid ordinary shares at $0.046 to Howard Digby in satisfaction of salary accrued for 2020 financial years (being a total of $20,000) as per shareholders' approval on 30 November 2020.

[B] Options and rights over equity instruments
The movement during the reporting period, by number of rights and options over ordinary shares in 4DS Memory Limited held, directly, indirectly or beneficially, by each key management person, including their parties, is as follows:

	Balance at the start of the year	Granted as part of Remuneration	Options Exercised	Net Change other [a]	Balance at the end of the year
30 June 2022					
Executive Director					
Mr. Kenneth Hurley (resigned 15 August 2022)	-	30,000,000	-	-	30,000,000
Mr. David McAuliffe	7,000,000	-	-	-	7,000,000
Non-Executive Director					
Drs. Wilbert van den Hoek	20,000,000	-	(1,170,000)	-	18,830,000
Dr. Guido Arnout	21,380,000	-	(14,000,000)	-	7,380,000
Mr. Howard Digby	1,250,000	-	-	-	1,250,000
Other key management personnel					
Mr. Michael Van Buskirk (resigned on 30 April 2022)	14,500,000	-	(9,500,000)	(5,000,000)	-
Mr. Seshubabu Desu (resigned on 15 October 2021)	5,632,000	-	(5,372,000)	(260,000)	-
	69,762,000	30,000,000	(30,042,000)	(5,260,000)	64,460,000

Equity Instruments (continued)
[B] Options and rights over equity instruments

	Balance at the start of the year	Granted as part Remuneration	Options Exercised	Net Change other [a]	Balance at the end of the year
30 June 2021					
Executive Director					
Dr Guido Arnout	21,380,000	-	-	-	21,380,000
Mr David McAuliffe	7,000,000	-	-	-	7,000,000
Non-Executive Director					
Drs. Wilbert van den Hoek	-	20,000,000	-	-	20,000,000
Mr. James Dorrian	1,250,000	-	-	(1,250,000)	-
Mr. Howard Digby	1,250,000	-	-	-	1,250,000
Other key management personnel					
Mr. Michael Van Buskirk	14,500,000	-	-	-	14,500,000
Mr. Seshubabu Desu	9,800,000	-	(4,168,000)	-	5,632,000
	55,180,000	20,000,000	(4,168,000)	(1,250,000)	69,762,000

[a] Net change other included acquisition, disposals and cessation as KMP.

	Vested and exercisable	Unvested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Mr. Kenneth Hurley [i]	-	-	-
Mr. David McAuliffe	7,000,000	-	7,000,000
Drs. Wilbert van den Hoek	9,830,000	9,000,000	18,830,000
Dr. Guido Arnout	7,380,000	-	7,380,000
Mr. Howard Digby	1,250,000	-	1,250,000
Mr. Michael Van Buskirk (resigned on 30 April 2022)	5,000,000	-	5,000,000
Mr. Seshubabu Desu (resigned on 15 October 2021) [ii]	-	-	-
	30,460,000	9,000,000	39,460,000

[i] Mr. Kenneth Hurley 30,000,000 Options lapsed and has not achieved any of the vesting conditions at his resignation date 15 August 2022.

[ii] Mr. Seshubabu Desu 260,000 Options lapsed and has not achieved the vesting conditions at his resignation date 15 October 2021.

Equity instruments granted as compensation
[C] Rights and options over equity instruments granted as compensation

Details on rights and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting periods are as follows:

Name	Number of options granted during 2021-22	Grant date	Number of options vested during 2021-22	Expiry date	Exercise price per option	Fair value per option at grant date
Executive Directors						
Mr. Kenneth Hurley [i]	30,000,000	27 May 2022	-	22 Apr 2024	$0.063	$0.0510
Mr. David McAuliffe	-	24 Apr 2019	125,000	22 Apr 2024	$0.052	$0.0586
Non-Executive Directors						
Drs. Wilbert van den Hoek	-	30 Nov 2020	6,000,000	29 Nov 2025	$0.064	$0.0997
Dr. Guido Arnout	-	24 Apr 2019	738,000	22 Apr 2024	$0.052	$0.0586
Mr. Howard Digby	-	24 Apr 2019	125,000	22 Apr 2024	$0.052	$0.0586
Other key management personnel						
Mr. Michael Van Buskirk (resigned on 30 April 2022)	-	22 Jan 2019	500,000	22 Jan 2024	$0.052	$0.0586
Mr. Seshubabu Desu (resigned on 15 October 2021)	-	28 Aug 2019	390,000	28 Aug 2024	$0.052	$0.0399

All unvested options expire on termination of employment unless the Board makes a determination (in its absolute discretion) that the employee's performance during the term and the circumstances of the termination of the employment are such that all unvested options on the date of termination will continue to vest according to the vesting schedule and only expire on the expiry date.

[i] Mr. Hurley resigned on 15 August 2022 and his options lapsed at that date.

