

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

Interim Financial Report

For the half year ended 31 December 2017



4DS MEMORY LIMITED

ACN 145 590 110

CORPORATE DIRECTORY

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AUSTRALIA

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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 5, 35 Havelock Street
West Perth WA 6005
AUSTRALIA

4DS MEMORY LIMITED

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4DS MEMORY LIMITED

ACN 145 590 110

DIRECTORS' REPORT

The Directors of 4DS Memory Limited (**4DS Memory**) (the **Company**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 31 December 2017 (**Financial Period**).

DIRECTORS

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

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

COMPANY SECRETARY

Mr Peter Webse

OPERATING RESULTS

The net loss of the Group after income tax for the half year ended 31 December 2017 amounted to \$2,089,090 (31 December 2016 loss: \$1,251,678).

REVIEW OF OPERATIONS

PRINCIPAL ACTIVITIES

4DS Memory Limited (ASX: 4DS), with facilities located in Silicon Valley, is a semiconductor development company of non-volatile memory technology, pioneering Interface Switching ReRAM, for next generation gigabyte Storage Class Memory. Established in 2007, 4DS owns a patented IP portfolio, comprising 19 US patents granted and 4 patents pending, which has 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 accelerates the evolution of 4DS' technology. 4DS also has a development agreement with Belgium based imec.

Highlights During the Half Year

- (A) Patent Grant - The Company announced the granting of its 19th patent in the USA
- (B) Incentive Options - Incentivised US based employees
- (C) Imec Agreement – The Company entered into a development agreement with imec
- (D) The Company completed a successful placement, including an A\$250,000 investment from 4DS Chairman
- (E) Undertook an Open Briefing Presentation in four capital cities in Australia

- (A) Patent Grant

On 16 August 2017 announced the granting of its 19th USA patent. The invention relates generally to the fabrication processes of resistive and magnetic memory cells. The Company continues to ensure that the intellectual property is patent protected with four more patents pending and others are in the process of being drafted.

- (B) Incentive Options

4DS employees are one of the most important assets the Company and it is a policy of the 4DS to ensure they are incentivised so as to help us achieve our goals.

On 30 October 2017, the Company issued 28,275,000 incentive options to its US based employees and consultants. The options are exercisable at \$0.042 each, 30% of which vest up front and the remainder at the rate of 10% per quarter, with the options expiring on 27 October 2022. The Company also agreed, subject to shareholder approval, to issue 14,000,000 incentive options to its Managing Director, on the same terms and conditions as above.

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(C) Imec agreement

On 1 November 2017, the Company announced an agreement with imec 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.

Imec is the world-leading research and innovation hub in nanoelectronics and digital technologies. The combination of their widely acclaimed leadership in microchip technology and profound software and ICT expertise is what makes them unique. By leveraging the imec world-class infrastructure and local and global ecosystem of partners across a multitude of industries, they create groundbreaking innovation in application domains such as healthcare, smart cities and mobility, logistics and manufacturing, energy and education.

As a trusted partner for companies, start-ups and universities they bring together close to 3,500 brilliant minds from over 70 nationalities. Imec is headquartered in Leuven, Belgium and has distributed R&D groups at a number of Flemish universities, in the Netherlands, Taiwan, USA, China, and offices in India and Japan. In 2016, imec's revenue (P&L) totaled 496 million euro. They are a not for profit organization. Further information on imec can be found at www.imec-int.com.

In addition, Dr Arnout will be attending the imec Technology Forum entitled "Semiconductor and system scaling beyond tomorrow" in San Francisco on 3 December 2017.

(D) Placement, Issue of Securities and Release from Escrow

On 3 November 2017, the Company announced a placement of 86,250,000 ordinary shares at an issue price of \$0.04 per share to professional and sophisticated investors to raise \$3.45 million. As part of the placement, the 4DS Chairman committed to invest \$250,000 towards the placement total, subject to shareholder approval.

On 3 November 2017, the Company issued of the following:

- 630,630 fully paid ordinary shares at \$0.037 in satisfaction of 100% of the Director's fees owed to Mr James Dorrian until 30 June 2017 as per shareholders' approval on 31 October 2017.
- 328,886 fully paid ordinary shares at \$0.037 to David McAuliffe in satisfaction of salary accrued from 11 November 2016 until 30 June 2017 as per shareholders' approval on 31 October 2017.
- 5,416,667 shares following the exercise of 5,416,667 unlisted options with an expiry of 10 May 2018.

The Placement shares were issued on 10 November 2017 as follows:

- 80,125,000 ordinary shares issued;
- 5,000,000 unlisted options issued to the lead manager exercisable at \$0.07 each, expiring 30 June 2020.

