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Cortical Dynamics Limited  
ACN 107 557 620

Financial Report 2017

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Cortical Dynamics Limited

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## **Directors**

David Breeze  
Bruce Whan  
David Liley

## **Registered Office**

14 View Street  
NORTH PERTH WA 6006

## **Principal Business Address**

14 View Street  
NORTH PERTH WA 6006  
Telephone: (08) 9328 8711  
Facsimile: (08) 9328 8733  
Website: [www.corticaldynamics.com](http://www.corticaldynamics.com)  
Email: [contact@corticaldynamics.com](mailto:contact@corticaldynamics.com)

## **Auditor**

HLB Mann Judd  
Level 4  
130 Stirling Street  
PERTH WA 6000

## **Australian Business Number**

88 107 557 620

# Directors' Report

Cortical Dynamics Limited

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The directors of Cortical Dynamics Limited ("Cortical Dynamics" or the "company") present their report on the company for the financial year ended 30 June 2017.

## Directors

The names of directors in office at any time during or since the end of the year are:

Name	Date Appointed	Date Resigned
David Breeze	9 November 2004	Current
Bruce Whan	8 January 2004	Current
David Liley	18 November 2015	Current
Greg Gilbert	10 March 2017	1 June 2017

## Company Secretary

Mr David Breeze was appointed Company Secretary on 23 November 2016. He has many years' experience in the management of listed entities. Ms Deborah Ambrosini was Company Secretary from the start of the financial year until 23 November 2016.

## Principal Activities

The principal activity of the economic entity during the financial year was the development of the Brain Anaesthesia Response (BAR) monitor which is based on an algorithm able to measure patient brain activity during surgery to assist in maintaining optimal drug dosage.

## Operating Results

Operating loss for the company after tax for the year was \$432,946 (2016: loss of \$324,202).

## Dividends

The directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

## Review of Operations

In November 2016 Cortical was announced as the winner of the Australian Technologies Competition ("ATC") Advanced Manufacturing category, runner up in the Australian Technology Company of the Year, and runner up in the Med Tech and Pharma category. ATC has established itself as Australia's premier technology accelerator.

Over 130 of Australia's best technology companies were considered for these awards. Australian and international government partners of the ATC include the Australian Department of Industry, Innovation and Science, Hong Kong Trade & Development Council and UK Trade & Investment.

Cortical was also invited by Austrade to attend and present at the Austrade Med Tech Innovation Showcase 2016 held in Korea in September 2016. The showcase was for Australia's key industry experts and innovative Med Tech companies with senior executives from leading Korean pharma and medical device companies.

Cortical Chairman, Mr David Breeze, presented Cortical's Brain Function Monitor and met with four of the leading Korean teaching and research hospitals, all of whom expressed interest in using the technology when it became available in Korea.

# Directors' Report

Cortical Dynamics Limited

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Having achieved Therapeutic Goods Administration ("TGA") certification and the CE Mark, Cortical is now able to market the BAR monitor within Australia and Europe, one of the worlds' largest EEG brain function monitoring equipment markets. Cortical has signed an initial agreement in Australia and is now negotiating its first distribution agreement for Europe and is receiving distribution enquiries from other international centres.

## Financial Position

The company has a working capital deficit of \$666,970 as at 30 June 2017 (note 16(a)) (2016: working capital deficit of \$2,668,025) and a net asset deficiency of \$2,611,476 as at 30 June 2017 (2016: deficiency of \$2,617,612).

## Significant Changes in State Of Affairs

### *Capital raisings*

During the year the Company received \$475,000 in respect of the issue of 4,750,000 fully paid ordinary shares at an issue price of \$0.10 each.

Other than these there were no other significant changes in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

## After Balance Date Events

The Company has issued 1,040,000 fully paid ordinary shares at an issue price of \$0.10 per share subsequent to year end.

Other than the above, there have not been any matters or circumstance other than as set out elsewhere in this financial report that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

## Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

## Likely Developments

Likely developments which may prejudice the company by disclosure have not been disclosed.