Exercise of options grated as compensation
[D] Exercise of options granted as compensation
For the year ended 30 June 2022, the following shares were issued as a result of exercise of the options previously granted as compensation:

	Number of Shares	Amount paid $ / Share
Dr. Guido Arnout	14,000,000	$0.042
Mr. Michael Van Buskirk	9,500,000	$0.042
Mr. Sheshubabu Desu	4,332,000	$0.042
	1,040,000	$0.052
Dr. Wilbert van den Hoek[i]	1,170,000	$0.064

[i]1,170,000 ordinary shares were issued following the exercise of $0.064 unlisted options. The amount to be paid on the exercised of options $74,880 was offset against accrued Director's fees outstanding for the period from December 2020 to May 2022. Of which, $45,833 related to 30 June 2022 financial year.

Voting of shareholders at last year's annual general meeting

At the Company's last Annual General Meeting (AGM), 26.35% of votes cast at the meeting rejected the adoption of the remuneration report. The Company did not receive any specific feedback at the AGM or throughout the year and up to the date of this report on its remuneration practices.

Key Management Personnel Transactions
Loans to KMP and their related parties

There are no loans between the Group and Key Management Personnel.

Other transactions with KMP

There are no other transactions between the Group and Key Management Personnel.

This concludes the remuneration report, which has been audited.

Auditor's independence declaration
A copy of the auditor's independence declaration for the year ended 30 June 2022 as required under section 307C of the Corporations Act 2001 has been received and can be found after this directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

WGM v d Hoek
____
Drs. Wilbert van den Hoek
Executive Chairman

30 August 2022

Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF 4DS MEMORY LIMITED

In relation to our audit of the financial report of 4DS Memory Limited for the year ended 30 June 2022, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

SIMON FERMANIS
SENIOR PARTNER

30 AUGUST 2022
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WESTERN AUSTRALIA

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4DS Memory Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
Other Income		23,646	206,461
Interest Income		4,457	6,832
Expenses			
Compliance and regulatory expenses		(144,823)	(125,953)
Consulting and Professional Fees		(214,244)	(178,130)
Directors and employee benefit expenses	4	(301,122)	(401,138)
Depreciation and amortisation expense	9	(224,812)	(200,211)
Write off of asset	9	(48,605)	-
Research and development	4	(4,155,124)	(4,298,974)
Share based payments	15	(1,276,268)	(1,231,464)
Interest expense		(6,158)	(5,029)
Unrealised / realised foreign exchange		(29,906)	(90,005)
Other expenses		(343,046)	(318,219)
Operating loss		(6,716,005)	(6,635,830)
Interest on lease liabilities		(16,074)	(22,005)
Loss before income tax expense		(6,732,079)	(6,657,835)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of 4DS Memory Limited		(6,732,079)	(6,657,835)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	14	19,100	23,465
Other comprehensive income for the year, net of tax		19,100	23,465
Total comprehensive income for the year attributable to the owners of 4DS Memory Limited		(6,712,979)	(6,634,370)
		Cents	**Cents**
Basic earnings per share	13	(0.48)	(0.51)
Diluted earnings per share	13	(0.48)	(0.51)

4DS Memory Limited
Statement of financial position
As at 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents	6	5,234,447	4,298,794
Trade and other receivables		-	16,004
Other assets		55,205	46,723
Total current assets		5,289,652	4,361,521
Non-current assets			
Right-of-use assets	8	151,646	237,502
Property, plant and equipment	9	257,001	377,851
Total non-current assets		408,647	615,353
Total assets		5,698,299	4,976,874
Liabilities			
Current liabilities			
Trade and other payables	10	84,945	735,108
Lease liabilities	11	120,313	100,911
Provisions		32,778	38,611
Total current liabilities		238,036	874,630
Non-current liabilities			
Lease liabilities	11	51,987	158,187
Total non-current liabilities		51,987	158,187
Total liabilities		290,023	1,032,817
Net assets		5,408,276	3,944,057
Equity			
Issued capital	12	54,826,216	47,925,286
Reserves	14	5,611,267	4,326,279
Accumulated losses		(55,029,207)	(48,307,508)
Total equity		5,408,276	3,944,057

The above statement of financial position should be read in conjunction with the accompanying notes

4DS Memory Limited
Statement of changes in equity
For the year ended 30 June 2022

	Issued capital $	Share Based Payment Reserve $	Foreign Exchange Reserve $	Accumulated Losses $	Total equity $
Balance at 1 July 2020	40,086,985	3,236,850	(36,422)	(41,670,706)	1,616,707
Loss after income tax expense for the year	-	-	-	(6,657,835)	(6,657,835)
Other comprehensive income for the year, net of tax	-	-	23,465	-	23,465
Total comprehensive income for the year	-	-	23,465	(6,657,835)	(6,634,370)
Transactions with owners in their capacity as owners:					
Issue of share capital, net of transaction costs (note 12)	7,253,199	-	-	-	7,253,199
Issue of employee options (note 15)	-	1,231,465	-	-	1,231,465
Issue of shares on exercise of options	535,101	(108,045)	-	-	427,056
Issue of shares in lieu of Director fees	50,000	-	-	-	50,000
Options lapsed	-	(21,032)	-	21,032	-
Balance at 30 June 2021	47,925,285	4,339,238	(12,957)	(48,307,509)	3,944,057

