

ASX Appendix 4D

Half-Year Financial Report to 31 December 2020

1. Details of reporting period

Name of Entity	4DS Memory Limited
ABN	43 145 590 110
Reporting Period	31 December 2020
Previous Corresponding Period	31 December 2019

2. Results for announcement to the market

Key information	31 December 2020	31 December 2019	Increase/ (decrease)	Amount change \$
Revenues from ordinary activities	29,378	30,569	(4%)	(1,191)
Loss for the half-year	(3,124,216)	(2,931,177)	7%	(193,039)
Total comprehensive loss for the half-year attributable to members	(3,101,337)	(2,919,208)	6%	(182,129)
		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 2020	31 December 2019
Net tangible backing per ordinary security	0.48 cents	0.34 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 2020.

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

18 February 2021

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4DS MEMORY LIMITED
and Controlled Entities

ACN: 145 590 110

Interim Financial Report

For the half year ended 31 December 2020



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Directors

Drs. Wilbert van den Hoek	Chairman
Mr James Dorrian	Non-Executive Director
Dr Guido Arnout	CEO and Managing Director
Mr David McAuliffe	Executive Director
Mr Howard Digby	Non-Executive Director

Company Secretary

Mr Peter Webse

Registered and Principal Office

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West Perth WA 6005

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West Perth WA 6872

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Auditors

PKF Perth
Level 4, 35 Havelock Street,
West Perth WA 6005

Solicitors

GTP Legal
68 Aberdeen Street,
Northbridge WA 6003

Securities Exchange Listing

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

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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 2020 (**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
Drs. Wilbert van den Hoek	Chairman	Appointed 30 November 2020
Dr Guido Arnout	Chief Executive Officer and Managing Director	Appointed 7 December 2015
Mr James Dorrian	Non-Executive Director	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 2020 amounted to \$3,124,216 (31 December 2019 loss: \$2,931,177).

REVIEW OF OPERATIONS

PRINCIPAL ACTIVITIES

4DS Memory Limited (ASX: 4DS), with facilities located in Silicon Valley, is a semiconductor company pioneering the development of a non-volatile memory technology known as Interface Switching ReRAM, for next generation gigabyte Storage Class Memory. Established in 2007, 4DS owns a patented IP portfolio, comprising 29 USA patents granted and an additional 3 patents pending or being filed, which have been developed in-house to create high density Storage Class Memory. 4DS has a joint development agreement with Western Digital subsidiary HGST, a global storage leader, which is now in its seventh year. 4DS also has a development agreement with Belgium based imec.

Highlights During the Half Year

- For the period between August 2020 and December 2020, the Company was granted its 24th, 25th, 26th, 27th, 28th and 29th USA patents. These patents specifically relate to the operation of the Company's fully owned Interface Switching ReRAM technology.
- On 26 October 2020, HSBC submitted the Company's loan forgiveness application to the Small Business Administration (SBA) with the formal forgiveness verdict pending.
- On 30 November 2020 the Company formally appointed Drs. Wilbert van Hoek as Non-Executive Chairman, with Mr James Dorrian moving to a Non-Executive Director role.
- On 10 December 2020 a Company Update stated that Second Non-Platform Lot wafers were successfully manufactured by imec and were expected to be delivered to 4DS' facilities in Fremont in late 2020. The analysis of Second Non-Platform Lot commenced in late December 2020 and the positive results released on 1 February 2021. Please refer to ASX announcement for full details.
- imec and 4DS continue to finalise their 2021 **collaboration agreement**.

Placement, Issue of Securities and Release from Escrow

On 29 June 2020, the Company announced binding commitments to raise \$4.5 million via placement of 100 million shares at \$0.045 per share of which the proceeds were received subsequently in July 2020.

On 2 July 2020, the Company announced an invitation to eligible Shareholders to participate in a Share Purchase Plan (SPP).

On 23 July 2020, the Company announced 880,000 unlisted options having an exercise price of \$0.045 each expired.

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

On 29 July 2020, the Company successfully completed its Share Purchase Plan (SPP) at \$0.045 per share and raised \$3.1 million which will be used to progress the development of 4DS Interface Switching ReRam technology with imec and Western Digital/HGST.

On 11 November 2020, 1,000,000 ordinary shares were issued following the exercise of unlisted options with expiry of 27 October 2022.