# Directors' Report

Cortical Dynamics Limited

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## Information on Directors

### **David Breeze (appointed 9 November 2004)**

*Managing Director and Executive Chairman – Age 64*

Shares held – 9,998,702

David is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; and held executive and director positions in the stock broking industry. David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as an Independent Expert under the Corporations Act. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

David Breeze is Chairman of ASX listed Grandbridge Limited, a publicly listed investment and advisory company and a director ASX listed BPH Energy Limited. He is also a director of unlisted Molecular Discovery Systems Limited and Diagnostic Array Systems Pty Ltd.

David was a Director of ASX listed MEC Resources Limited ("MEC") and Advent Energy Limited ("Advent") from April 2005 and November 2005 respectively and was removed from the ASIC register by MEC and Advent directors from MEC on 23 November 2016 and Advent on 26 November 2016. He has neither resigned or nor removed by shareholders and disputes the actions taken by the Directors of each company.

### **Bruce Whan (appointed 8 January 2004)**

*Non - Executive Director – Age 68*

Shares held – Nil

Bruce Whan, BEng, PhD, FAICD, has a background in industry covering a range of research, operations and management positions, followed by a long career in the management of innovation and commercialisation of R&D, in particular from the public research sector.

For 12 years he was a Director of Swinburne Knowledge and CEO of Swinburne Ventures Limited, Swinburne University's commercialisation Company. Bruce was a member of the Commercialisation Australia board and has been director of several companies, mostly start-ups out of Swinburne, and for 10 years was Chairman of the Victorian Innovation Centre Limited (INNOVIC), a non-profit Company assisting innovators at all levels. He is also a Director of one Cooperative Research Centre. Bruce has in-depth knowledge and working experience of the challenges of the innovation process and of bringing the outputs of R&D through the commercialisation process to successful market entry.

Bruce is also a director of unlisted Molecular Discovery Systems Limited.

### **David Liley (appointed 18 November 2015)**

*Non - Executive Director – Age 53*

Shares held – 6,000,000

Professor David Liley is one of the founders of Cortical Dynamics and one of Cortical's Key Personnel. He graduated in Medicine at the University of Auckland in 1990, completing a PhD in Psychiatry and Applied Mathematics in 1996. Currently he is one of the senior researchers within the Brain and Psychological Sciences Research Centre at Swinburne University of Technology in Melbourne.

# Directors' Report

Cortical Dynamics Limited

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## **G Gilbert (appointed 10 March 2017, resigned 1 June 2017)**

*Non-Executive Director – Age 69*

Greg is a specialist in strategy and planning and most recently was the Science Adviser to the Federal Minister for Industry and Science. He has a Masters in Science from Cranfield University in the UK and, in addition, has a Masters in Health Administration from La Trobe University, an MBA from Deakin University, a BA from the University of Queensland, and a Dip.App Sc from the Royal Military College Duntroon. He is currently undertaking a doctorate with a research interest in productivity efficiency.

Greg has an extensive background in the health and aged care sector as well as in merchant banking and banking, having held the positions in global strategy and finance with the National Australia Bank, as well as having worked in executive roles with Capel Court Investment Bank, and CIBC Australia Limited.

Greg has also worked with the National Australia Bank as an Internal Consultant on strategic operational reviews with Mckinsey and Company and Booz Allen and Hamilton consultants.

A former Lieutenant Colonel in the Australian Defence Force, he has extensive senior management experience in strategic planning, financial management, change management and project management as well as merchant banking and corporate advisory experience in mergers and acquisitions and valuations.

## **Meetings of Directors**

The board consults regularly by phone on matters relating to the Company's operations. Resolutions are passed by circulatory resolution. The Company did not hold any meetings of directors during the financial year.

## **Indemnifying Officers or Auditors**

During or since the end of the financial year the company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

## **Options**

No options have been granted since year end or during the year.

## **Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

## **Non-audit Services**

No fees were paid for non-audit services to the external auditors during the year ended 30 June 2017 (2016: \$Nil).

# Directors' Report

Cortical Dynamics Limited

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## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 6.

Signed in accordance with a resolution of the board of directors.

A handwritten signature in black ink, appearing to read 'D. Breeze', with a stylized flourish at the end.

