DREAMSCAPE NETWORKS LIMITED
ABN 98 612 069 842

APPENDIX 4D
Half Year Report to ASX in Accordance with the Listing Rule 4.2A.3

I. Details of the Reporting Period

This report covers the six month period ended 31 December 2017. Corresponding comparative information covers the six month period ended 31 December 2016.

II. Results for Announcement to the Market

		Note		%	**31 December 2017** **$'000**	31 December 2016 (Restated) $'000
(i)	Revenue	1,2	Up by	30%	**29,305**	22,461
(ii)	Profit for the period before forgiveness of advances to related parties		Down by	55%	**752**	1,703
	Less: Forgiveness of advances to related parties	3			**-**	16,050
	Net profit (loss) for the period				**752**	(14,347)
(iii)	Dividends				**n/a**	n/a
(iv)	Record date for determining entitlements for dividend				**n/a**	n/a

(v) Brief explanation of any figures above necessary to enable figures to be understood

Dreamscape Networks Limited's (the 'Company') underlying business maintained its market share in a flat Australian market. Revenue for the consolidated business was up 30% to $29.3 million and Bookings up 17% to $29.9 million during the six months to December 2017.

Recently acquired Vodien Group and Enetica Group, together with Net Logistics acquired in March 2017, performed well and contributed $6.0 million towards the Group's revenue. This figure includes revenue for the following periods:

- Net Logistics: six months from July to December 2017
- Vodien Group: five months from August to December 2017
- Enetica Group: two months from November to December 2017

The lower than anticipated EBITDA and net profit for the period are directly related to the following factors:

- Incremental marketing and personnel costs as a result of investment and expansion of the underlying business into new high growth markets in South East Asia.
- Weak market conditions in Australia. The Australian market remained flat despite industry growth expectations of 3-4%, with limited activity since the start of the financial year. Bookings were lower than anticipated in line with market performance.

The Crazy Domains brand in Australia continued to increase its total .au domain market share despite weak market conditions. Crazy Domains remains Australia's number 1 domain brand.

In contrast to the weak domestic market, Vodien Internet Solutions, the Company's Singapore based hosting business, performed very strongly since its acquisition in July 2017. Vodien is now the number 1 .sg domain name provider (was number 3 at acquisition) and has maintained the number 1 position as hosting provider.

Dreamscape's 1H18 result reflects a period of substantial transition, and while the financial result is lower than anticipated, the Company is profitable, generating positive net operating cash flows, and committed to its Australian and South East Asian strategy. The Board believes this is the right strategy to drive long term growth and shareholder value.

Notes:

1. The Company acquired a number of businesses which contributed to the revenue for the six months ended 2017. Refer to page 1 of the half-year financial report.
2. *AASB 15: Revenue from Contracts with Customers* was early adopted by the company and applied from 1 July 2017. Comparative results for the six months ended 31 December 2016 were adjusted to reflect the transitional effect of the revised accounting standard. Refer to page 11 of the half-year financial report.
3. Due to the large one-off item of expense relating to the forgiveness of advances to related parties upon the acquisition of Pandora Enterprise Holdings Ltd, the % movement in net profit/loss is considered not to be relevant.

III. Net Tangible Assets per Security

Net tangible assets are defined as the net assets of the Group less intangible assets. Assets classified as intangible assets include goodwill, software, and deferred tax assets.

	31 December 2017	31 December 2016
Net tangible assets / (liabilities) per ordinary share	($0.08)	($ 0.03)

IV. Control Gained over Entities Having Material Effect

Acquisition of Vodien Group

On 31 July 2017, the Company completed the 100% acquisition of Vodien Internet Solutions Pte. Ltd. and its wholly owned subsidiaries. Vodien Group currently holds the highest market share of .sg domain names and in website hosting in Singapore.

Acquisition of Enetica Group

On 31 October 2017, the Company completed the 100% acquisition of Web City Australia Pty. Ltd. and Enetica Pty. Ltd., both located in Sydney, while Vodien Internet Solutions Pte. Ltd. acquired 100% of the shares of Web City International Pte. Ltd.

V. Dividends

The Company did not declare or pay any dividends, nor is it proposing to pay any dividends in respect of the six months ended 31 December 2017.

