

4DS Memory Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	4DS Memory Limited
ACN:	145 590 110
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

	31 Dec 2015	31 Dec 2014	% change
Revenues from ordinary activities	-	-	-
Loss from ordinary activities after tax attributable to the owners of 4DS Memory Limited	(10,783,689)	(722,317)	(1343)%
Loss for the half-year attributable to the owners of 4DS Memory Limited	(10,783,689)	(722,317)	(1343)%

Brief explanation of the above figures

In December 2015, 4DS Memory acquired all of the issued securities in 4D-S by way of off-market takeover offers and private treaty offers. Total consideration for the acquisition by the Company of all classes of 4D-S Limited (4D-s) securities was the issue of 385,603,642 4DS Memory shares, 67,604,019 performance shares and 36,458,333 unlisted options each with an exercise price of \$0.02 and an expiry date of 30 June 2020, giving 4D-S a controlling interest in 4DS Memory and equating to a controlling interest in the combined entity. 4D-S has thus been deemed the acquiror for accounting purposes. The acquisition of 4DS Memory by 4D-S is deemed to be a business combination, as 4DS Memory is considered to be a business under AASB 3 Business Combinations. As such, the consolidation of these two companies was on the basis of the continuation of 4D-S with fair value adjustments at acquisition date deemed to be 9 December 2015, whereby 4D-S was deemed to be the accounting parent. The comparative information of 4DS Memory is subsequently of 4D-S for the period. The loss after tax for the half-year contains a one off expense in relation to the excess consideration on the transaction of \$8,914,880. Refer to Note 9 in the attached financial statements for further information.

3. Net tangible assets per security

	31 Dec 2015 Cents	31 Dec 2014 Cents
Net tangible asset (liability) per ordinary security	<u>0.37</u>	<u>(0.30)</u>

4. Dividends

No dividends were paid during the current or previous financial years and no dividends have been declared subsequent to the financial year end and up to the date of this report.

5. Dividend reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

6. Foreign entities

Not applicable.

7. Gain or loss of control over entities

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

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

Total consideration for all classes of 4D-S securities was 385,603,642 4DS Memory shares, 67,604,019 performance shares and 36,458,333 unlisted options each with an exercise price of \$0.02 and an expiry date of 30 June 2020. The performance shares convert into 4DS Memory shares upon the Company announcing that a suitable independent expert has delivered a report to the Company confirming that 4D-S has achieved endurance consistency. Refer to Note 9 of the financial statements for further details of the acquisition of 4D-S.

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

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The Company received a Qualified Review on the basis that the comparative information for the 6 months ended 31 December 2014 has not been reviewed or audited.

9. Attachments

Details of attachments (if any):

The Interim Report of 4DS Memory Limited for the half-year ended 31 December 2015 is attached.

10. Signed



Guido Arnoux

Chief Executive Officer and Managing Director

Date 29 February 2016

4DS MEMORY LIMITED

ACN 145 590 110

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

4DS MEMORY LIMITED

ACN 145 590 110

CORPORATE DIRECTORY

Registered Office

Level 2, 50 Kings Park Road
West Perth WA 6005
AUSTRALIA

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West Perth WA 6872
AUSTRALIA

Phone +61 8 6377 8043
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Share Registry

Automic Registry Services
Suite 1a, Level 1
7 Ventnor Avenue
West Perth WA 6005
AUSTRALIA

Phone +61 8 9324 2099
Fax +61 8 9321 2337
Email info@automic.com.au
Web www.automic.com.au

Securities Exchange listing

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

Legal Advisor

GTP Legal
68 Aberdeen Street
Northbridge WA 6003
AUSTRALIA

Auditor

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

4DS MEMORY LIMITED

ACN 145 590 110

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4DS MEMORY LIMITED

ACN 145 590 110

DIRECTORS' REPORT

The Directors of 4DS Memory Limited (formerly Fitzroy Resources Ltd) (**4DS Memory**) (the **Company**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 31 December 2015 (**Financial Period**).

DIRECTORS

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

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

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

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

COMPANY SECRETARY

Mr Peter Webse

REVIEW AND RESULTS OF OPERATIONS

The net loss of the Group after income tax for the half year ended 31 December 2015 amounted to \$10,647,454 (31 December 2014: \$735,640 net loss).