The remaining 6,250,000 placement shares to be issued to the Chairman was conditional upon approval of the shareholders subsequently obtained at the general meeting held on 8 January 2018.

On 10 November 2017, 10,416,667 shares were issued following the exercise of unlisted options with an expiry of 10 May 2018.

On 1 December 2017, the Company announced the release of the following securities from escrow on the 17 December 2017:

- 131,323,365 ordinary shares
- 30,000,000 options exercisable at \$0.05, expiring 30/06/2020
- 36,458,333 options exercisable at \$0.02 expiring 30/06/2020

(E) Open Briefing Presentations

4DS Chairman Jim Dorrian and Executive Director David McAuliffe undertook an Open Briefing presentation in four capital cities in Australia. The briefings were extremely well received and attended with close to 200 people registering.

The Company also held meetings in Hong Kong with institutional and sophisticated investors on 15 and 16 November 2017.

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SUBSEQUENT EVENTS

On 18 January 2018, the Company issued 3,000,000 shares at an issue price of \$0.049 per share following the exercise of the 18 October 2019 options.

On 22 January 2018, the Company issued the following:

- 6,250,000 shares to the 4DS Chairman following shareholder approval and part of the placement announced on 3 November 2017.
- 14,000,000 unlisted employee options to the 4DS Managing Director, exercisable at \$0.042 and expiring on 27 October 2022.

On 9 February 2018, the Company issued 5,416,667 shares following the exercise of 5,416,667 unlisted options with an expiry of 10 May 2018.

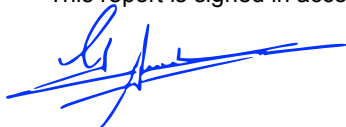
There have been no other matters or circumstances that have arisen since 31 December 2017 that have significantly affected or may significantly affect:

- 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 16 forms part of the Directors' Report for the half year ended 31 December 2017.

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



Guido Arnout
Chief Executive Officer and Managing Director
27 February 2018

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Half year ended 31 December 2017 \$	Half year ended 31 December 2016 \$
Revenue		16,138	61,459
Corporate and administration expenses		(241,153)	(383,523)
Depreciation expense		(8,918)	(4,741)
Directors and employee expenses		(107,313)	(305,866)
Research and development		(853,049)	(594,934)
Share based payments		(691,536)	-
Unrealised / realised foreign exchange		(17,909)	89,410
Other expenditure		(185,350)	(113,483)
Loss before income tax expense		(2,089,090)	(1,251,678)
Income tax expense		-	-
Loss for the year		(2,089,090)	(1,251,678)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		2,663	(1,681)
Total comprehensive loss for the period net of tax		(2,086,427)	(1,253,359)
Basic and diluted loss per share		(0.0026)	(0.0018)

The accompanying condensed notes form part of these financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Notes	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		4,349,709	2,576,100
Trade and other receivables		30,347	7,458
Prepayments		74,346	51,297
TOTAL CURRENT ASSETS		4,454,402	2,634,855
NON-CURRENT ASSETS			
Plant and equipment	4	316,210	36,107
TOTAL NON-CURRENT ASSETS		316,210	36,107
TOTAL ASSETS		4,770,612	2,670,962
CURRENT LIABILITIES			
Trade and other payables		146,254	116,556
Provisions		7,465	6,423
Borrowings	5	21,850	-
TOTAL CURRENT LIABILITIES		175,569	122,979
NET ASSETS		4,595,043	2,547,983
EQUITY			
Issued capital	8	30,748,326	26,936,180
Reserves		2,676,592	2,352,588
Accumulated losses		(28,829,875)	(26,740,785)
TOTAL EQUITY		4,595,043	2,547,983

The accompanying condensed notes form part of these financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Share Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Exchange Reserve \$	Total \$
Balance as at 1 July 2016	20,733,292	(24,237,088)	4,864,732	(66,990)	1,293,946
<i>Total Comprehensive Income</i>					
Loss for the period	-	(1,251,678)	-	-	(1,251,678)
Foreign currency translation differences	-	-	-	(1,681)	(1,681)
Total comprehensive loss for the period	-	(1,251,678)	-	(1,681)	(1,253,359)
Transactions with owners in their capacity as owners:					
Conversion of Performance Shares	2,467,547	-	(2,467,547)	-	-
Issue of share capital	3,995,720	-	-	-	3,995,720
Capital raising cost	(299,675)	-	-	-	(299,675)
Share based payment – advisor options	-	-	65,787	-	65,787
Options lapsed	-	58,424	(58,424)	-	-
Issue of shares in lieu of director fees	39,296	-	-	-	39,296
Balance as at 31 December 2016	26,936,180	(25,430,342)	2,404,548	(68,671)	3,841,715
	Issued capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Exchange Reserve \$	Total \$
Balance as at 1 July 2017	26,936,180	(26,740,785)	2,428,905	(76,317)	2,547,983
<i>Total Comprehensive Income</i>					
Loss for the period	-	(2,089,090)	-	-	(2,089,090)
Foreign currency translation differences	-	-	-	2,663	2,663
Total comprehensive loss for the period	-	(2,089,090)	-	2,663	(2,086,427)
Transactions with owners in their capacity as owners:					
Issue of share capital	3,205,000	-	-	-	3,205,000
Capital raising cost	(210,444)	-	-	-	(210,444)
Share based payment – advisor options	-	-	241,793	-	241,793
Issue of employee options	-	-	481,636	-	481,636
Issue of shares on exercise of options	782,088	-	(402,088)	-	380,000
Issue of shares in lieu of director fees	35,502	-	-	-	35,502
Balance as at 31 December 2017	30,748,326	(28,829,875)	2,750,246	(73,654)	4,595,043

