

ASX Appendix 4D

Half-Year Financial Report to 31 December 2018

1. Details of reporting period

Name of Entity	4DS Memory Limited
ABN	43 145 590 110
Reporting Period	31 December 2018
Previous Corresponding Period	31 December 2017

2. Results for announcement to the market

Key information	31 December 2018	31 December 2017	Increase/ (decrease)	Amount change \$
Revenues from ordinary activities	10,719	16,138	(34%)	(5,419)
Loss for the half-year	(2,318,039)	(2,089,090)	11%	(228,949)
Total comprehensive loss for the half-year attributable to members	(2,302,108)	(2,086,427)	10%	(215,681)
		Amount Per Security		Franked Amount Per Security
Final Dividend		Nil		Nil
Interim Dividend		Nil		Nil
Previous Corresponding Period		Nil		Nil
Record Date for Determining Entitlements	Not Applicable			

Brief explanation of any of the figures reported above necessary to enable figures to be understood:

For further information, refer to the review of operations contained in the directors' report, which forms part of the attached condensed consolidated financial statements.

3. Net tangible asset backing

	31 December 2018	31 December 2017
Net tangible backing per ordinary security	0.44 cents	0.48 cents

4. Details of entities over which control has been gained or lost during the period

N/A

5. Details of Dividends

No dividend has been paid or recommended to be paid for the half-year ended 31 December 2018.

6. Details of dividend reinvestment plans

N/A

7 Details of associate and joint venture entities

N/A

8. Foreign entities

N/A

9. Audit

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.



Guido Arnout
Managing Director

20 February 2019

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

Interim Financial Report

For the half year ended 31 December 2018



4DS MEMORY LIMITED

ACN 145 590 110

CORPORATE DIRECTORY

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AUSTRALIA

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Share Registry

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267 St Georges Terrace
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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 Perth
Level 5, 35 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 (**4DS Memory**) (the **Company**) and controlled entities (the **Group** or **Consolidated Entity**) submit the following report for the half year ended 31 December 2018 (**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 2018 amounted to \$2,318,039 (31 December 2017 loss: \$2,089,090).

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 20 US patents granted and 3 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 Granted - The Company announced the granting of its 20th patent in the USA
- (B) Update on imec Collaboration
- (C) USA Marketing Roadshow
- (D) The Company completed a successful placement of \$3.275 million

- (A) Patent Grant

On 18 July 2018 announced the granting of its 20th 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 three more patents pending.

- (B) Update on imec Collaboration

The Company is striving to achieve a production process that can be duplicated without fail by any high-volume high-density memory maker that uses the same production equipment.

Following additional work internally and at imec, management is confident that it will demonstrate a production compatible process for Interface Switching ReRAM technology for Storage Class Memory on imec's megabit test chip on budget and on time during 2019. The Company has proven the physics relating to its core technology in multiple R&D settings.

Multiple iterations were carefully planned in collaboration agreement with imec to accomplish this transition to production equipment. Such iterations are typical in the semiconductor industry.

During the period the Company reported both parties had rapidly identified some process modifications required to enhance the development of the second 300mm wafer lot. As recently reported this process remains on track and the next wafer lot will be available for analysis in Q1 2019.

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(C) USA Marketing Roadshow

In line with a strategy to broaden the shareholder base 4DS appointed a USA boutique investment bank based in New York and during the period conducted a marketing roadshow. The Company continues to maintain this strategy and will likely conduct an additional USA roadshow in Q2 2019.

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

On 23 July 2018, 880,000 unlisted options issued to corporate adviser exercisable at \$0.045 on or before 23 July 2020, with 50% vesting on issue and 50% vesting after 3 months.

On 28 August 2018, 11,250,000 shares were issued following the exercise of unlisted options with an expiry of 30 June 2020.