REVIEW OF ACTIVITIES

Acquisition of 4D-S Limited

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

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

Total consideration for all classes of 4D-S securities was 385,603,642 4DS Memory shares, 67,604,019 performance shares and 36,458,333 unlisted options each with an exercise price of \$0.02 and an expiry date of 30 June 2020. The performance shares convert into 4DS Memory shares upon the Company announcing that a suitable independent expert has delivered a report to the Company confirming that 4D-S has achieved endurance consistency. Refer to Note 9 of the financial statements for further details of the acquisition of 4D-S and Note 10 for a summary of the terms of the performance shares and options issued as consideration.

About 4D-S Limited

4D-S through its US subsidiary, 4D-S Inc is a developer of non-volatile memory technology, pioneering non-filamentary resistive random access memory (**ReRAM**) for next generation storage in mobile and cloud.

Established in 2007, 4D-S owns a patented intellectual property portfolio developed in house to create high density gigabyte storage.

4D-S has research and development facilities located in Fremont in Silicon Valley, United States (**US**).

4DS MEMORY LIMITED

ACN 145 590 110

DIRECTORS' REPORT (CONTINUED)

Exploration Activities

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

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

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

SUBSEQUENT EVENTS

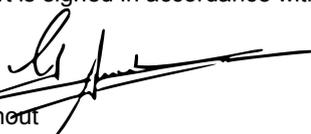
There have been no matters or circumstances that have arisen since 31 December 2015 that have significantly affected or may significantly affect:

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of the Consolidated Entity on page 19 forms part of the Directors' Report for the half year ended 31 December 2015.

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



Guido Arneut
Chief Executive Officer and Managing Director
29 February 2016

4DS MEMORY LIMITED

ACN145 590 110

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Note	Half year ended 31 December 2015 \$	Half year ended 31 December 2014 \$
Revenue		56,117	12
Corporate and administration expenses		(611,726)	(333,835)
Depreciation expense		(3,003)	(1,951)
Directors and employee expenses		(429,001)	(127,297)
Research and development		(98,953)	(38,729)
Excess consideration on 4DS transaction	9	(8,914,880)	-
Share based payments		(646,008)	(233,840)
Loss before income tax expense		(10,647,454)	(735,640)
Income tax expense		-	-
Loss for the year		(10,647,454)	(735,640)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		(136,235)	13,323
Total comprehensive loss for the period net of tax		(10,783,689)	(722,317)
Basic and diluted loss per share (cents)		(6.11)	(0.14)

The accompanying condensed notes form part of these financial statements.

4DS MEMORY LIMITED

ACN 145 590 110

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Notes	31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents		2,418,512	9,106
Trade and other receivables		58,588	42,357
Other current assets		80,716	-
TOTAL CURRENT ASSETS		2,557,816	51,463
NON-CURRENT ASSETS			
Plant and equipment		18,126	18,326
TOTAL NON-CURRENT ASSETS		18,126	18,326
TOTAL ASSETS		2,575,942	69,789
CURRENT LIABILITIES			
Trade and other payables		115,917	126,356
Provisions		2,258	-
Borrowings		-	771,115
Other current liabilities		34,048	-
TOTAL CURRENT LIABILITIES		152,223	897,471
NON-CURRENT LIABILITIES			
Borrowings		-	235,500
TOTAL NON-CURRENT LIABILITIES		-	235,500
TOTAL LIABILITIES		152,223	1,132,971
NET ASSETS/(DEFICIENCY)		2,423,719	(1,063,182)
EQUITY			
Issued capital	5	20,733,292	10,574,049
Reserves		4,833,280	1,363,414
Accumulated losses		(23,142,853)	(13,000,645)
TOTAL EQUITY		2,423,719	(1,063,182)

The accompanying condensed notes form part of these financial statements.