	Issued capital $	Share Based Reserve $	Foreign Exchange Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2021	47,925,285	4,339,238	(12,957)	(48,307,509)	3,944,057
Loss after income tax expense for the year	-	-	-	(6,732,079)	(6,732,079)
Other comprehensive income for the year, net of tax	-	-	19,100	-	19,100
Total comprehensive income for the year	-	-	19,100	(6,732,079)	(6,712,979)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 12)	5,540,027	-	-	-	5,540,027
Share-based payments (note 15)	74,880	1,276,267	-	-	1,351,147
Issue of shares on exercised of options	1,286,024	-	-	-	1,286,024
Options lapsed	-	(10,381)	-	10,381	-
Balance at 30 June 2022	54,826,216	5,605,124	6,143	(55,029,207)	5,408,276

The above statement of changes in equity should be read in conjunction with the accompanying notes

4DS Memory Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	30 June 2022 $	30 June 2021 $
Cash flows from operating activities			
Payments to suppliers and employees		(840,317)	(856,232)
Payments for research and development		(4,564,702)	(4,721,001)
		(5,405,019)	(5,577,233)
Interest received		4,457	6,832
Interest paid		(16,074)	(22,067)
Government grants		-	34,260
Other income		23,646	-
Net cash used in operating activities	7	(5,392,990)	(5,558,208)
Cash flows from investing activities			
Payments for property, plant and equipment		(248,660)	(40,984)
Net cash used in investing activities		(248,660)	(40,984)
Cash flows from financing activities			
Proceeds from issue of shares	12	5,985,930	7,611,969
Payment of capital raising costs		(428,849)	(358,770)
Issue of shares on exercise of options		1,286,024	427,056
Repayment of borrowings		(127,908)	(102,374)
Principal elements of lease payments		(120,509)	(115,888)
Net cash from financing activities		6,594,688	7,461,993
Net increase in cash and cash equivalents		953,038	1,862,801
Cash and cash equivalents at the beginning of the financial year		4,298,794	2,509,785
Effects of exchange rate changes on cash and cash equivalents		(17,385)	(73,792)
Cash and cash equivalents at the end of the financial year	6	5,234,447	4,298,794

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Reporting Entity

These are the consolidated financial statements and notes of the Company and controlled entities. 4DS Memory Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. The Group is a company limited by shares, domiciled and incorporated in Australia.

The Group is a for-profit entity and is primarily involved in semiconductor company pioneering the development of a non-volatile memory technology known as Interface Switching ReRAM, for next-generation gigabyte Storage Class Memory.

Basis of accounting

The consolidated financial statements are general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). They were authorised by the Board of Directors on 30 August 2022

Reporting basis and conventions

The financial statements have been prepared on accrual basis under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 19.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

Note 1. Reporting Entity (continued)

Functional and presentation currency

The financial statements are presented in Australian dollars, which is 4DS Memory Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

New Accounting Standards and Interpretations not yet mandatory or early adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going Concern

The net assets of the Group totalled $5,408,276 (2021: $3,944,057). Cash on hand at 30 June 2022 totalled $5,233,447 (2021: $4,298,794) and net operating cash outflow of $5,392,990 (2021: $5,558,208) for the year ended 30 June 2022.

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

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

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

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions
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 Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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.

Impairment of property, plant and equipment
The Group assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option, or not exercise option a termination option. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Research costs
All research costs during the year have been expensed. The research costs have not been recognized as intangible assets as they did not meet the criteria as set out in policy.

Coronavirus ***(COVID-19)*** *pandemic*
Judgement has been exercised in considering the impacts that COVID19 has had, or may have, on the Group based on known information.

As the date of this report, the Group's operations have not been materially impacted by the COVID-19 crisis during the year ended 30 June 2022. The Group has taken action to minimise the risk that COVID19 presents and as a result of this action, the Group has continued to maintain its operations.

The challenges presented by COVID19 are fluid and continue to change. The Group will continue to assess and update the Group's response.

Note 3. Operating segments

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

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

Note 4. Expenses

	30 June 2022 $	30 June 2021 $
Loss before income tax includes the following specific expenses:		
Salary and wages (cash settled)	200,000	200,000
Bonus (cash settled)	-	75,000
Superannuation (cash settled)	18,205	21,694
Annual leaves	(5,833)	12,500
Directors' fees (cash settled)	27,500	30,000
Directors' fees (accrued)	15,417	61,944
Director's fees (equity settled)	45,833	-
Total directors and employee benefits expense	**301,122**	**401,138**
Utilities	79,600	65,798
Consultants	139,196	122,794
Salary and wages	1,759,939	2,150,300
R&D partner	1,958,349	1,667,789
Other research expenses	297,640	358,090
Research and development expenses	4,155,124	4,298,973

Note 4. Expenses (continued)

Accounting policy for employee benefits

i. Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within one year of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii. Superannuation

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

iii. Employee benefit on costs

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

iv. Options

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

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Accounting policy for employee benefits (continued)

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.