VI. Half Year Financial Report and Independent Auditor's Review

In compliance with the requirements of Section 302 of the Corporations Act, the Company's half year financial report for the six months period ended 31 December 2017 have been reviewed by an independent audit firm.

DREAMSCAPE NETWORKS LIMITED

ABN 98 612 069 842

Half-Year Financial Report
31 December 2017

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DIRECTORS' REPORT

Your Directors submit the financial report of the Group for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Name	Designation
Peter James	Non-Executive Chairman
Mark Evans	Managing Director and Chief Executive Officer
Michael Malone	Non-Executive Director
Evan Cross	Non-Executive Director
Gavin Gibson	Executive Director and Chief Operations Officer

Review of Operations

During the six months to December 2017, the Company continued to promote existing and new products in the markets where it operates, whilst advancing its long-term targeted global expansion strategy in South East Asia, the world's fastest growing internet space in the world.

The Company's underlying business performed well in a weakening Australian market and maintained its market share. Revenue for the consolidated business was up 30% to $29.3 million and bookings up 17% to $29.9 million during the six months to December 2017.

Recently acquired Vodien Group and Enetica Group, together with Net Logistics acquired in March 2017, performed well and contributed $6.0 million towards the Group's revenue. This figure includes revenue for the following periods:

- Net Logistics: six months from July to December 2017
- Vodien Group: five months from August to December 2017
- Enetica Group: two months from November to December 2017

The lower than anticipated EBITDA and net profit for the period are directly related to the following factors:

- Incremental marketing and personnel costs as a result of investment and expansion of the underlying business into new high growth markets in South East Asia. This is a long term strategy and positive returns from such new markets are anticipated in FY2019.
- Weak market conditions in Australia: the Australian market remained flat despite industry growth expectations of 3-4%, with limited activity since the start of the financial year. Bookings were lower than anticipated in line with market performance.

The Crazy Domains brand in Australia continued to increase its total .au domain market share despite weak market conditions. Crazy Domains remains Australia's number 1 domain brand.

In contrast to the weak domestic market, Vodien Internet Solutions, the Company's Singapore based hosting business, performed very strongly since its acquisition in July 2017. Vodien is now the number 1 .sg domain name provider (was number 3 at acquisition) and has maintained the number 1 position as hosting provider.

Dreamscape's 1H18 result reflects a period of substantial transition, and while the financial result is lower than anticipated, the Company is profitable, generating positive net operating cash flows, and committed to its South East Asia strategy. The Board believes this is the right strategy to drive long term growth and shareholder value.

At 31 December 2017, Dreamscape had net cash and undrawn debt capacity of $11.7 million. With a strong balance sheet, available debt facilities and growing cash flows, the Company is well placed to continue pursuing its growth strategy.

The following acquisitions, both of which are in line with the Group's growth strategy, were completed during the six months to December 2017.

Review of Operations (continued)

Vodien Group

On 31 July 2017, the Company completed the 100% acquisition of Vodien Internet Solutions Pte. Ltd. and its wholly-owned subsidiaries. Vodien Group currently holds the highest market share of .sg domain names and in website hosting in Singapore.

The purchase price in accordance with the Share Sale and Purchase Agreement is as follows:

- Issuance of 42.5 million fully paid shares of the Company
- 20 million Singaporean Dollars (SGD 20 million or approximately AUD 18.5 million) in cash consideration.

Enetica Group

On 31 October 2017, Enetica Group, comprised of Web City Australia Pty. Ltd. and Enetica Pty. Ltd., both situated in Sydney, were 100% acquired by Dreamscape Networks Limited; while Webcity International Pte. Ltd., located in Singapore, was 100% acquired by Vodien Internet Solutions Pte. Ltd.

Pursuant to the Share Sale and Purchase Agreement, the purchase price of the entities acquired are as follows:

- AUD 999,999 for the acquisition of Enetica Pty. Ltd.;
- AUD 457,000 for the acquisition of Webcity Australia Pty. Ltd.;
- AUD 3,000,000 for the acquisition of Webcity International Pte. Ltd.; and
- AUD 1 for the acquisition of the assets from the C.I.A. Unit Trust.