4DS MEMORY LIMITED

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Share Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Exchange Reserve \$	Total \$
Balance as at 1 July 2014	10,574,049	(11,695,794)	1,024,791	91,458	(5,496)
<i>Total Comprehensive Income</i>					
Loss for the period	-	(735,640)	-	-	(735,640)
Foreign currency translation differences	-	-	-	13,323	13,323
Total comprehensive loss for the period	-	(735,640)	-	13,323	(722,317)
Share based payments	-	-	233,840		233,840
Balance as at 31 December 2014	10,574,049	(12,431,434)	1,258,631	104,781	(493,973)
	Share Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Exchange Reserve \$	Total \$
Balance as at 1 July 2015	10,574,049	(13,000,645)	1,258,631	104,783	(1,063,182)
Transactions with owners in their capacity as owners:					
Issue of share capital net of costs	1,604,563	-	-	-	1,604,563
Pre-acquisition balance	12,178,612	(13,000,645)	1,258,631	104,783	541,381
<i>Total Comprehensive Income</i>					
Loss for the period	-	(10,647,454)	-	-	(10,647,454)
Foreign currency translation differences	-	-	-	(136,235)	(136,235)
Total comprehensive loss for the period	-	(10,647,454)	-	(136,235)	(10,783,689)
Acquisition of Fitzroy Resources Limited	5,969,680	(753,385)	753,385	-	5,969,680
Transactions with owners in their capacity as owners:					
Issue of Performance Shares	-	-	2,467,547	-	2,467,547
Issue of share capital net of costs	2,585,000	-	-	-	2,585,000
Extinguishment of 4D-S Limited Options	-	1,258,631	(1,258,631)	-	-
Issue of Options	-	-	1,643,800	-	1,643,800
Balance as at 31 December 2015	20,733,292	(23,142,853)	4,864,732	(31,452)	2,423,719

The accompanying condensed notes form part of these financial statements.

4DS MEMORY LIMITED**ACN 145 590 110****CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

	Half year ended 31 December 2015 \$	Half year ended 31 December 2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	50,000	-
Interest received	6,117	12
Payments to suppliers and employees	(1,307,055)	(546,013)
Net cash used for operating activities	(1,250,938)	(546,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,818)	(2,660)
Net cash provided by investing activities	(1,818)	(2,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares and convertible notes	579,129	500,117
Cash acquired on acquisition of a subsidiary	3,083,093	-
Net cash provided by financing activities	3,662,222	500,117
Net decrease in cash and cash equivalents held	2,409,466	(48,544)
Cash and cash equivalents at 1 July	9,106	110,100
Exchange rate changes on the balance of cash held in foreign currencies	(60)	11,993
Cash and cash equivalents at 31 December	2,418,512	73,549

The accompanying condensed notes form part of these financial statements.

4DS MEMORY LIMITED

ACN 145 590 110

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 1: REPORTING ENTITY

The interim financial report (**Report**) of 4DS Memory Limited (**4DS Memory**) (the **Company**) and its controlled entities (the **Group**) (**Consolidated Entity**) for the half year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 29 February 2016.

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

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

NOTE 2: BASIS OF PREPARATION

This consolidated Report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by 4DS Memory during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

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

a) Critical Accounting Estimates and Judgements

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

(i) Estimated impairment of assets.

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

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

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

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 2: BASIS OF PREPARATION (Continued)

b) Adoption of new and revised accounting standards

In the Financial Period, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015. It has been determined by the Company that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies. No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

c) Acquisition of 4D-S Limited (4D-S)

During the period ended 31 December 2015 4DS Memory (formerly Fitzroy Resources Limited) acquired all the shares in 4D-S, the acquisition of 4D-S was affected through takeover bids and private treaty offers for 100% of the issued capital of 4D-S.

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

Refer Note 9 for further details on the business combination.

d) Going Concern

The Group has net assets and net current assets of \$2,423,719 and \$2,405,593, respectively, as at 31 December 2015 and incurred a loss of \$10,783,689, which includes a one-off loss of \$8,914,880 arising from the accounting treatment of the 4D-S acquisition and net operating cash outflow of \$2,409,466 for the six month period ended 31 December 2015.

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.

NOTE 3: SEGMENT INFORMATION

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

NOTE 4: CONTINGENT LIABILITIES

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

The Directors are not aware of any other contingent liabilities as at 31 December 2015.