Accounting policy for 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.

Note 5. Income tax

	30 June 2022 $	30 June 2021 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(6,732,079)	(6,657,835)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,683,020)	(1,731,037)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	319,067	320,181
Provisions and accruals	12,694	3,415
Other permanent differences	(28,144)	(64,976)
Unrealised foreign exchange	3,372	22,000
Capital raising costs	(193,230)	(74,293)
Other non-deductible amounts	28,015	49,091
	(1,541,246)	(1,475,619)
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	280,299
Deferred tax balances not recognised	1,541,246	1,195,320
Income tax expense	-	-

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

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

Note 6. Cash and cash equivalents

	30 June 2022 $	30 June 2021 $
Current assets		
Cash and cash equivalents	5,234,447	4,298,794

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

Note 7. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	30 June 2022 $	30 June 2021 $
Loss after income tax expense for the year	(6,732,079)	(6,657,835)
Adjustments for:		
Depreciation	224,813	200,211
Write off of asset	48,605	-
Share-based payments	1,276,268	1,231,464
Foreign exchange differences	55,498	(97,203)
Director fee - equity settled	74,880	50,000
Interest on lease liabilities	6,158	4,926
Reversal of impairment of asset	(23,332)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	11,376	4,372
Increase in prepayments	(3,854)	-
Increase in other assets	-	(11,943)
Decrease in trade and other payables	(451,832)	(282,200)
Increase in lease liabilities	120,509	-
Net cash used in operating activities	(5,392,990)	(5,558,208)

Non-cash investing and financing activities

	30 June 2022 $	30 June 2021 $
Shares issued under employee share plan	1,276,268	1,231,464
Shares issued in relation to director fees	74,880	50,000
	1,351,148	1,281,464

Note 8. Right-of-use assets

	30 June 2022 $	30 June 2021 $
Non-current assets		
Land and buildings - right-of-use	151,646	237,502

Reconciliations

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

	Total $
Balance at 1 July 2020	371,069
Exchange differences	(31,022)
Depreciation expense	(102,545)
Balance at 30 June 2021	237,502
Exchange differences	15,841
Depreciation expense	(101,697)
Balance at 30 June 2022	151,646

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 9. Property, plant and equipment

	30 June 2022 $	30 June 2021 $
Non-current assets		
Plant and equipment	1,091,352	1,076,618
Accumulated depreciation	(834,351)	(675,435)
Less: Impairment	-	(23,332)
	257,001	377,851

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

	Total $
Balance at 1 July 2020	216,763
Additions	260,384
Exchange differences	(1,921)
Depreciation expense	(97,375)
Balance at 30 June 2021	**377,851**
Additions	23,482
Exchange differences	3,959
Reversal of impairment of asset	23,332
Write off of asset	(48,605)
Depreciation expense	(123,018)
Balance at 30 June 2022	**257,001**

During the year, management assessed deposition equipment as obsolete and no longer in use by the Company, as a result, $48,605 was written off and recorded in the profit and loss. A provision of impairment provided in historical years was reversed.

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

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 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.

Note 9. Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Class of Assets	**Depreciation Rate**
Computer and equipment	33.33%
Plant and equipment	20%

The residual values, useful lives and depreciation methods 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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 10. Trade and other payables

	30 June 2022 $	30 June 2021 $
Current liabilities		
Trade payables	29,149	627,087
Other payables	55,796	108,021
	84,945	735,108

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

Accounting policy for 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.

Note 11. Lease liabilities

	30 June 2022 $	30 June 2021 $
Current liabilities		
Lease liability	120,313	100,911
Non-current liabilities		
Lease liability	51,987	158,187
	172,300	259,098
Maturity analysis - contractual undiscounted cash flows	-	-
Less than one year	114,018	116,456
One to five years	55,106	170,542
More than five year	-	-
Total undiscounted lease payables	169,124	286,998
i. AASB 16 related amount recognised in the statement of profit or loss		
Interest on lease liabilities	16,087	22,005
Depreciation charged related to right-of-use assets	101,697	102,836
	117,784	124,841
ii. AASB related amount recognised in the statement of cash flow		
Annual cash outflows for leases	120,509	115,888

Refer to note 16 for further information on financial instruments.

Accounting policy for lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

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

Note 11. Lease liabilities (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amount expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for termination the lease, if the lease term reflects the lessee exercising that option.