Acquisition funding facility

In order to support its South East Asia expansion strategy, the Company executed a $20 million three-year cash advance facility with Commonwealth Bank of Australia. The funds available under the facility will assist the Company in making further positive cash flow and earnings accretive acquisitions while preserving the Company's capital.

The facility gives the Company greater flexibility to execute on attractive and time-sensitive opportunities that build market leadership, and position the Company as South East Asia's leading trusted and affordable online solutions provider.

Dreamscape Networks Group underlying business

Overall bookings experienced a decrease of 6%, derived mainly from domains (4%) and hosting (10%). This is directly related to the fact that the Australian market was flat since the start of the financial year. Revenue from underlying business, however, increased by 3% to $23.3 million. This includes revenue from prior period bookings recognised during the current period.

Acquired businesses

The two acquisition completed by the Company during the six months to December 2017, Vodien and Enetica, together with Net Logistics Pty Ltd which was acquired in March 2017, generated revenue of $6.0 million during the first half of the financial year. These acquisitions provided the Company with a significant growth in market share. Furthermore, additional revenue was generated by cross-selling products and services to new customers.

Customer care and sales

Through continuous training and development which have led to high standards of customer service, the customer support centre in the Philippines achieved an average customer satisfaction rate in excess of 90% during the period. In addition, a dedicated sales team and ongoing training initiatives have continued to deliver encouraging results.

Marketing

The Group has strategically positioned its key marketing resources in Singapore. This is in line with the Company's expansion strategy in South East Asia.

Marketing expenses increased by $1.4 million compared to the same period in 2016. These incremental costs relate to the Company's long-term growth strategy in South East Asia. These are not expenses incurred in order to maintain the current level of activity and revenue, but to generate additional value.

Product development

The Group continues to enhance its existing and to create new products and solutions through its world-class developers located in Australia and Ukraine.

Review of Operations (continued)

Additional office locations

In order to advance its South East Asia expansion plan and to benefit from this fast-growing region, the Company has established offices in Singapore through the acquisition of Vodien Group. Unnecessary costs are being eliminated due to existing synergies between the entities in the Group. These offices will provide platforms for accelerated growth and expansion across South East Asia and dramatically strengthen Dreamscape's growth capacity. The Company made the decision to close its Perth and Dubai offices. The current operations in these two offices will be integrated into a new centralised head office in Singapore before 30 June 2018.

The Company continues to progress towards becoming the leading trusted and affordable online solutions provider by focusing on the following key priorities:

- **Marketing**: to be composed of high-calibre marketing people formulating strategies in securing new markets and maintaining market share in existing countries of operation;
- **International expansion**: focus on higher growth markets, in particular English speaking Asian countries Singapore, Hong Kong, Indonesia, Malaysia and Philippines;
- **Acquisitions**: acquisitions of complementary businesses and products;
- **Technical Support and Customer Care**: maintain high levels of customer care (at least 90% positive feedback rate) to increase retention, renewals and word of mouth referrals;
- **Sales Team**: further training and development of the new in-house sales team for up-selling, cross-selling and new product marketing; and
- **Product Development**: accelerate development of new and refreshed products.

Events after Reporting Date

On 31 January 2018, an acquisition agreement was entered between Dreamscape Networks Limited and Quadra Hosting, a business located in Queensland, to acquire assets, customers, and systems for a consideration amount of AUD2.5 million. This is another achievement in expanding the presence of the Group to other parts of Australia.

Rounding of Amounts

The Company has applied the relief available to it under ASIC Legislative Document 2016/191, and accordingly certain amounts in the half-year financial report and the Directors' report have been rounded off to the nearest $1,000, unless otherwise indicated.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' report for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Peter James
Chairman

22 February 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Dreamscape Networks Limited for the half-year ended 31 December 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 review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
22 February 2018