David Breeze

Director

Dated this 30th October 2017

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Cortical Dynamics Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

**Perth, Western Australia**  
**30 October 2017**



**B G McVeigh**  
**Partner**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

Cortical Dynamics Limited

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	Note	2017 \$	2016 \$
Revenue	2	424	214
Other income	2	47,372	39,947
Administration expenses		(111,693)	(73,241)
Interest expense		(168,052)	(155,382)
Consulting and legal expenses		(54,990)	(30,400)
Depreciation and amortisation expense		(4,072)	(4,235)
Occupancy expense		(6,060)	(6,590)
Research and development expenses	3	(130,382)	(82,462)
Other expenses from ordinary activities		(5,493)	(12,053)
Operating loss before income tax		(432,946)	(324,202)
Income tax expense	7	-	-
<b>Operating loss from continuing operations</b>		(432,946)	(324,202)
Other Comprehensive Income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
<b>Total comprehensive loss</b>		(432,946)	(324,202)

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

# Statement of Financial Position as at 30 June 2017

Cortical Dynamics Limited

	Note	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	186,005	48,123
Trade and other receivables	8	52,182	42,796
Financial assets	11	1,847	1,847
Other assets	12	979	3,246
<b>Total Current Assets</b>		<b>241,013</b>	<b>96,012</b>
<b>Non-Current Assets</b>			
Property plant and equipment	10	-	136
Intangibles	9	47,244	51,180
<b>Total Non-Current Assets</b>		<b>47,244</b>	<b>51,316</b>
<b>Total Assets</b>		<b>288,257</b>	<b>147,328</b>
<b>Current Liabilities</b>			
Trade and other payables	13	72,083	75,015
Provisions	14	1,550	2,366
Financial liabilities	15	2,825,110	2,686,656
<b>Total Current Liabilities</b>		<b>2,898,743</b>	<b>2,764,037</b>
<b>Non-Current Liabilities</b>			
Provisions	14	990	903
<b>Total Non-Current Liabilities</b>		<b>990</b>	<b>903</b>
<b>Total Liabilities</b>		<b>2,899,733</b>	<b>2,764,940</b>
<b>Net (Liabilities)</b>		<b>(2,611,476)</b>	<b>(2,617,612)</b>
<b>Equity</b>			
Issued capital	16	1,514,282	1,075,200
Reserves	17	2,981	2,981
Accumulated losses		(4,128,739)	(3,695,793)
<b>Total (Deficiency)</b>		<b>(2,611,476)</b>	<b>(2,617,612)</b>

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

# Statement of Changes in Equity

for the year ended 30 June 2017

Cortical Dynamics Limited

	Ordinary Share Capital \$	Accumulated losses \$	Reserves \$	Total \$
<b>Balance at 1 July 2015</b>	974,700	(3,371,591)	2,981	(2,393,910)
Loss attributable to members of the economic entity	-	(324,202)	-	(324,202)
Total comprehensive loss	-	(324,202)	-	(324,202)
Shares issued	100,500	-	-	100,500
<b>Balance at 30 June 2016</b>	1,075,200	(3,695,793)	2,981	(2,617,612)
Loss attributable to members of the economic entity	-	(432,946)	-	(432,946)
Total comprehensive loss	-	(432,946)	-	(432,946)
Shares issued for cash	475,000	-	-	475,000
Share issue costs	(35,918)	-	-	(35,918)
<b>Balance at 30 June 2017</b>	1,514,282	(4,128,739)	2,981	(2,611,476)

The accompanying notes form part of and should be read in conjunction with these financial statements

# Statement of Cash Flows for the year ended 30 June 2017

Cortical Dynamics Limited

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	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(341,420)	(139,896)
Research and development tax offset received		12,568	71,401
Interest received /(paid)		424	(683)
<b>Net cash (used in) operating activities</b>	18(b)	<b>(328,428)</b>	<b>(69,178)</b>
<b>Cash flows from financing activities</b>			
Receipt from issue of shares		505,000	100,500
Share issue costs		(38,690)	-
<b>Net cash provided by financing activities</b>		<b>466,310</b>	<b>100,500</b>
Net increase in cash held		137,882	31,322
Cash at the beginning of the financial year		48,123	16,801
<b>Cash at the end of the financial year</b>	18(a)	<b>186,005</b>	<b>48,123</b>

The accompanying notes form part of and should be read in conjunction with these financial statements

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## 1. Statement of Significant Accounting Policies

### Corporate Information

Cortical Dynamic Ltd ("Cortical" or "Company") is a public unlisted company, which is incorporated and domiciled in Australia. This financial report was authorised for issue on 30 October 2017 by the board of directors.