On 30 November 2020, the Company issued the following:

- 652,173 fully paid ordinary shares at \$0.046 in satisfaction of the Director's fees owed to Mr. James Dorrian from 1 July 2019 until 31 March 2020 (being a total of \$30,000) as per shareholders' approval on 30 November 2020.
- 434,782 fully paid ordinary shares at \$0.046 in satisfaction of the Director's fees owed to Mr. Howard Digby from 2019 and 2020 financial years (being a total of \$20,000) as per shareholders' approval on 30 November 2020.

On 14 December 2020, 2,000,000 ordinary shares were issued following the exercise of unlisted options with expiry of 27 October 2022.

On 22 December 2020, 3,000,000 ordinary shares were issued following the exercise of unlisted options with expiry of 27 October 2022.

Incentive Options

On 7 October 2020, the Company announced that the Board had reached a successful outcome with respect to Dr Arnout's remuneration. The incentive is in the form of participation in a cash bonus pool (**Sale Bonus Pool**), the size of which will be determined by the value received by shareholders upon a liquidity event, such as takeover of the Company or a sale of the Company's intellectual property. The members of 4DS' technical team, based in Silicon Valley, as well as Drs. Wilbert van den Hoek, will be participating in the Sale Bonus Pool.

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

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

SUBSEQUENT EVENTS

On 1 February 2021, the Company announced positive results from the Second Non-Platform Lot and that the production of the Second Platform Lot had commenced at imec in Belgium on 27 January 2021.

The Company reported that the data from the Second Non-Platform Lot:

- Confirmed that the Company has been able to repeat the results for each of the key memory characteristics (speed, endurance and retention) that were achieved with the First Non-Platform Lot (Refer to 24 June 2020 ASX Announcement);
- Significantly, 19 of the 21 device wafers were functional, a first for the Company (the two nonfunctional wafers were the result of being manufactured outside the imec process window); and
- Provides 4DS with further valuable insights with respect to how changes in key process parameters affect these key memory characteristics, i.e. which changes increase which memory characteristic.

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SUBSEQUENT EVENTS (continued)**Second Platform Lot**

The learnings from the Second Non-Platform Lot have been incorporated into the process split conditions for the Second Platform Lot of 300mm wafers. The Second Platform Lot is using imec's memory platform, and contains dense memory arrays with the control logic necessary to read and write selected bits and bytes.

The production of the Second Platform Lot commenced at imec in Belgium on 27 January 2021, and the Company expects to analyse these wafers in Q2 of 2021.

The results from the analysis of the Second Platform Lot are expected to pave the way for 4DS and its partners to pursue their strategic objective of fabricating wafers with chips that operate as fully functional megabit memories, and which have been produced using state of the art industry fab equipment. If successful, this may bring 4DS closer to its 2021 objectives to achieve a potential corporate transaction.

Please refer to ASX Announcement on 1 February 2021 for full details.

On 8 February 2021, 1,760,000 ordinary shares were issued following the exercise of unlisted options with expiry of 27 October 2022.

COVID-19

Both Belgium and the San Francisco Bay Area counties, which includes Silicon Valley, have restrictions in place which are aimed at slowing transmission of COVID-19. The Company continues to monitor these restrictions and will update the market if they are expected to have a significant adverse effect on the Company's operations.

There have been no other matters or circumstances that have arisen since 31 December 2020 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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

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

Dr Guido Arnout
Chief Executive Officer and Managing Director
18 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

		31 December 2020	31 December 2019
	Notes	\$	\$
Revenue		29,378	30,569
Corporate and administration expense		(84,539)	(127,165)
Depreciation and amortisation expense		(105,647)	(62,144)
Directors and employee expense		(239,125)	(155,757)
Interest expense ROA		(12,773)	-
Research and development		(2,126,559)	(2,019,620)
Share based payments		(287,494)	(409,848)
Unrealised / realised foreign exchange		(105,035)	11,535
Other expenses		(192,422)	(198,747)
Loss before income tax expense		(3,124,216)	(2,931,177)
Income tax expense		-	-
Loss for the period		(3,124,216)	(2,931,177)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation (net of tax)		22,879	11,969
Total comprehensive loss for the period net of tax		(3,101,337)	(2,919,208)
Basic and diluted loss per share	11	(0.0024)	(0.0026)