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

Note 12. Issued capital

	30 June 2022 Shares	30 June 2021 Shares	30 June 2022 $	30 June 2021 $
Issued capital	1,477,490,442	1,320,948,441	57,679,319	50,332,485
Capital raising costs	-	-	(2,853,103)	(2,407,199)
	1,477,490,442	1,320,948,441	54,826,216	47,925,286

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance beginning of the year	1 July 2020	1,140,544,555		40,086,985
Placement Shares	3 July 2020	100,000,000	$0.045	4,500,000
Share Purchase Plan	23 July 2020	69,148,931	$0.045	3,111,969
Issued Capital - in lieu of Director fees	30 Nov 2020	1,086,955	$0.046	50,000
Exercise of unlisted options	30 June 2021	10,168,000	$0.042	535,101
Capital raising cost	30 June 2021			(358,769)
Balance beginning of the year	30 June 2021	1,320,948,441		47,925,286
Placement Shares	2 Dec 2021	52,083,334	$0.048	2,500,000
Share Purchase Plan	20 Dec 2021	72,916,667	$0.048	3,485,930
Exercise of unlisted options	8 June 2022	1,040,000	$0.052	54,080
Exercised of unlisted options - in lieu of Director fees	16 June 2022	1,170,000	$0.064	74,880
Exercise of unlisted options	30 June 2022	29,332,000	$0.042	1,231,944
Capital raising cost	30 June 2022			(445,904)
Balance at the end of the year	30 June 2022	1,477,490,442		54,826,216

Note 12. Issued capital (continued)

Movements in options

Details	Date	Options	$
Balance beginning of the year	1 July 2020	71,535,000	3,236,850
Options exercised, employee options		(10,168,000)	(108,045)
Options expired/forfeited		(880,000)	(21,032)
Share based payment, employee options		20,000,000	1,231,465
Balance end of the year	30 June 2021	80,487,000	4,339,238
Options exercised, employee options		(31,542,000)	-
Options expired/forfeited		(260,000)	(10,381)
Share based payment, employee options		45,500,000	1,180,246
Share based payment, advisor options		5,000,000	96,021
Balance end of the year	30 June 2022	99,185,000	5,605,124

Accounting policy for issued capital
Ordinary shares
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.

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 Group'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. Net debt is calculated as total borrowings less cash and cash equivalents.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Note 13. Earnings per share

	30 June 2022 $	30 June 2021 $
Loss after income tax attributable to the owners of 4DS Memory Limited	(6,732,079)	(6,657,835)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	1,391,855,583	1,309,439,593
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,391,855,583	1,309,439,593
	Cents	**Cents**
Basic earnings per share	(0.48)	(0.51)
Diluted earnings per share	(0.48)	(0.51)

Accounting policy for earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of 4DS Memory Limited, 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 financial year.

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.

Note 14. Reserves

	30 June 2022 $	30 June 2021 $
Foreign currency reserve	6,142	(12,959)
Share-based payments reserve	5,605,125	4,339,238
	5,611,267	4,326,279

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Movements in foreign currency reserve

Movements in foreign currency translation reserve during the current and previous financial year are set out below:

	2022 $	2021 $
Balance at beginning of the year	(12,957)	(36,422)
Foreign exchange movement on translation of foreign operations	19,100	23,465
Balance at end of the year	6,142	(12,957)

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in share based payment reserve

Movements in share-based payment reserve during the current and previous financial year are set out below:

	$
Balance at 1 July 2020	3,236,851
Options lapsed/cancelled during the year	(21,032)
Share-based payment	1,231,465
Options exercised	(108,045)
Balance at 30 June 2021	4,339,239
Options lapsed/cancelled during the year	(10,381)
Share-based payment - employee options	1,276,267
Balance at 30 June 2022	5,605,125

Note 15. Share-based payments

Set out below are summaries of options granted under the plan:

	Number of options 30 June 2022	Weighted average exercise price 30 June 2022	Number of options 30 June 2021	Weighted average exercise price 30 June 2021
Outstanding at the beginning of the financial year	80,487,000	$0.051	71,535,000	$0.063
Granted	50,500,000	$0.076	20,000,000	$0.064
Exercised	(31,542,000)	$0.043	(10,168,000)	$0.042
Expired	(260,000)	$0.040	(880,000)	$0.045
Outstanding at the end of the financial year	99,185,000	$0.053	80,487,000	$0.051

The weighted average share price during the financial year was $0.103 ([30 June 2021]: $0.125).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.45 years ([30 June 2021]: 3.42 years).

A. Description of share-based payment arrangements

The Group established share option programmes that entitle key management personnel and technical employees to purchase shares in the Company. Under these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at grant date.

Grant date/Employees entitled	Number of options	Vesting conditions	Contractual life of options
Options granted to CEO and Managing Director			
On 27 May 2022	30,000,000	25% of the options will vest after 6 months of continuous employment and the balance vest equally over the next 10 quarters	5 years
Options granted to technical employees			
On 31 May 2022	15,500,000	25% of the options will vest after 6 months of continuous employment and the balance vest equally over the next 10 quarters	5 years
Total share options during the year	45,500,000		

Note 15. Share-based payments (continued)

B. Measurement of fair values - equity settled share-based payment arrangements

The fair value of the employee share options have been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring the fair value.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
03/12/2021	03/12/2023	$0.048	$0.080	100.000%	0.550%	$0.0190
27/05/2022	14/03/2027	$0.100	$0.063	90.000%	2.255%	$0.0510
31/05/2022	31/05/2027	$0.096	$0.100	90.000%	3.123%	$0.0670

On 3 December 2021, the Company issued 5,000,000 unlisted options to the Lead Manager, Mac Equity Partners. The options are exercisable at $0.08 each and expire on 3 December 2023.