4DS MEMORY LIMITED

ACN 145 590 110

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 5: ISSUED CAPITAL

	31 December 2015	30 June 2015
	\$	\$
Ordinary fully paid Shares	20,733,292	10,574,049

	31 December 2015		30 June 2015	
	Number of shares	\$	Number of shares	\$
(a) Movements in ordinary share capital				
Balance 1 July	162,507,261	10,574,049	162,507,261	10,574,049
Pre acquisition:				
Shares issued	1,045,611	1,604,563	-	-
Post acquisition:				
Acquisition of 4D-S Limited	385,603,642	5,969,680	-	-
Shares issued	110,000,000	2,585,000	-	-
Balance 31 December	659,156,514	20,733,292	162,507,261	10,574,049
(b) Movements in options				
Balance 1 July	1,067,782	1,258,631	893,258	1,024,791
Extinguished for shares	(1,067,782)	(1,258,631)		
Value of 4DS Memory options on issue at acquisition date	29,666,668	753,385		
Issued during the period (note 10)	76,458,333	1,643,800	198,500	233,840
Options cancelled/lapsed during the period	-	-	(23,976)	-
Balance 31 December	106,125,001	2,397,185	1,067,782	1,258,631
(c) Movements in performance shares				
Balance 1 July	-	-	-	-
Issued during the period	67,604,019	2,467,547	-	-
Balance 31 December	67,604,019	2,467,547	-	-

Refer note 10 for assumptions and details of the issue of options and performance shares during the period.

4DS MEMORY LIMITED

ACN 145 590 110

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 6: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 31 December 2015.

NOTE 7: SUBSEQUENT EVENTS

There have been no matters or circumstances that have arisen since 31 December 2015 that have significantly affected or may significantly affect:

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

NOTE 8: COMMITMENTS

	31 December 2015	30 June 2015
	\$	\$
<hr/>		
<i>Operating lease commitments</i>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
- not later than 1 year	99,825	-
- later than 1 year but not later than 5 years	304,819	-
	<hr/>	<hr/>
	404,644	-
	<hr/>	<hr/>

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

NOTE 9: REVERSE ACQUISITION ACCOUNTING

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

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

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 9: REVERSE ACQUISITION ACCOUNTING (Continued)

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

- Fair value adjustments arising at acquisition were made to 4DS Memory's assets and liabilities, and not those of 4D-S;
- The cost of the acquisition is based on the market value of 4DS Memory shares on completion date, plus the value of performance shares and options issued to the vendors of 4D-S but after subtracting the net assets of 4DS Memory on the completion date. This cost of acquisition, including the listing status of 4DS Memory does not qualify for recognition as an intangible asset and therefore has been expensed in the profit or loss for the period;
- The amounts recognised as issued equity instruments in the consolidated financial statements have been determined by adding the cost of acquisition to the issued equity of 4D-S immediately before the acquisition;
- Retained earnings and other equity balances in the consolidated financial statements at the date of acquisition are retained earnings and other equity balances of 4D-S immediately before the acquisition; and
- The results for the period ended 31 December 2015 comprise the results of 4D-S for the half year and results of 4DS Memory subsequent to the acquisition.

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

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

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

The results for the half-year ended 31 December 2015 comprise the results of 4D-S and the results of 4DS Memory subsequent to the acquisition.

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2015

NOTE 10: PERFORMANCE SHARES AND OPTIONS

During the half year, the following performance shares and options were issued:

- 67,604,019 Class 1 Performance Shares as consideration for the acquisition.
- 36,458,833 transaction options exercisable at \$0.02 on or before 30 June 2020;
- 30,000,000 adviser options were issued pursuant for services provided in relation to the acquisition exercisable at \$0.05 on or before 30 June 2020.
- 10,000,000 incentive options were granted to key management personnel exercisable at \$0.05 on or before 30 June 2020

Details of these issues are:

Class 1 Performance shares

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

- linear scale endurance yields for 400 cycles where the state current is read after each cycle; or
- logarithmic scale endurance yields for 10,000 cycles where the state current is read 4 times per decade,

that are higher than or equal to 90% for each of the 2 wafers where including all POR cells with sizes up to 3 times the smallest cell size in at least 2 die per wafer.

The Class 1 Performance Share expire on 31 December 2018. To the extent that the Milestone has not been achieved on or before the expiry date, then the Class 1 Performance Shares will automatically consolidate to a nominal number and convert on a one for one basis to a nominal number of Shares.