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

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

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

SUBSEQUENT EVENTS

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

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

On 22 January 2019, the Company issued 8,900,000 incentive options to its US based employees and consultants. The options are exercisable at \$0.052 each, of which 10% vest on a quarterly basis over ten quarters, with the options expiring on 22 January 2024. On the same day, the Company also issued 16,880,000 incentive options to the Directors, subject to shareholder approval on the same terms as the incentive options to employees and consultants, except for the vesting conditions of the options that are to be issued to Mr McAuliffe. Of the 7,000,000 options to be issued to Mr McAuliffe, 5,750,000 will vest immediately upon grant and the balance of 1,250,000 will vest quarterly over ten quarters.

In addition, effective from 1 January 2019, Mr McAuliffe's annual salary will be set at \$200,000 and he will also be paid a bonus of \$50,000 for the successfully completed capital raisings undertaken by the Company in 2017 and 2018.

There have been no other matters or circumstances that have arisen since 31 December 2018 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 18 forms part of the Directors' Report for the half year ended 31 December 2018.

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

4DS MEMORY LIMITED

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A handwritten signature in blue ink, appearing to read 'Guido Arnout', with a long horizontal stroke extending to the right.

Guido Arnout
Chief Executive Officer and Managing Director
20 February 2019

4DS MEMORY LIMITED

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Half year ended 31 December 2018 \$	Half year ended 31 December 2017 \$
Revenue		10,719	16,138
Corporate and administration expenses		(167,415)	(241,153)
Depreciation expense		(59,726)	(8,918)
Directors and employee expenses		(109,752)	(107,313)
Research and development		(1,717,392)	(853,049)
Share based payments		(167,128)	(691,536)
Unrealised / realised foreign exchange		35,436	(17,909)
Other expenditure		(142,781)	(185,350)
Loss before income tax expense		(2,318,039)	(2,089,090)
Income tax expense		-	-
Loss for the year		(2,318,039)	(2,089,090)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		15,931	2,663
Total comprehensive loss for the period net of tax		(2,302,108)	(2,086,427)
Basic and diluted loss per share	13	(0.0024)	(0.0026)

The accompanying condensed notes form part of these financial statements.

4DS MEMORY LIMITED

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		4,231,226	2,932,232
Trade and other receivables		10,265	7,938
Prepayments		102,921	43,194
TOTAL CURRENT ASSETS		4,344,412	2,983,364
NON-CURRENT ASSETS			
Plant and equipment	4	412,502	374,087
TOTAL NON-CURRENT ASSETS		412,502	374,087
TOTAL ASSETS		4,756,914	3,357,451
CURRENT LIABILITIES			
Trade and other payables		159,043	170,929
Provisions		10,069	8,507
Borrowings	5	-	3,173
TOTAL CURRENT LIABILITIES		169,112	182,609
NET ASSETS		4,587,802	3,174,842
EQUITY			
Issued capital	8	35,597,695	31,836,715
Reserves		3,214,214	3,244,195
Accumulated losses		(34,224,107)	(31,906,068)
TOTAL EQUITY		4,587,802	3,174,842

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 2018

	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
	Issued capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Exchange Reserve \$	Total \$
Balance as at 1 July 2018	31,836,715	(31,906,068)	3,332,080	(87,885)	3,174,842
<i>Total Comprehensive Income</i>					
Loss for the period	-	(2,318,039)	-	-	(2,318,039)
Foreign currency translation	-	-	-	15,931	15,931
Total comprehensive loss for the period	31,836,715	(2,318,039)	-	15,931	(2,302,108)
Transactions with owners in their capacity as owners:					
Issue of share capital	3,151,250	-	-	-	3,151,250
Capital raising costs	(227,112)	-	-	-	(227,112)
Share based payment – advisor options	-	-	21,032	-	21,032
Issue of employee options	-	-	146,097	-	146,097
Issue of shares on exercise of options	775,541	-	(213,041)	-	562,500
Issue of shares in lieu of director fees	61,301	-	-	-	61,301
Balance as at 31 December 2018	35,597,695	(34,224,107)	3,286,168	(71,954)	4,587,802