L Di Giallonardo
Partner

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	**31 December 2017**	31 December 2016 (Restated)
		$'000	$'000
Revenue		**29,305**	22,461
Direct costs		**(12,053)**	(9,993)
Gross profit		**17,252**	12,468
Salaries and employee benefits		**(8,389)**	(5,688)
Marketing and promotions		**(2,560)**	(1,167)
General and administrative expenses		**(3,373)**	(2,530)
Operating profit		**2,930**	3,083
Depreciation and amortisation		**(1,004)**	(629)
Other income (loss) - net		**(207)**	61
Foreign exchange losses - net		**(681)**	(24)
Forgiveness of advances to related parties	3	-	(16,050)
Profit (loss) before income tax		**1,038**	(13,559)
Income tax expense	4	**(286)**	(788)
Net profit (loss) for the period		**752**	(14,347)
Other comprehensive income, net of income tax			
Item that will not be reclassified to profit or loss			
Re-measurement of defined benefit obligation		**67**	30
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations' financial statements		**55**	89
Other comprehensive income for the period, net of income tax		**122**	119
Total comprehensive income (loss) for the period		**874**	(14,228)
Basic earnings (loss) per share (cents per share)	9	**0.20**	(5.73)
Diluted earnings (loss) per share (cents per share)	9	**0.20**	(5.73)

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	**31 December 2017 $'000**	30 June 2017 (Restated) $'000
ASSETS			
Current assets			
Cash and cash equivalents		**14,287**	17,698
Other financial assets		**215**	154
Trade and other receivables		**3,866**	3,398
Prepayments and other deposits		**1,162**	811
Other current assets		-	1,908
Total current assets		**19,530**	23,969
Non-current assets			
Property and equipment		**4,287**	3,126
Goodwill and other intangible assets	10	**39,532**	3,645
Deferred tax assets		**1,208**	1,163
Other non-current assets		**358**	67
Total non-current assets		**45,385**	8,001
TOTAL ASSETS		**64,915**	31,970
LIABILITIES			
Current liabilities			
Trade and other payables		**3,431**	2,986
Borrowings	3	**3,000**	-
Accrued expenses		**3,303**	2,800
Other current liabilities	5	**4,098**	966
Deferred revenue - net		**18,400**	14,509
Income tax payable		**1,519**	992
Total current liabilities		**33,751**	22,253
Non-current liabilities			
Borrowings	6	**9,800**	-
Deferred revenue - net		**10,287**	9,900
Deferred tax liabilities		**114**	-
Provision for employees' end of service benefits		**355**	409
Total non-current liabilities		**20,556**	10,309
TOTAL LIABILITIES		**54,307**	32,562
NET ASSETS (LIABILITIES)		**10,608**	(592)
EQUITY			
Issued capital	7	**23,225**	12,920
Share-based payment reserve	8	**1,201**	1,180
Accumulated losses		**(14,205)**	(14,957)
Other reserves		**387**	265
TOTAL EQUITY (DEFICIENCY)		**10,608**	(592)

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	**31 December 2017 $'000**	31 December 2016 $'000
Cash flows from operating activities			
Receipts from customers		**28,374**	24,723
Payments for suppliers and employees		**(25,966)**	(18,269)
Other income received		**49**	62
Income taxes paid		**(52)**	(194)
Net cash flows from operating activities		**2,405**	6,322
Cash flows from investing activities			
Purchase of property and equipment		**(888)**	(880)
Purchase of intangible assets		**(727)**	(1)
Cash acquired on acquisition of accounting subsidiary		-	60
Acquisition of Vodien Group, net of cash acquired	10	**(12,163)**	-
Acquisition of Enetica Group, net of cash acquired	10	**(3,993)**	-
Payment for lease deposits		**(192)**	-
Release of restricted cash		-	-
Net cash flows used in investing activities		**(17,963)**	(821)
Cash flows from financing activities			
Proceeds from bank loan, net of finance and other charges		**12,590**	25,000
Payment to vendors		-	(10,000)
Payment of acquisition-related costs		**(239)**	-
Payment of transaction costs		-	(2,708)
Advances to related parties		-	(4,850)
Net cash flows from financing activities		**12,351**	7,442
Net increase (decrease) in cash held		**(3,207)**	12,943
Cash and cash equivalents at the beginning of the period		**17,698**	4,501
Effects of exchange rate fluctuations on cash held		**(204)**	27
Cash and cash equivalents at the end of the period		**14,287**	17,471