On 27 May 2022, 30,000,000 unlisted options were issued to Mr. Ken Hurley pursuant to the terms of the Executive Services Agreement, as approved by the shareholders at the General Meeting held on the 26 May 2022. The options lapsed when Mr. Ken Hurley resigned on 15 August 2022.

On 31 May 2022, the Company issued 15,500,000 incentive options to the US employees. The options are exercisable at $0.10 each and expire on 31 May 2027 with 25% of options vesting after 6 months and the balance vesting quarterly over following 10 quarters.

Expected volatility has been based on evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 15. Share-based payments (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 16. Financial instruments

Financial Risk Management Policies
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's financial instruments consist mainly of deposits with banks, trade and other receivables, trade and other payables and lease liabilities.

The main purpose of non-derivative financial instruments is to raise finance for the Group's operations. The Group does not speculate in the trading of derivative instruments.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group has determined that its exposure to commodity price risk would not have a material impact on its operating results.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Note 16. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	30 June 2022 $	30 June 2021 $	30 June 2022 $	30 June 2021 $
US dollars	258,519	889,078	172,300	260,874
Euros	16,717	792,196	-	-
	275,236	1,681,274	172,300	260,874

The Group had net liabilities denominated in foreign currencies of $102,936 (assets of $275,236 less liabilities of $172,300) as of 30 June 2022 (30 June 2021: $1,485,460 (assets of $1,681,274 less liabilities of $260,874)). Based on this exposure, had the Australian dollars strengthened by 5% (30 June 2021: strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been $5,147 higher (30 June 2021: $71,020 higher) and equity would have been $5,147 higher (30 June 2021: $71,020 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2022 was $ 16,419 (30 June 2021: gain of $5,391).

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. The Group is not exposed to any significant price risk.

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.

Note 16. Financial instruments (continued)

As at the reporting date, the Group had the following variable rate interest rate :

	30 June 2022		30 June 2021	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash and cash equivalents	0.09%	5,234,447	0.20%	4,298,794
Trade and other receivables	-	-	-	16,004
Trade and other payables	-	(84,825)	-	(735,108)
Lease liabilities	6.00%	(172,300)	6.00%	(259,098)
Net exposure to cash flow interest rate risk		4,977,322		3,320,592

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate 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 maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

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:

	2022 $	2021 $
Cash and cash equivalents held at NAB	5,017,484	4,209,396
Cash and cash equivalents held at HSBC	216,962	89,398
Other receivables and deposits	4,866	16,004
	5,239,312	4,314,798

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 16. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 June 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	84,945	-	-	-	84,945
Interest-bearing - variable						
Lease liability	6.00%	120,313	51,987	-	-	172,300
Total non-derivatives		205,258	51,987	-	-	257,245

30 June 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	735,108	-	-	-	735,108
Interest-bearing - variable						
Lease liability	6.00%	100,911	110,458	47,729	-	259,098
Total non-derivatives		836,019	110,458	47,729	-	994,206

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 17. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	30 June 2022 $	30 June 2021 $
Short-term employee benefits	834,336	1,259,546
Post-employment benefits	18,205	21,694
Share-based payments	1,093,358	1,193,811
	1,945,899	2,475,051

Note 18. Related party transactions

Parent entity
4DS Memory Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 20.

Key management personnel
Disclosures relating to key management personnel are set out in note 17 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 19. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	30 June 2022 $	30 June 2021 $
Loss after income tax	(6,848,621)	(6,856,759)
Total comprehensive income	(6,848,621)	(6,856,759)

Note 19. Parent entity information (continued)

Statement of financial position

	30 June 2022 $	30 June 2021 $
Total current assets	5,056,414	4,257,373
Total assets	5,265,451	4,590,404
Total current liabilities	111,862	771,942
Total liabilities	111,862	771,942
Equity		
Issued capital	61,413,188	54,512,258
Foreign currency reserve	6,553	-
Share-based payments reserve	5,605,125	4,339,238
Accumulated losses	(61,871,277)	(55,033,034)
Total equity	5,153,589	3,818,462

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2022.