On the basis that the Milestone is drafted with reference to technical criteria which may be outside the scope of expertise of most investors and analysts, ASX requires 4DS to provide the following “plain English” summary of the terms and conditions of the Milestone, so that ordinary investors and analysts can more readily understand the circumstances in which the Milestone will be taken to have been met:

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

- **4DS MEMORY LIMITED**
- **ACN 145 590 110**

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

NOTE 10: PERFORMANCE SHARES AND OPTIONS (Continued)

No Class 1 Performance Shares were converted or cancelled during the half-year.

No Class 1 Performance Share milestones were met during the half-year.

The deemed value per performance share is \$0.0365. The company was in voluntary suspension on the grant date therefore the deemed value is based on the 30 day average of the closing price of the Company's securities after relisting. Total value of \$2,467,547 vested immediately and expensed as excess consideration per note 9.

Transaction options

36,458,833 Options were issued 10 December 2015 as part of the 4D-S acquisition at \$0.02 each expiring 30 June 2020. These options were valued using the Black and Scholes option valuation methodology taking into account the terms and conditions upon which the options were granted. Details of the assumptions used in the valuation of these options issued are as follows:

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

Total value of \$997,792 vested immediately and expensed as excess consideration per note 9.

Advisor options

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

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

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

4DS MEMORY LIMITED

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015****NOTE 10: PERFORMANCE SHARES AND OPTIONS (Continued)****Employee incentive options**

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

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

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

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

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

NOTE 11: LOSS PER SHARE

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

	31 December 2015	30 June 2015
	\$	\$
Net loss	10,647,454	735,640
	No.	No.
Weighted average number of ordinary shares in calculating basic and diluted loss per share	174,296,392 ⁽¹⁾	509,550,541 ⁽²⁾

Options are considered anti-dillutive in nature.

- (1) The weighted average number of ordinary shares is based on the shares held in 4DS Memory post acquisition and the weighted average number of shares in 4D-S by the calculated exchange ratio.
- (2) The weighted average number of ordinary shares is based on the shares held in 4D-S

4DS MEMORY LIMITED

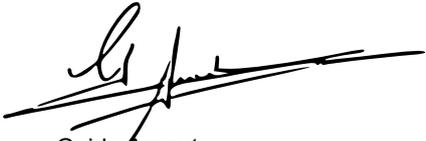
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DIRECTORS' DECLARATION

The Directors of 4DS Memory Limited declare that:

1. The financial statements and notes, as set out on pages 6 to 17 are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



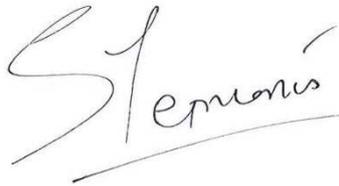
Guido Arnout
Chief Executive Officer and Managing Director
29 February 2016

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

In relation to our review of the financial report of 4DS Memory Limited for the half year ended 31 December 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF MACK



**SIMON FERMANIS
PARTNER**

**29 FEBRUARY 2016
WEST PERTH,
WESTERN AUSTRALIA**

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of 4DS Memory Limited (the **Company**) and controlled entities (**Consolidated Entity**) which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Consolidated Entity comprising the Company and the entities it controlled at 31 December 2015, or during the half year.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of 4DS Memory Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Basis for Qualified Review Conclusion

The comparative information contained in this financial report for the 6 months ended 31 December 2014 has not been reviewed or audited and accordingly we do not express a conclusion on this financial information.

Qualified Conclusion

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

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

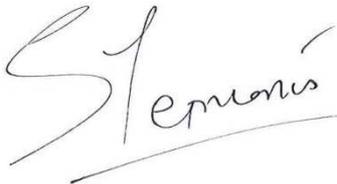
Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 d) in the interim financial report, which confirmed that the Consolidated Entity incurred a net loss after tax of \$10,647,454 during the half year ended 31 December 2015. These conditions, along with other matters as set out in Note 2 d), indicates the existence of a material uncertainty that may cast significant doubt about the Company and Consolidated Entity's ability to continue as a going concern and therefore, the Company and Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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



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SIMON FERMANIS
PARTNER

29 FEBRUARY 2016
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