The accompanying notes form part of these financial statements

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

	Issued capital	Share-based payment reserve	Accumulated losses	Other reserves	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016 (restated)	10	-	(2,096)	79	(2,007)
Net loss for the period	-	-	(14,347)	-	(14,347)
Other comprehensive income for the period	-	-	-	119	119
Total comprehensive loss for the period	-	-	(14,347)	119	(14,228)
Shares issued during the period	15,000	-	-	-	15,000
Share issue costs (net of tax effect)	(1,899)	-	-	-	(1,899)
Deemed consideration of reverse acquisition	(84)	-	-	-	(84)
Share-based payments	-	393	-	-	393
Balance at 31 December 2016	**13,027**	**393**	**(16,443)**	**198**	**(2,825)**
Balance at 1 July 2017 (restated)	12,920	1,180	(14,957)	265	(592)
Net profit for the period			752	-	752
Other comprehensive income for the period	-	-	-	122	122
Total comprehensive income for the period	-	-	752	122	874
Shares issued during the period	9,987	-	-	-	9,987
Share issued from conversion of performance rights	318	(318)	-	-	-
Share-based payments	-	339	-	-	339
Balance at 31 December 2017	**23,225**	**1,201**	**(14,205)**	**387**	**10,608**

The accompanying notes form part of these financial statements

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

NOTE 1: CORPORATE INFORMATION

Dreamscape Networks Limited (the "Company") is a company incorporated and domiciled in Australia, and listed on the Australian Securities Exchange (ASX). Its registered office and principal place of business is Level 2, 8 Howlett Street, North Perth, WA 6006, Australia.

The Company is a for-profit entity for the purpose of preparing the condensed consolidated financial statements (referred thereafter as *"half-year financial report"*). The principal activities of the Company and its subsidiaries (the "Group"), comprise the business of providing domain name, hosting and online services and solutions.

The financial information in this report for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the directors on 22 February 2018.

Business acquisitions

<u>Pandora Enterprise Holdings Ltd.</u>

On 1 December 2016, Dreamscape Networks Limited (the "Company") completed the legal acquisition of Pandora Enterprise Holdings Ltd. The acquisition of Pandora Enterprise Holdings Ltd. by the Company has the features of a reverse acquisition under Australian Accounting Standard Board Standard 3 "Business Combinations," notwithstanding the Company being the legal parent of the Group. Under the Australian Accounting Standards (AASBs), Pandora Enterprise Holdings Ltd. was deemed the accounting acquirer in this transaction.

<u>Net Logistics Pty. Ltd.</u>

On 31 March 2017, Dreamscape Networks Limited completed the acquisition of Net Logistics Pty. Ltd.

<u>Vodien Group</u>

On 31 July 2017, Dreamscape Networks Limited completed the acquisition of Vodien Internet Solutions Pte. Ltd. and its wholly-owned subsidiaries.

<u>Enetica Group</u>

On 31 October 2017, Enetica Group, comprised of Web City Australia Pty. Ltd. and Enetica Pty. Ltd., both situated in Sydney, were 100% acquired by Dreamscape Networks Limited; while Webcity International Pte. Ltd., located in Singapore, was 100% acquired by Vodien Internet Solutions Pte. Ltd.

The implications of the above listed acquisitions on the consolidated financial statements are as follows:

(i) Consolidated statement of comprehensive income

- The consolidated statement of comprehensive income for the six months ended 31 December 2017 comprises the total comprehensive income of Dreamscape Networks Limited for the period from 1 July 2017 to 31 December 2017; Vodien Group from 31 July 2017 to 31 December 2017; and Enetica Group from 31 October 2017 to 31 December 2017.
- The comparative information for the six months ended 31 December 2016 comprises the total comprehensive income of Pandora Holdings Ltd. for the period from 1 July 2016 to 31 December 2016 and Dreamscape Networks Limited from 1 December 2016 to 31 December 2016.

(ii) Consolidated statement of financial position

- The consolidated statement of financial position as at 31 December 2017 represents the consolidated balances of Dreamscape Networks Limited, Vodien Group, and Enetica Group.
- The comparative information as at 31 December 2016 is the consolidated statement of financial position of Dreamscape Networks Limited and Pandora Enterprise Holdings Ltd.