Note 20. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	Principal place of business / Country of incorporation	30 June 2022 %	30 June 2021 %
4D-S Pty Limited	Australia	100.00%	100.00%
4DS Inc.	United States of America	100.00%	100.00%
Fitzroy Copper Pty Limited (Dormant)	Australia	100.00%	100.00%
Fitzroy Employee Share Plan Pty Limited (Dormant)	Australia	100.00%	100.00%

Note 21. Commitments and Contingent

imec commitments
The Company entered into an agreement with imec on 31 October 2017 to develop a transferrable production compatible process flow for its Interface Switching ReRAM technology and to demonstrate this process on imec's megabit test chip. On 31 October 2019 (referred to as the "**Amendment 1**") and through a second amendment, dated 1 January 2021 (referred to as the "**Amendment 2**"), amendment to the collaboration agreement was signed where both parties agreed to add extra activities to the project and therefore extend the duration of the agreement and additional payment terms.

Under Amendment 2, the Company and imec agreed to extend the term of the agreement from 1 January 2022 until 31 December 2022. From 1 January 2022 the Company shall pay imec an additional amount of 600,000 Euro, with payments made in January 2022 and April 2022.

Under the Amendment 3 signed on 3 November 2021, the royalty cap of 8% of the Agreement increased to 5,000,000 Euro and the budget for deliverables of learning cycle 11 is estimated at 400,000 Euro which will be agreed and, based upon the actual knowledge of the Project, when the decision by the Company to proceed is taken.

imec license and support agreement
The Company entered into a license and support service agreement with imec on 2 May 2022, for the grant of license and the support services provided. The agreement is for, 50,000 Euro until the end of 2022, with an option to extend the license to 30 June 2023 for an additional 40,000 Euro and with additional option to extend the license for 90,000 Euro's per annum thereafter.

Sales Bonus Pool Commitments
The incentive is in the form of participation in a cash bonus pool (Sale Bonus Pool), the size of which will be determined by the value received by shareholders upon a liquidity event, such as takeover of the Company or a sale of the Company's intellectual property. The members of 4DS' technical team, based in Silicon Valley, including Mr. Kenneth Hurley and Drs. Wilbert van den Hoek, will be participating in the Sale Bonus Pool.

Upon a liquidity event occurring, Mr. Kenneth Hurley, Drs. Wilbert van den Hoek, Dr. Guido Arnout, and US based employees (Eligible Participants) will each be entitled to receive a proportion of the Sale Bonus Pool. Mr. Kenneth Hurley will be entitled to receive 30%, Drs. Wilbert van den Hoek 25%, Dr. Arnout 15%, with the balance to be allocated to Eligible Participants at the discretion of the Board.

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

The Group has no contingent liabilities as at 30 June 2022 and 30 June 2021

Note 22. Events after the reporting period

On 8 July 2022, the Company issued 2,275,000 ordinary shares following the exercise of $0.042 unlisted options to raise $95,550.

On 15 August 2022, Mr. Kenneth Hurley resigned as Managing Director and CEO of the Company. Drs. Wilbert van den Hoek transitioned from Non-executive Chairman to Executive Chairman.

In light of the unexpected testing outcome, and to conserve Company's existing cash reserves, the Board members have agreed to defer their fees for three months effective from 15 August 2022.

Note 22. Events after the reporting period (continued)

On 16 August 2022, the Company announced that the Third Platform Lot has successfully arrived at its facilities in Fremont, California and that extensive internal testing has successfully demonstrated that the reference memory cells on the Third Platform Lot perform similarly to the identical reference structures on the Third Non-Platform Lot, indicating that the Lot has been manufactured properly. However, testing of the cells used in the imec megabit memory array showed unexpected problems with scaling the memory cell to small dimensions suitable for Storage Class Memory potential applications. These result suggest that the memory stack etch mask modification and further optimization of the etch process utilizing this new mask appears to have created another problem, while having resolved the root cause of the electrical shorting of the memory devices in the Second Platform Lot.

The Company is now performing a Root Cause Corrective Action process which includes further electrical testing, Transmission Electron Microscopy and material analysis to identify the reason for the difference in results between the Second Platform Lot and Third Platform lot.

Until this issue is resolved, endurance and retention testing of the memory cells with imec access transistors, the primary goal of this Third Platform Lot, cannot be successfully completed and will cause a long-term delay in achieving its strategic goal of commercializing the Company's technology.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

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

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

WGM v d Hoek

Drs. Wilbert van den Hoek
Executive Chairman

30 August 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 4DS MEMORY LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of 4DS Memory Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including independence requirements) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related on Going Concern

Without modifying our opinion, we draw attention to Note 6 in the financial report, which indicates that the consolidated entity had cash on hand at 30 June 2022 of $5,234,447 (2021: $4,298,794) and a net operating cash outflow of $5,392,990 (2021: $5,558,208) for the year ended 30 June 2022. These conditions 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.

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed each matter is provided in that context.

Value of Share Based Payments

Why significant	How our audit addressed the key audit matter

For the year ended 30 June 2022 the value of share based payments expenses totalled $1,276,268, as disclosed in Note 15. This amount has been expensed.
 	