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020			
		31 December 2020	30 June 2020
	Notes	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		6,526,735	2,509,785
Trade and other receivables		30,399	5,478
Prepayments		83,742	49,677
TOTAL CURRENT ASSETS		6,640,876	2,564,940
NON-CURRENT ASSETS			
Plant and equipment	4	164,092	216,763
Right-to-use asset	12	279,151	371,069
TOTAL NON-CURRENT ASSETS		443,243	587,832
TOTAL ASSETS		7,084,119	3,152,772
CURRENT LIABILITIES			
Trade and other payables		177,872	935,715
Provisions		34,445	26,111
Other current liabilities	13	227,107	191,543
Lease liabilities	12	93,808	99,506
TOTAL CURRENT LIABILITIES		533,232	1,252,875
NON-CURRENT LIABILITIES			
Lease liabilities	12	205,052	283,190
TOTAL NON-CURRENT LIABILITIES		205,052	283,190
TOTAL LIABILITIES		738,284	1,536,065
NET ASSETS		6,345,835	1,616,707
EQUITY			
Issued capital	7	47,693,712	40,086,985
Reserves		3,436,530	3,200,428
Accumulated losses		(44,784,407)	(41,670,706)
TOTAL EQUITY		6,345,835	1,616,707

The accompanying condensed notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Issued capital	Accumulated Losses	Share Based Payment Reserve	Foreign Exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2019	36,025,887	(37,688,733)	4,139,079	(72,831)	2,403,402
<i>Total Comprehensive Income</i>					
Loss for the period	-	(2,931,177)	-	-	(2,931,177)
Foreign currency translation of subsidiary	-	-	-	11,969	11,969
Total comprehensive loss for the period	-	(2,931,177)	-	11,969	(2,919,208)

Transactions with owners in their capacity as owners:

Issue of share capital	3,250,000	-	-	-	3,250,000
Share purchase plan	750,000	-	-	-	750,000
Capital raising costs	(273,428)	-	-	-	(273,428)
Issue of employee options	-	-	37,706	-	37,706
Options lapsed	-	11,922	(11,922)	-	-
Issue of shares on exercise of options	176,120	-	352,272	-	528,392
Issue of shares in lieu of Director fees	40,000	-	-	-	40,000
Issue of shares in lieu of Salary	15,000	-	-	-	15,000
Balance as at 31 December 2019	39,983,579	(40,607,988)	4,517,135	(60,862)	3,831,864

	Issued capital	Accumulated Losses	Share Based Payment Reserve	Foreign Exchange Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2020	40,086,985	(41,670,706)	3,236,850	(36,422)	1,616,707
<i>Total Comprehensive Income</i>					
Loss for the period	-	(3,124,216)	-	-	(3,124,216)
Foreign currency translation of subsidiary	-	-	-	22,879	22,879
Total comprehensive loss for the period	-	(3,124,216)	-	22,879	(3,101,337)

Transactions with owners in their capacity as owners:

Issue of share capital	4,500,000	-	-	-	4,500,000
Share purchase plan	3,111,969	-	-	-	3,111,969
Capital raising costs	(370,998)	-	-	-	(370,998)
Issue of employee options	-	10,515	(10,515)	-	-
Options issued	-	-	287,495	-	287,495
Issue of shares on exercise of options	315,756	-	(63,757)	-	251,999
Issue of shares in lieu of Director fees	50,000	-	-	-	50,000
Balance as at 31 December 2020	47,693,712	(44,784,407)	3,450,073	(13,543)	6,345,835

The accompanying condensed notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020	31 December 2020	31 December 2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	4,203	7,985
Interest expense	(12,773)	-
Other Income	25,173	22,419
Payment for research and development	(2,882,217)	(1,948,698)
Payment for business development	(1,611)	(58,063)
Payments to suppliers and employees	(421,905)	(504,819)
Net cash used for operating activities	(3,289,130)	(2,481,176)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(10,653)
Net cash used in investing activities	-	(10,653)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	7,611,969	4,000,000
Proceeds from exercise of options	252,000	156,250
Payment of capital raising costs	(370,998)	(273,428)
Principal elements of lease payments	(51,984)	-
Repayment to lender (insurance premium)	(39,040)	-
Interest paid on finance lease	(1,970)	-
Net cash provided by financing activities	7,399,977	3,882,822
Net increase in cash and cash equivalents held	4,110,847	1,390,993
Cash and cash equivalents at 1 July	2,509,785	2,167,613
Foreign exchange	(93,897)	11,579
Cash and cash equivalents at 31 December	6,526,735	3,570,185

The accompanying condensed notes form part of these financial statement

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 2020 were authorised for issue in accordance with a resolution of the Directors on 18 February 2021.

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 2020 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 2020 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.

Going Concern

The Group has net assets of \$6,345,835 (30 June 2020: \$1,616,707) as at 31 December 2020 and incurred a loss of \$3,124,216 (31 December 2019: \$2,931,177) and net operating cash outflow of \$3,289,130 (31 December 2019: \$2,481,176) for the period ended 31 December 2020.