(iii) Consolidated statement of cash flows

- The consolidated statement of cash flows for the six months ended 31 December 2017 comprises the cash flows of Dreamscape Networks Limited for the period from 1 July 2017 to 31 December 2017; Vodien Group from 31 July 2017 to 31 December 2017; and Enetica Group from 31 October 2017 to 31 December 2017.
- The comparative information for the for the six months ended 31 December 2016 is the consolidated statement of cash flows of Pandora Holdings Ltd. for the period from 1 July 2016 to 31 December 2016 and Dreamscape Networks Limited from 1 December 2016 to 31 December 2016.

NOTE 1: CORPORATE INFORMATION (continued)

(iv) Consolidated statement of changes in equity

- The consolidated statement of changes in equity for the six months ended 31 December 2017 comprises the changes in equity of Dreamscape Networks Limited for the period from 1 July 2017 to 31 December 2017; Vodien Group from 31 July 2017 to 31 December 2017; and Enetica Group from 31 October 2017 to 31 December 2017.
- The comparative information for the six months ended 31 December 2016 is the consolidated statement of changes in equity of Pandora Holdings Ltd. for the period from 1 July 2016 to 31 December 2016 and Dreamscape Networks Limited from 1 December 2016 to 31 December 2016.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The general purpose condensed consolidated financial statements for the half-year ended 31 December 2017 have been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the AASB. Compliance with AASB 134 ensures compliance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Basis of preparation

The half-year financial report has been prepared on an accrual basis and are based on historical costs.

The condensed consolidated financial statements are presented in Australian Dollars (AUD or $), which is the functional and presentation currency of the Group. Under the option available to the company under ASIC Legislative Document 2016/191, the accompanying financial information presented in AUD has been rounded to the nearest thousand dollars unless otherwise stated.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year, except for the changes applied as set out below. These accounting policies are consistent with AASBs and with International Financial Reporting Standards (IFRS).

The condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, and condensed consolidated statement of changes in equity provide comparative information for the half-year ended 31 December 2016. Where necessary, the comparatives have been reclassified to be consistent with the current period disclosures.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2017

In the period ended 31 December 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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods. Those which may have a significant impact to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's consolidated financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Early adoption of AASB 15 Revenue from Contracts with Customers

The Group has elected to early adopt AASB 15 *Revenue from Contracts with Customers* as issued in December 2015, which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2018. The initial application date for the Group is 1 July 2017. The Group has elected to apply the standard on a full retrospective basis as permitted by AASB 15 whereby the cumulative effect of retrospective application is recognised by adjusting opening accumulated losses for the earliest comparative period presented (which for the Group is the comparative period beginning on 1 July 2016). See below for further details on the key impacts arising from the adoption of the new standard, including the effect on the opening statement of financial position as at 1 July 2016.

(i) *Effect on opening statement of financial position at 1 July 2016:*

	Previous carrying amount 1 July 2016 $'000	Effect of adoption of AASB 15 $'000	Restated carrying amount 1 July 2016 $'000
Statement of Financial Position			
Current deferred revenue (net)	16,984	(3,163)	13,411
Non-current deferred revenue (net)	9,776	(2,109)	7,394
Accumulated losses	(7,368)	5,272	(2,096)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

(ii) *Effect on comparative statement of financial position at 30 June 2017:*

	Previous carrying amount 30 June 2017 $'000	Effect of adoption of AASB 15 $'000	Restated carrying amount 30 June 2017 $'000
Statement of Financial Position			
Current deferred revenue (net)	19,326	(4,817)	14,509
Non-current deferred revenue (net)	12,446	(2,546)	9,900
Accumulated losses	(21,312)	6,355	(14,957)

(iii) *Effect on comparative statement of comprehensive income for the half-year ended 31 December 2016:*

	Previous amount Six months to 31 Dec 2016 $'000	Effect of adoption of AASB 15 $'000	Restated amount Six months to 31 Dec 2016 $'000
Statement of Comprehensive Income			
Revenue	22,512	(51)	22,461
Direct cost	(10,248)	255	(9,993)
Income tax expense	(705)	(83)	(788)
Earnings (loss) per share	(5.77)	n/a	(5.73)

In the context of the Group's business, AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group's new accounting policy in respect of Revenue is as follows:

Revenue is measured at the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Group's activities. The Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services under the principles of AASB 15 *Revenue from Contracts with Customers.*

To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The Company exercises considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers.