The accompanying condensed notes form part of these financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Half year ended 31 December 2017 \$	Half year ended 31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	8,621	3,398
Payment for research and development	(869,364)	(590,402)
Payment for business development	(105,031)	(143,805)
Payments to suppliers and employees	(341,941)	(685,610)
Net cash used for operating activities	<u>(1,307,715)</u>	<u>(1,416,419)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(281,744)	(18,293)
Proceeds from sale of shares	-	112,626
Proceeds from disposal of fixed assets	6,420	-
Net cash (used)/provided by investing activities	<u>(275,324)</u>	<u>94,333</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	3,205,000	3,995,721
Payment of capital raising costs	(210,444)	(233,888)
Proceeds from lender	-	26,716
Repayment to lender	-	(11,651)
Issue of shares on exercise of options	380,000	-
Net cash provided by financing activities	<u>3,374,556</u>	<u>3,776,898</u>
Net decrease in cash and cash equivalents held	1,791,517	2,454,812
Cash and cash equivalents at 1 July	2,576,100	1,243,487
Exchange rate changes on the balance of cash held in foreign currencies	(17,908)	89,410
Cash and cash equivalents at 31 December	<u>4,349,709</u>	<u>3,787,709</u>

The accompanying condensed notes form part of these financial statements.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

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 2017 was authorised for issue in accordance with a resolution of the Directors on 27 February 2018.

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 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34.

This consolidated Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 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.

a) 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 2017. 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.

NOTE 3: SEGMENT INFORMATION

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

NOTE 4: PLANT AND EQUIPMENT

	31 December 2017	30 June 2017
At cost	607,125	322,509
Accumulated depreciation	(290,915)	(286,402)
Total Plant and Equipment	316,210	36,107

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

NOTE 5: BORROWINGS

	31 December 2017	30 June 2017
Insurance Premium Funding	21,850	-
Total Borrowings	21,850	-

The borrowing is short-term and bearing interest of 6% per annum.

NOTE 6: CONTINGENT LIABILITIES

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

The Directors are not aware of any other contingent liabilities as at 31 December 2017.

NOTE 7: FINANCIAL INSTRUMENTS

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

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 8: ISSUED CAPITAL

31 December 2017
\$

30 June 2017
\$

Ordinary fully paid Shares

(a) Movements in
ordinary share capital

Balance 1 July 2016

Issued capital – tranche 1 placement

Issued capital – tranche 2 placement

Issued capital – in lieu of director fees

Issued capital – pursuant to performance conditions not met

Conversion of performance shares

Capital raising costs – SBP

Capital raising costs

Balance 30 June 2017

Exercise of unlisted options

Issued capital – in lieu of director fees

Issued capital – in lieu of salary

Issued capital – tranche 1 placement

Capital raising costs

Balance 31 December 2017

	Number of shares	\$
Balance 1 July 2016	659,156,514	20,733,292
Issued capital – tranche 1 placement	88,873,477	3,021,698
Issued capital – tranche 2 placement	28,773,582	974,022
Issued capital – in lieu of director fees	1,155,764	39,296
Issued capital – pursuant to performance conditions not met	4	-
Conversion of performance shares	67,604,019	2,467,547
Capital raising costs – SBP	-	(65,787)
Capital raising costs	-	(233,888)
Balance 30 June 2017	845,563,360	26,936,180
Exercise of unlisted options	15,833,334	782,088
Issued capital – in lieu of director fees	630,630	23,333
Issued capital – in lieu of salary	328,886	12,169
Issued capital – tranche 1 placement	80,125,000	3,205,000
Capital raising costs	-	(210,444)
Balance 31 December 2017	942,481,210	30,748,326