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, and the Corporations Act 2001. Cortical Dynamics Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of for profit selected non-current assets, financial assets and financial liabilities.

### Compliance with IFRS

The financial statements of the Cortical Dynamics Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Going Concern

The company has incurred a net loss after tax for the year ended 30 June 2017 of \$432,946 (2016: loss of \$324,202), a working capital deficit of \$2,657,730 as at 30 June 2017 (note 16(a)) (2016: working capital deficit of \$2,668,025), and a net asset deficiency of \$2,611,476 as at 30 June 2017 (2016: deficiency of \$2,617,612).

Included in the working capital position of the company are loan payables with no fixed term of repayment of \$834,350. Subsequent to year end the company has received letters confirming that \$834,350 will not be called upon for repayment for at least 12 months from signing the financial report or until such time the company is financially independent.

Based on the cash flow forecasts and a significant number of expense reductions which have been implemented, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the Company not be successful in raising additional funds through the issue of new equity or borrowings, should the need arise, this may cast doubt as to whether or not the Company will be able to continue as a going concern and therefore whether it will realise its assets and discharge its liabilities as and when they fall due and in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## Accounting Policies

### (a) Financial Instruments

#### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

#### Classification and Subsequent Measurement

##### (i) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### (iii) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost at effective interest rate method, comprising original debt less principal payments and amortisation.

##### (iv) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

##### (v) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## (a) Financial Instruments (continued)

### Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### (b) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### (d) Revenue and Other Income

Interest revenue is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

### (e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the statement of financial position date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income except

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## **(e) Income Tax (continued)**

where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or unused tax losses or tax credits can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## **Tax incentives**

The company is entitled to claim special tax deductions in relation to qualifying expenditure. As the company is not in a position to recognise current income tax payable or current tax expense, the refundable tax offset is in cash and recognised as R&D rebate revenue in the period incurred.

## **(f) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## **(g) Intangibles**

### **Patents and Trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 20 years.

## **(h) Trade and other payables**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the company. The amounts are unsecured and are usually paid within 30 days.

## **(i) Share based payments**

Share based compensation benefits are provided to employees via the company's employee option plan.

The fair value of options granted under the company's employee option plan is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## **(i) Share based payments (continued)**

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

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

## **(j) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## **(k) Critical accounting estimates and judgments**

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

### *Key estimates — Impairment*

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

## **(l) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to statement of financial position. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## (m) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

## (n) Trade and Other Receivables

Trade receivables and other receivables are carried at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the full amount of the debt is no longer probable. Bad debts are written off when identified.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

## (o) Application of New and Revised Accounting Standards

### Standards and Interpretations applicable to 30 June 2017

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

### Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

	2017	2016
	\$	\$
<b>2. Revenue</b>		
<b>Revenue</b>		
Interest Revenue	424	214
	424	214
<b>Other Income</b>		
R&D rebate - current year	42,000	39,947
R&D rebate - prior year	2,168	-
Other income	3,204	-
	47,372	39,947

### 3. Expenses Included in the Loss for the Year

#### Research and Development Expenses:

Salary	19,848	38,575
Superannuation expense	1,886	3,664
Consultant expense	68,642	13,182
Other expenses	40,006	27,041
	130,382	82,462

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

	2017 \$	2016 \$
<b>4. Auditors' Remuneration</b>		
Remuneration of the auditor of the company for:		
HLB Mann Judd	5,124	5,000
	<u>5,124</u>	<u>5,000</u>

## 5. Key Management Personnel Compensation

Names and positions held of company key management personnel in office at any time during the financial year are:

### *Key Management Personnel*

David Breeze – Managing Director and Executive Chairman  
- Company Secretary (appointed 23 November 2016)  
Bruce Whan – Non-Executive Director  
David Liley – Non Executive Director  
Greg Gilbert - Non Executive Director (appointed 10 March 2017, resigned 1 June 2017)  
Deborah Ambrosini- Company Secretary (removed 23 November 2016)

### **Remuneration of Key Management Personnel**

During the year no fees were paid to the key management personnel of Cortical Dynamics (2016: \$Nil).