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 2018

	Half year ended 31 December 2018 \$	Half year ended 31 December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	10,538	8,621
Payment for research and development	(1,676,164)	(869,364)
Payment for business development	(91,711)	(105,031)
Payments to suppliers and employees	(382,485)	(341,941)
Net cash used for operating activities	<u>(2,139,822)</u>	<u>(1,307,715)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(94,708)	(281,744)
Proceeds from disposal of fixed assets	-	6,420
Net cash (used)/provided by investing activities	<u>(94,708)</u>	<u>(275,324)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	3,151,250	3,205,000
Payment of capital raising costs	(227,112)	(210,444)
Repayment to lender	(3,173)	-
Issue of shares on exercise of options	562,500	380,000
Net cash provided by financing activities	<u>3,483,465</u>	<u>3,374,556</u>
Net decrease in cash and cash equivalents held	1,248,934	1,791,517
Cash and cash equivalents at 1 July	2,932,232	2,576,100
Exchange rate changes on the balance of cash held in foreign currencies	50,060	(17,908)
Cash and cash equivalents at 31 December	<u><u>4,231,226</u></u>	<u><u>4,349,709</u></u>

The accompanying condensed notes form part of these financial statements.

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018 was authorised for issue in accordance with a resolution of the Directors on 20 February 2019.

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 2018 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 2018 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 2018. 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.

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

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The Standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business models whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets that are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity investments (that are not held-for trading or contingent consideration recognised in business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset maybe irrevocably designated as measured at fair value through profit or loss, the standard requires the portion of the change in fair value that related to the entity's own risk to be presented in OCI (unless it would create an accounting mismatch).

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 2: BASIS OF PREPARATION (continued)

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measure expected credit losses using lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

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

Going Concern

The Group has net assets of \$4,587,802 (30 June 2018: \$3,174,842) as at 31 December 2018 and incurred a loss of \$2,318,039 (31 December 2017: \$2,089,090) and net operating cash outflow of \$2,139,822 (31 December 2017: \$1,307,715) for the period ended 31 December 2018.

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 significant 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.

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018	30 June 2018
At cost	838,130	722,815
Accumulated depreciation	(425,628)	(348,728)
Total Plant and Equipment	412,502	374,087

NOTE 5: BORROWINGS

	31 December 2018	30 June 2018
Insurance Premium Funding	-	3,173
Total Borrowings	-	3,173

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 2018.

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.

4DS MEMORY LIMITED

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 8: ISSUED CAPITAL

Ordinary fully paid Shares

**(a) Movements in
ordinary share capital**

Balance 1 July 2017

Tranche 1 – Placement shares (2018)

Issued capital – in lieu of Director fees

Issued capital – in lieu of Salary

Exercise of unlisted options

Capital raising costs

Balance 30 June 2018

Exercise of unlisted options

Issued capital – in lieu of director fees

Issued capital – in lieu of salary

Issued capital – Placement shares

Capital raising costs

Balance 31 December 2018

	Number of shares	\$
Balance 1 July 2017	845,563,360	26,936,180
Tranche 1 – Placement shares (2018)	86,375,000	3,455,000
Issued capital – in lieu of Director fees	630,630	23,333
Issued capital – in lieu of Salary	328,886	12,169
Exercise of unlisted options	31,666,668	1,652,377
Capital raising costs	-	(242,344)
Balance 30 June 2018	964,564,544	31,836,715
Exercise of unlisted options	11,250,000	775,541
Issued capital – in lieu of director fees	930,232	40,000
Issued capital – in lieu of salary	495,365	21,301
Issued capital – Placement shares	70,027,777	3,151,250
Capital raising costs	-	(227,112)
Balance 31 December 2018	1,047,267,918	35,597,695