(b) Movements in options

Balance 1 July 2016

Share based payment, adviser options

Share based payment, adviser options

Options cancelled/lapsed during the period

Balance 30 June 2017

Issue of employee options

Exercise of unlisted options

Share based payment, adviser options

Balance 31 December 2017

	Number of options	\$
Balance 1 July 2016	106,125,001	2,397,185
Share based payment, adviser options	3,000,000	65,787
Share based payment, adviser options	5,000,000	31,793
Options cancelled/lapsed during the period	(7,500,000)	(58,424)
Balance 30 June 2017	106,625,001	2,428,905
Issue of employee options	28,275,000	481,636
Exercise of unlisted options	(15,833,334)	(402,088)
Share based payment, adviser options	5,000,000	241,793
Balance 31 December 2017	124,066,667	2,750,246

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 9: SHARE BASED PAYMENTS

The following share based payment arrangements were entered into during the period ended 31 December 2017:

On 30 October 2017, the Company issued 28,275,000 employee incentive options to key management personnel. The options exercisable at \$0.042 and expiring 27 October 2022 with 30% of the options vesting immediately on grant and 70% vesting at 10% per quarter commencing 27 January 2018.

On 10 November 2017, the Company issued 5,000,000 advisor options, exercisable at \$0.07 and expiring 30 June 2020, pursuant for services provided in relation to the placement.

Fair value of options

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

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

Unlisted Share Options	Employee Incentive Options	Advisor Options
•		
Exercise price	\$0.042	\$0.070
Share price at date of issue	\$0.050	\$0.051
Grant date	30 October 2017	10 November 2017
Expected volatility	85%	175%
Expiry date	27 October 2022	30 June 2020
Risk free interest rate	2.22%	1.96%
Value per option	\$0.0354	\$0.0419
Number of options	28,275,000	5,000,000
Total value of options	\$1,001,501	\$209,900

For the period ending 31 December 2017 a share based payment expense of \$691,536 was recognised in line with option vesting periods. An additional \$31,893 was recognised as a vesting expense from options issued in a prior period.

NOTE 10: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 31 December 2017.

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 11: SUBSEQUENT EVENTS

On 18 January 2018, the Company issued 3,000,000 shares at an issue price of \$0.049 per share following the exercise of the 18 October 2019 options.

On 22 January 2018, the Company issued the following:

- 6,250,000 shares to the 4DS Chairman following shareholder approval and part of the placement announced on 3 November 2017.
- 14,000,000 unlisted employee options to the 4DS Managing Director, exercisable at \$0.042 and expiring on 27 October 2022.

On 9 February 2018, the Company issued 5,416,667 shares following the exercise of 5,416,667 unlisted options with an expiry of 10 May 2018.

There have been no other matters or circumstances that have arisen since 31 December 2017 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 12: COMMITMENTS

Material commitments

The Company entered into an agreement with imec on the 31 October 2017 to develop a transferrable production compatible process flow for its interface Switching ReRAM technology and to demonstrate this process on imec's megabit test chip.

From 1 January 2018 the Company shall pay imec a total of 1,595,000 Euro, with payments made quarterly until 1 October 2019.

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

NOTE 13: LOSS PER SHARE

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

	31 December 2017	31 December 2016
	\$	\$
Net loss	(2,089,090)	(1,251,678)
	No.	No.
Weighted average number of ordinary shares in calculating basic and diluted loss per share	799,585,069	699,899,548
Loss per share	(\$0.0026)	(\$0.0018)

Options are considered anti-dilutive in nature.

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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 14 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 2017 and its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

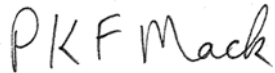
This declaration is made in accordance with a resolution of the Board of Directors.



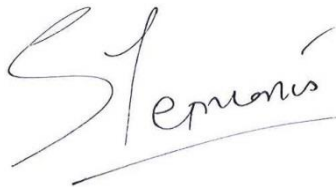
Guido Arnout
Chief Executive Officer and Managing Director
27 February 2018

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 2017, 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

27 FEBRUARY 2018
WEST PERTH,
WESTERN AUSTRALIA

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

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of 4DS Memory Limited (the company) and controlled entities (consolidated entity) which comprises the condensed consolidated statement of financial position as at 31 December 2017, 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 2017, or during the half year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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.

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.

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.

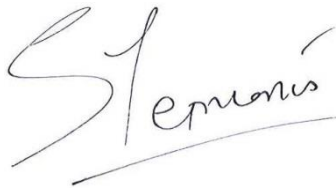
Auditor's Responsibility

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 2017 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.



PKF MACK



SIMON FERMANIS
PARTNER

27 FEBRUARY 2018
WEST PERTH,
WESTERN AUSTRALIA