	2017 \$	2016 \$
<b>6. Cash and Cash Equivalents</b>		
Cash at bank and in hand	186,005	48,123

The average effective interest rate on short-term bank deposits was 0.42%: (2016: 0.003%)

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

	2017	2016
	\$	\$
<b>7. Income Tax Expense</b>		
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
a) The prima facie tax (benefit) on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Accounting loss before tax	(432,946)	(324,002)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 27.5% (2016: 30%)	(119,060)	(97,261)
Adjustment for prior years	-	96,585
Tax benefit of revenue losses and temporary differences not recognised	119,060	-
Revenue losses not recognised	-	676
Income tax	-	-
(b) The following deferred tax balances at 27.5% (2016: 30%) have not been recognised		
Deferred Tax Assets:		
Carry forward revenue losses	693,443	614,395
Temporary differences	178	4,567
Deferred Tax Liabilities:		
Research and Development accrual	(11,550)	(12,000)
Net deferred tax assets:	682,071	606,962
(c) The tax benefits of the unrecognised tax losses will only be obtained if:		
(i) the company derives future assessable income in a nature and of an amount sufficient to enable the benefits to be utilised;		
(ii) the company continues to comply with the conditions for deductibility imposed by law; and		
(iii) no changes in income tax legislation adversely affect the company in utilising the benefits.		

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

	2017 \$	2016 \$
<b>8. Trade and Other Receivables</b>		
<b>Current</b>		
Research and development rebate receivable	42,000	40,000
GST receivable	10,182	2,796
Total trade and other receivables	<u>52,182</u>	<u>42,796</u>
<b>9. Intangibles</b>		
Patents		
Cost	78,730	78,730
Accumulated amortisation	(31,486)	(27,550)
Patent costs	<u>47,244</u>	<u>51,180</u>
Reconciliation of carrying value		
Opening balance	51,180	55,116
Less amortisation	(3,936)	(3,936)
Closing balance	<u>47,244</u>	<u>51,180</u>
Patent costs include all costs associated with the filing and maintenance of the patents for the company's technologies.		
<b>10. Property, Plant and Equipment</b>		
Property, plant and equipment At cost	16,144	16,144
Accumulated depreciation	(16,144)	(16,008)
Total property, plant and equipment	<u>-</u>	<u>136</u>

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

## 10. Property, Plant and Equipment (continued)

### (a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	2017	2016
	\$	\$
Balance at the beginning of the year	136	435
Depreciation expense	(136)	(299)
Carrying amount at the end of the year	-	136

## 11. Financial Assets Current

Unsecured Loans to other entities: (a)

MEC Resources Ltd	1,359	1,359
BPH Energy Limited	418	418
Diagnostic Array Systems Pty Ltd	70	70
	1,847	1,847

(a) These loans are unsecured, non-interest bearing and repayable on demand.

## 12. Other Current Assets

Prepayments	647	3,246
Other	332	-
Total other current assets	979	3,246

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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	2017	2016
	\$	\$
<b>13. Trade and other payables</b>		
Unsecured:		
Trade payables	5,827	59,563
Sundry payables and accrued expenses	66,256	15,452
	<u>72,083</u>	<u>75,015</u>

The average credit period on payables is 45 days.

## 14. Provisions

### *Employee entitlements:*

Opening balance at 1 July	3,269	4,309
(Reduction) in provision	(729)	(1,040)
Balance at 30 June	<u>2,540</u>	<u>3,269</u>
Current	1,550	2,366
Non-Current	990	903
Total at 30 June	<u>2,540</u>	<u>3,269</u>

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

## 15. Financial liabilities

	2017	2016
	\$	\$
<b>Current</b>		
Loan payable to BPH Energy Limited (a)	494,170	494,170
Loan payable to Grandbridge Limited (a)	340,180	340,180
Advance on Research and Development Rebate	-	29,600
Loans payable to BPH Energy Limited (b)	1,990,760	1,822,706
	<u>2,825,110</u>	<u>2,686,656</u>

(a) These loans to other entities are non-interest bearing. Subsequent to year end the company has received letters confirming that these amounts will not be called upon for repayment for at least 12 months from signing the financial report or until such time the company is financially independent.