(b) Movements in options

Balance 1 July 2017

Options exercised, 4DS Memory Limited options on issue at acquisition date

Options expired, 4DS Memory Limited options on issue at acquisition date

Options exercised, advisor options

Share based payment, adviser options

Share based payment, employee options

Share based payment, adviser options

Balance 30 June 2018

Exercise of unlisted options

Share based payment, adviser options

Share based payment, employee options

Balance 31 December 2018

	Number of options	\$
Balance 1 July 2017	106,625,001	2,428,905
Options exercised, 4DS Memory Limited options on issue at acquisition date	106,625,001	(715,591)
Options expired, 4DS Memory Limited options on issue at acquisition date	(28,666,668)	(37,795)
Options exercised, advisor options	(1,000,000)	(65,787)
Share based payment, adviser options	(3,000,000)	31,993
Share based payment, employee options	42,275,000	1,480,455
Share based payment, adviser options	5,000,000	209,900
Balance 30 June 2018	121,233,333	3,332,080
Exercise of unlisted options	(11,250,000)	(213,041)
Share based payment, adviser options	880,000	21,032
Share based payment, employee options	-	146,097
Balance 31 December 2018	110,863,333	3,286,168

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 9: SHARE BASED PAYMENTS

The following share based payment arrangements were entered into during the period ended 31 December 2018:

On 23 July 2018, 880,000 unlisted options issued to corporate adviser exercisable at \$0.045 on or before 23 July 2020, with 50% vesting on issue and 50% vesting after 3 months.

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. During the half-year ended 31 December 2018 a share based payment expense of \$146,096 was recognised.

Fair value of options

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

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

Unlisted Share Options	Employee Incentive Options	Advisor Options
Exercise price	\$0.042	\$0.045
Share price at date of issue	\$0.050	\$0.045
Grant date	30 October 2017	20 July 2018
Expected volatility	85%	100%
Expiry date	27 October 2022	23 July 2020
Risk free interest rate	2.22%	2.05%
Value per option	\$0.0354	\$0.0239
Number of options	28,275,000	880,000
Total value of options	\$1,001,501	\$21,032

For the period ending 31 December 2018 a share based payment expense of \$167,128 was recognised in line with option vesting periods. An amount of \$146,096 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 2018.

4DS MEMORY LIMITED

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CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

NOTE 11: SUBSEQUENT EVENTS

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

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

On 22 January 2019, the Company issued 8,900,000 incentive options to its US based employees and consultants. The options are exercisable at \$0.052 each, of which 10% vest on a quarterly basis over ten quarters, with the options expiring on 22 January 2024. On the same day, the Company also issued 16,880,000 incentive options to the Directors, subject to shareholder approval on the same terms as the incentive options to employees and consultants, except for the vesting conditions of the options that are to be issued to Mr McAuliffe. Of the 7,000,000 options to be issued to Mr McAuliffe, 5,750,000 will vest immediately upon grant and the balance of 1,250,000 will vest quarterly over ten quarters.

In addition, effective from 1 January 2019, Mr McAuliffe's annual salary will be set at \$200,000 and he will also be paid a bonus of \$50,000 for the successfully completed capital raisings undertaken by the Company in 2017 and 2018.

There have been no other matters or circumstances that have arisen since 31 December 2018 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 2018	31 December 2017
	\$	\$
Net loss	(2,318,039)	(2,089,090)
	No.	No.
Weighted average number of ordinary shares in calculating basic and diluted loss per share	988,195,328	799,585,069
Loss per share	(\$0.0024)	(\$0.0026)

Options are considered anti-dilutive in nature.

4DS MEMORY LIMITED

ACN 145 590 110

DIRECTORS' DECLARATION

The Directors of 4DS Memory Limited declare that:

1. The financial statements and notes, as set out on pages 7 to 16 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 2018 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
20 February 2019

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 2018, 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



SHANE CROSS
PARTNER

20 FEBRUARY 2019
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

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 2018, 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 2018, 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 2018 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.

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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 2018 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.



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SHANE CROSS
PARTNER20 FEBRUARY 2019
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