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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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 2020	30 June 2020
At cost	806,199	852,940
Accumulated depreciation	(618,775)	(612,845)
Less: Provision for impairment	(23,332)	(23,332)
Total Plant and Equipment	164,092	216,763

NOTE 5: CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

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

Commitments

On 7 October 2020, the Company announced that the Board had reached a successful outcome with respect to Dr Arnout's remuneration. The incentive is in the form of participation in a cash bonus pool (**Sale Bonus Pool**), the size of which will be determined by the value received by shareholders upon a liquidity event, such as takeover of the Company or a sale of the Company's intellectual property. The members of 4DS' technical team, based in Silicon Valley, as well as Dr. Wilbert van den Hoek, will be participating in the Sale Bonus Pool.

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

The Directors are not aware of any other contingent liabilities or commitments as at 31 December 2020.

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NOTE 6: 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.

NOTE 7: ISSUED CAPITAL

Ordinary fully paid Shares

(a) Movements in ordinary share capital

	Number of shares	\$
Balance 1 July 2019	1,055,017,917	36,025,887
Placement shares	65,000,000	3,250,000
Share Purchase Plan	15,000,000	750,000
Issued capital – in lieu of Director fees	655,737	40,000
Issued capital – in lieu of Salary	245,901	15,000
Exercised of unlisted options	4,625,000	279,526
Capital raising costs	-	(273,428)
Balance 30 June 2020	1,140,544,555	40,086,985
Placement shares	100,000,000	4,500,000
Share purchase plan	69,148,931	3,111,969
Exercised of unlisted options	6,000,000	315,756
Issued capital – in lieu of Director fees	1,086,955	50,000
Capital raising costs	-	(370,998)
Balance 31 December 2020	1,316,780,441	47,693,712

(b) Movements in options

	Number of options	\$
Balance 1 July 2019	132,893,333	4,139,079
Options exercised, advisor options	2,600,000	633,350
Share based payment, employee options	(4,625,000)	(48,277)
Share based payment, adviser options	(59,333,333)	(1,487,302)
Balance 30 June 2020	71,535,000	3,236,850
Share based payment, employee options	20,000,000	287,495
Options exercised, employee options	(6,000,000)	(63,756)
Options expired, advisor options	(880,000)	(10,515)
Balance 31 December 2020	84,655,000	3,450,073

NOTE 8: SHARE BASED PAYMENTS

The following share based payment arrangements were entered into during the period ended 31 December 2020:

On 30 November 2020, the Company issued the following:

- 652,173 fully paid ordinary shares at \$0.046 in satisfaction of the Director's fees owed to Mr. James Dorrian from 1 July 2019 until 31 March 2020 (being a total of \$30,000) as per shareholders' approval on 30 November 2020.
- 434,782 fully paid ordinary shares at \$0.046 in satisfaction of the Director's fees owed to Mr. Howard Digby from 2019 and 2020 financial years (being a total of \$20,000) as per shareholders' approval on 30 November 2020.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: SHARE BASED PAYMENTS (Continued)

Incentive Options

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

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
Exercise price	\$0.064
Share price at date of issue	\$0.12
Grant date	30 November 2020
Expected volatility	105.43%
Expiry date	29 November 2025
Risk free interest rate	0.2954%
Value per option	\$0.0997 ¹
Number of options	20,000,000
Total value of options	\$1,993,892

Set out below is the value of each tranche of options according to vesting schedule.

Tranche	Number of options	Vesting date	Value
Tranche 1	5,000,000	30 May 2021	498,472
Tranche 2	1,500,000	30 August 2021	149,542
Tranche 3	1,500,000	30 November 2021	149,542
Tranche 4	1,500,000	28 February 2022	149,542
Tranche 5	1,500,000	30 May 2022	149,542
Tranche 6	1,500,000	30 August 2022	149,542
Tranche 7	1,500,000	30 November 2022	149,542
Tranche 8	1,500,000	28 February 2023	149,542
Tranche 9	1,500,000	30 May 2023	149,542
Tranche 10	1,500,000	30 August 2023	149,542
Tranche 11	1,500,000	30 November 2023	149,542
	20,000,000		1,993,892

For the period ended 31 December 2020 a share based payment expense of \$287,495 was recognised in line with option vesting periods. An amount of \$122,841 was recognised as a vesting expense from options issued in a prior period.

¹ Value has been rounded.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: DIVIDENDS

The Company did not pay or propose any dividends in the half year to 31 December 2020.

NOTE 10: SUBSEQUENT EVENTS

On 1 February 2021, the Company announced positive results from the Second Non-Platform Lot and that the production of the Second Platform Lot had commenced at imec in Belgium on 27 January 2021.