(b) On 19 November 2010 the Company entered into a convertible loan agreement with BPH Energy Limited. The facility was for an amount of \$500,000. The issue price on conversion will be \$0.10 cents per share. Interest is charged annually at a rate of 8.16% per annum. The net proceeds received from the issue of the convertible notes have been split between the financial liability element and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the company. The liability component is subsequently measured at amortised cost. The interest expense for the year of \$50,851 is calculated by applying an effective interest rate of 8.83% to the liability component for the year. As at reporting date the closing balance of the loan, including interest accrued, was \$626,727 (2016: \$575,876). Subject to Cortical being admitted to the Official List BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 19 November 2018.

On 28 February 2012 the Company entered into a second convertible loan agreement with BPH Energy Limited. The facility is for an amount of \$1,000,000 and has an annual interest rate of 9.40%. The loan agreement is convertible at the election of BPH Energy. The issue price on conversion will be the lower of \$0.10 cents per share and the most recent share placement price achieved by the company in the 6 months prior to conversion. Interest is charged annually at a rate of 9.40% per annum. The net proceeds received from the issue of the convertible notes have been split between the financial liability element and an equity component, representing the residual attributable to the option to convert the financial liability into equity of the company. The liability component is subsequently measured at amortised cost. The interest expense for the year of \$117,202 is calculated by applying an effective interest rate of 9.40% to the liability component for year. As at the reporting date the closing balance of the loan, including interest accrued, was \$1,364,033 (2016: \$1,246,830). BPH Energy has a right of conversion to satisfy the debt on or before the termination date, being 28 February 2019.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

	2017 \$	2016 \$
<b>16. Issued Capital</b>		
109,421,221 (2016: 104,671,221) fully paid ordinary shares of no par value	1,514,282	1,075,200

## Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2017 \$	2016 \$	2017 Number	2016 Number
<b>Ordinary Shares</b>				
At the beginning of reporting period	1,075,200	974,700	104,671,221	103,666,221
Shares issued for cash	475,000	100,500	4,750,000	1,005,000
Share issue costs	(35,918)	-	-	-
At reporting date	1,514,282	1,075,200	109,421,221	104,671,221

## Capital risk management

The company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The focus of the company's capital risk management is:

- the current working capital position against the requirements of the company to meet corporate overheads; and
- to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the company at 30 June 2017 and 30 June 2016 are as follows:

	2017 \$	2016 \$
Cash and cash equivalents	186,005	48,123
Trade and other receivables	52,182	42,796
Trade and financial liabilities	(2,897,193)	(2,761,671)
Working capital position	(2,659,006)	(2,668,905)

Refer to note 1 for further details of the Company's financial position and plans to manage the working capital deficit at 30 June 2017.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

## 17. Reserves

	2017 \$	2016 \$
Option premium on convertible notes	2,981	2,981
<b>Reconciliation of movement</b>		
Opening balance	2,981	2,981
Closing balance	2,981	2,981

The option premium on convertible notes reserve represents the equity component (conversion rights) of the convertible notes.

## 18. Cash Flow Information

### a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	186,005	48,123
<i>b) Reconciliation of cash flow from operations with profit after income tax</i>		
Operating loss after income tax	(432,946)	(324,202)
Non-cash flows in profit:		
Depreciation and amortisation	4,072	4,235
Interest expense	168,052	-
Intercompany recharges	-	146,592
Administration recharge	-	56,242
<i>Changes in working capital:</i>		
(Increase) / decrease in trade and other receivables	(38,986)	31,511
Decrease / (Increase) in other assets	2,267	(820)
(Decrease) / increase in trade payables and accruals	(30,158)	18,304
(Decrease) in provisions	(729)	(1,040)
<b>Net cash (outflows) from operating activities</b>	<b>(328,428)</b>	<b>(69,178)</b>

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## 19. Financial Instruments

### a) Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and loans from related parties. The main purpose of non-derivative financial instruments is to raise finance for company operations.

#### i. Financial Risks

The main risks that the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with fixed rate debt.

Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

## 19. Financial Instruments (continued)

### b) Financial Instruments

#### i. Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows. The effective average interest rate is calculated on interest bearing assets and liabilities.