The consolidated entity's accounting judgement and estimates in respect of share-based payments is outlined in Note 15. We consider this to be a key audit matter due to significant judgement required in relation to:
 	
• The valuation method used in the model; and
 	
• The assumptions and inputs used within the model.
	Our work included, but was not limited to, the following procedures:
	
	• Reviewed the independent expert's valuations of options issued, including:
	  o ensuring the independence of the independent expert;
	  o assessing the credentials of the independent expert;
	  o assessing the appropriateness of the valuation method used; and
	  o assessing the reasonableness of the assumptions and inputs used within the valuation model.
	
	• Reviewed Board meeting minutes and ASX announcements as well as enquired of relevant personnel to ensure all share-based payments had been recognised;
	
	• Assessed the allocation and recognition to ensure reasonable; and
	
	• Assessed the appropriateness of the related disclosures in Note 15.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report.
In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of 4DS Memory Limited for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

PKF Perth

PKF PERTH

S Fermanis

SIMON FERMANIS
SENIOR PARTNER

30 AUGUST 2022
WEST PERTH
WESTERN AUSTRALIA

The shareholder information set out below was applicable as at 4 August 2022.

As at 4 August 2022 there were 8,564 holders of Ordinary Fully Paid Shares.

Voting rights

The voting rights attached to ordinary shares are set out below:

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

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

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

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Limited	48,913,746	3.31
James Dorrian	45,286,004	3.07
Mr John Clement Cowie Love (The JCC Love Family A/C)	30,337,545	2.05
HSBC Custody Nominees (Australia) Limited	23,483,409	1.59
BNP Paribas Nominees Pty Ltd (LB AU Noms Retail client DRP)	19,278,847	1.30
Kelland Munro MacCulloch	10,442,806	0.71
Vicex Holdings Proprietary Limited (Vicex Super A/C)	9,000,000	0.61
Dr Rohan Vanden Driesen	8,883,631	0.60
Mr Richard Stanley De Ravin	8,500,000	0.58
Southam Investments 2003 Pty Ltd (Warwickshire Investment A/C)	8,494,883	0.57
Aurelius Finance Pty Ltd (Aurelius Super Fund A/C)	8,000,000	0.54
JP Morgan Nominees Australia Pty Limited	7,438,084	0.50
Mr Peter Allan Learmont	7,100,027	0.48
KZ 6 Pty Ltd (KZ 5 A/C)	6,862,495	0.46
Mr Rodney Alan Brack	6,372,783	0.43
Mr John Love	6,253,651	0.42
Michael Hawran	6,246,814	0.42
Mr Brenton Charles Speechly & Mrs Margaret Mary Speechly (Brenthill Super Fund A/C)	5,949,003	0.40
Dongmin Chen	5,937,367	0.40
Dominik Schmidt	5,935,682	0.40
Total Top 20	278,716,777	18.84

Substantial holders

The Company has no substantial shareholders as at 4 August 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Ordinary Fully Paid Shares	**Number of holders**	**Total units**	**% Issued shares capital**
1 to 1,000	134	26,164	-
1,001 to 5,000	909	3,283,760	0.22
5,001 to 10,000	1,486	11,992,917	0.81
10,001 to 100,000	4,171	160,677,817	10.86
100,001 and over	1,864	1,303,784,787	88.11
	8,564	1,479,765,445	100.00
Number of shareholders holding less than a marketable parcel	856	-	-

Unquoted securities

As at 4 August 2022, the following unquoted securities are on issue:

	Number on issue	**Number of holders**
Options expiring 27/10/2022 @ $0.042	500,000	1
Options expiring 3/12/2023 @ $0.08	5,000,000	7
Options expiring 22/01/2024 @ $0.052	25,780,000	9
Options expiring 28/08/2024 @ $0.052	1,300,000	1
Options expiring 29/11/2025 @ $0.064	18,830,000	1
Options expiring 14/03/2027 @ $0.063	30,000,000	1
Options expiring 31/05/2027 @ $0.10	15,500,000	3

The following person holds 20% or more of unquoted equity securities:

500,000 Options expiring 27/10/2022 @ $0.042

Holder Name	Holding	%
Michael Hawran	500,000	100.00%

5,000,000 Options expiring 3/12/2023 @ $0.08

Holder Name	Holding	%
Bobarino Pty Ltd	1,900,000	38.00%
Lobster Pot Investments Pte Ltd	1,500,000	30.00%

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

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

1,300,000 Options expiring 28/08/2024 @ $0.052

Holder Name	Holding	%
Ting Yen	1,300,000	100.00%

18,830,000 Options expiring 29/11/2025 @ $0.064

Holder Name	Holding	%
Willibrordus Gerardus Maria van den Hoek	18,830,000	100.00%

30,000,000 Options expiring 14/03/2027 @ $0.063

Holder Name	Holding	%
Kenneth Michael Hurley	30,000,000	100.00%

15,500,000 Options expiring 31/05/2027 @ $0.10

Holder Name	Holding	%
Ting Yen	8,000,000	51.61%
Joseph Tzou	5,000,000	32.26%

On Market Buy Back
There is currently no on-market buyback program.