The Company reported that the data from the Second Non-Platform Lot:

- Confirmed that the Company has been able to repeat the results for each of the key memory characteristics (speed, endurance and retention) that were achieved with the First Non-Platform Lot (Refer to 24 June 2020 ASX Announcement);
- Significantly, 19 of the 21 device wafers were functional, a first for the Company (the two nonfunctional wafers were the result of being manufactured outside the imec process window); and
- Provides 4DS with further valuable insights with respect to how changes in key process parameters affect these key memory characteristics, i.e. which changes increase which memory characteristic.

Second Platform Lot

The learnings from the Second Non-Platform Lot have been incorporated into the process split conditions for the Second Platform Lot of 300mm wafers. The Second Platform Lot is using imec's memory platform, and contains dense memory arrays with the control logic necessary to read and write selected bits and bytes.

The production of the Second Platform Lot commenced at imec in Belgium on 27 January 2021, and the Company expects to analyse these wafers in Q2 of 2021.

The results from the analysis of the Second Platform Lot are expected to pave the way for 4DS and its partners to pursue their strategic objective of fabricating wafers with chips that operate as fully functional megabit memories, and which have been produced using state of the art industry fab equipment. If successful, this may bring 4DS closer to its 2021 objectives to achieve a potential corporate transaction.

Please refer to ASX Announcement on 1 February 2021 for full details.

On 8 February 2021, 1,760,000 ordinary shares were issued following the exercise of unlisted options with expiry of 27 October 2022.

COVID-19

Both Belgium and the San Francisco Bay Area counties, which includes Silicon Valley, have restrictions in place which are aimed at slowing transmission of COVID-19. The Company continues to monitor these restrictions and will update the market if they are expected to have a significant adverse effect on the Company's operations.

There have been no other matters or circumstances that have arisen since 31 December 2020 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 11: LOSS PER SHARE

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

	31 December 2020	31 December 2019
	\$	\$
Net loss	(3,124,216)	(2,931,177)
	No.	No.
Weighted average number of ordinary shares in calculating basic and diluted loss per share	1,300,205,827	1,126,548,395
Loss per share	(\$0.0024)	(\$0.0026)

Options are considered anti-dilutive in nature.

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NOTE 12: LEASES

The right of use asset and lease liabilities have arisen upon adoption of AASB 16 Leases from 1 July 2019.

(i) AASB 16 related amounts recognised in the statement of financial position

	31 December 2020 \$	30 June 2020 \$
Right of use assets		
Leased buildings:		
Opening balance	371,069	-
Additions	-	428,164
Depreciation expense	(48,965)	(58,837)
Foreign currency exchange	(42,953)	1,742
Net carrying amount	<u>279,151</u>	<u>371,069</u>
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	111,461	113,147
One to five years	233,058	324,109
More than five years	-	-
Total undiscounted leases liabilities	<u>344,519</u>	<u>437,256</u>

Lease liabilities included in the statement of financial position as at 31 December 2020

	31 December 2020	31 December 2019
Current	93,808	99,506
Non-current	205,052	283,190
Total	<u>298,860</u>	<u>382,696</u>

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	31 December 2020 \$	31 December 2019 \$
Depreciation charge related to right-of-use assets	54,811	-
Interest expense on lease liabilities (under finance cost)	12,773	-
Short-term leases expense	41,100	-

(iii) AASB 16 related amounts recognised in the statement of cash flows

Total half-yearly cash outflows for leases	51,984	-
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Short-term leases and leases of low-value assets

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

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: BORROWINGS

On 11 May 2020, the Company received USD\$131,500 equivalent to AUD\$170,669 PPP loan from SBA and application for loan forgiveness was submitted on 26 October 2020 and pending for approval. The fair value of the loan is equivalent to the carrying value of the loan as at 30 June 2020.

On 13 October 2020, the Company entered into the premium finance facility to pay insurance premium of \$97,449 in 10 instalments with an interest of 5.05% . Of which, \$41,001 of payments including interest was made during the half-year.

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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 7 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 2020 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
18 February 2021

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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 2020, 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

18TH FEBRUARY 2021
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 half-year financial report of 4DS Memory Limited (the company) and controlled entities (consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2020, 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 half-year 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 2020 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.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

Independence

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

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year 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 Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year 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 2020 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.

A review of an half-year 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 PERTH



SHANE CROSS
PARTNER

18TH FEBRUARY 2021
WEST PERTH,
WESTERN AUSTRALIA

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