2017	Effective Average Interest Rate Receivable /Payable %	Floating Interest Rate \$	Fixed Interest Rate 0 - 1 Years \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents	0.42%	186,005	-	-	186,005
Trade and other receivables		-	-	52,182	52,182
Financial assets - current		-	-	1,847	1,847
		186,005	-	54,029	240,034
<b>Financial Liabilities</b>					
Trade and sundry Payables		-	-	72,083	72,083
Other financial liabilities	9.22%	-	1,990,760	834,350	2,825,110
		-	1,990,760	906,433	2,897,193

2016	Effective Average Interest Rate Receivable /Payable %	Floating Interest Rate \$	Fixed Interest Rate 0 - 1 Years \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents	.003%	48,123	-	-	48,123
Trade and other receivables		-	-	42,796	42,796
Financial assets - current		-	-	1,847	1,847
		48,123	-	44,643	92,762
<b>Financial Liabilities</b>					
Trade and sundry Payables		-	-	75,015	75,015
Other financial liabilities	8.60%	-	1,852,306	834,350	2,686,656
		-	1,852,306	909,365	2,761,671

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

## 19. Financial Instruments (continued)

### (b) Financial Instruments (continued)

#### ii. Fair Values

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Trade and other receivables	52,182	52,182	42,796	42,796
Financial assets	1,847	1,847	1,847	1,847
	<u>54,029</u>	<u>54,029</u>	<u>44,643</u>	<u>44,643</u>
<b>Financial Liabilities</b>				
Financial liabilities	2,825,110	2,825,110	2,686,656	2,686,656
Trade and other payables	72,083	72,083	75,015	75,015
	<u>2,897,193</u>	<u>2,897,193</u>	<u>2,761,671</u>	<u>2,761,671</u>

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

## 19. Financial Instruments (continued)

### iii. Sensitivity Analysis

#### *Interest Rate Risk*

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks

#### *Interest Rate Sensitivity Analysis*

The effect on profit and equity as a result of changes in variable interest rates, with all other variables remaining constant would be as follows:

	Company	
	2017	2016
<b>Change in loss</b>		
— Increase in interest rate by 1%	1,291	329
— Decrease in interest rate by 0.5%	(645)	(165)

### iv. Liquidity risk

Liquidity is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The following are the contractual maturities at the end of the reporting period of financial liabilities.

#### Contractual cash flows

30 June 2017	Carrying amount	Total	2 mths or less	2-12 mths	1-2 years
Trade and other payables	72,083	72,083	72,083	-	-
Unsecured loans	834,350	834,350	-	834,350	-
Convertible notes	1,990,760	1,990,760	-	1,990,760	-
	2,897,193	2,897,193	72,083	2,825,110	-

#### Contractual cash flows

30 June 2016	Carrying amount	Total	2 mths or less	2-12 mths	1-2 years
Trade and other payables	75,015	75,015	75,015	-	-
Unsecured loans	834,350	834,350	-	834,350	-
Convertible notes	1,852,306	1,852,306	-	1,852,306	-
	2,761,671	2,761,671	75,015	2,686,656	-

# Notes to the Financial Statements for the year ended 30 June 2017

Cortical Dynamics Limited

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## 20. Events after the Reporting Date

The Company has issued 1,040,000 fully paid ordinary shares at an issue price of \$0.10 per share subsequent to year end.

Other than the above, there have not been any matters or circumstance that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

## 21. Related Party Transactions

### (a) *Key Management Personnel Remuneration*

Details of key management personnel remuneration and retirement benefits are disclosed in Note 5 to the financial statements.

### (b) *Related entities*

Refer to Note 15 for details regarding unsecured and secured loans and Note 11 for details of loans receivable with related entity BPH Energy Limited.

## 22. Commitments

At reporting date there were no commitments.

## 23. Contingent Liabilities

There were no contingent liabilities at 30 June 2017.

# Directors' Declaration

Cortical Dynamics Limited

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The directors of the company declare that:

1. the financial statements and notes, as set out on pages 7 to 30, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company;
2. the Financial Statements and Notes comply with International Financial Reporting Standards as disclosed in Note 1;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the Corporations Act 2001.

Director



.....  
David Breeze  
Executive Director

Dated this 30th October 2017

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Cortical Dynamics Limited

### *Opinion*

We have audited the financial report of Cortical Dynamics Limited ("the Company") which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### *Material uncertainty related to going concern*

We draw attention to Note 1 in the financial report, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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#### *Information Other than the Financial Report and Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

#### *Responsibilities of the Directors for the Financial Report*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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



**HLB Mann Judd**  
**Chartered Accountants**



**B G McVeigh**  
**Partner**

**Perth, Western Australia**  
**30 October 2017**