The Standard requires that revenue is recognised at the "transaction price" when certain contractual obligations are met but with any "variable consideration" elements of the price recognised when it is "highly probable" that there will be no reversal of that revenue.

If and when revenue is recognised evenly over the life of the service, revenue (together with deferred costs related to amounts paid in relation to such products and services to registration authorities and products from suppliers) is deferred and disclosed as a current or non-current liability in the consolidated statement of financial position, depending on the period to which it relates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised standards (continued)

(i) Domain registration, hosting, and web designing

- Domain registrations: revenue is recognised at the time of the billing, as at that point in time the Company considers it has met its contractual obligations.
- Hosting: revenue is recognised evenly over the life of the service.
- Web designing: revenue is recognised in the accounting period in which the services are rendered.

(ii) Services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered.

Revenue is recognised on a time proportion basis for the period for which it relates. Where revenue is received in advance, the revenue is deferred and disclosed as a current or non-current liability in the consolidated statement of financial position, depending on the period to which it relates.

(iii) Finance income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Significant accounting judgments and key estimates

The preparation of the half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, the judgements, estimates and assumptions applied in the half-year financial report, including the key sources of estimation uncertainty, were the same as those applied in the Group's last audited financial statements for the year ended 30 June 2017.

Revenue recognition

Revenue is recognised at a point in time, or over time, based on the principles of AASB 15. Management has used sufficient and appropriate tools as guided by the standard, enabling the Group to reach consistent conclusions in recognising revenue. Any changes in the application or interpretation of the revenue recognition principle shall be taken up in the consolidated statement of comprehensive income, where applicable.

NOTE 3: RELATED PARTY TRANSACTIONS

The Group entered into transactions with parties that fall within the definition of a related party as contained in AASB 124 and IAS 24. Related parties comprise the key management personnel and entities in which they have the ability to control or exercise a significant influence in financial and operating decisions.

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business.

(a) Key management compensation

	31 December 2017	31 December 2016
	$'000	$'000
Compensation to key management personnel comprises:		
Salaries and other short term employee benefits	**1,048**	971
Share-based payments	**146**	257
Termination and post-employment benefits	**58**	162
	1,252	1,390

NOTE 3: RELATED PARTY TRANSACTIONS (continued)

(b) Balances arising from transactions with related parties

	31 December 2017 $'000	30 June 2017 $'000
Unsecured loan from Cloudsafe Holdings Limited	**3,000**	-
Due to related parties	**3,000**	**-**

On 31 October 2017, a loan agreement was entered into between Vodien Internet Solutions Pte. Ltd. and Cloudsafe Holdings Limited, a company owned by the Managing Director, Mark Evans, for $3 million, to finance the acquisition of Web City International Pte. Ltd. The loan is unsecured for a period of six (6) months, with interest of 8%, payable in advance on two set dates during the term of the loan.

As reported in the half-year financial report for the six months to 31 December 2016, advances to vendors, being the shareholders of Pandora Enterprise Holdings Ltd, amounting to $16.05 million at the date of the acquisition, were forgiven upon acquisition of Pandora Enterprise Holdings Ltd.

NOTE 4: INCOME TAX

The Company, being incorporated in Australia, is a resident for Australian tax purposes.

As a corporate shareholder, the Company will be assessed on its world-wide income subject to the Australian domestic tax laws.

The majority of the Company's income is derived through its 100% owned subsidiary, Dreamscape Networks FZ-LLC (a company incorporated in the United Arab Emirates) which is a non-resident for Australian tax laws. Dreamscape Networks FZ-LLC receives income, in part, from Australian customers.

Generally, an Australian resident company will not be assessed on dividends received from a wholly-owned foreign subsidiary. A wholly-owned foreign subsidiary would fall within the definition of a Controlled Foreign Company (CFC).

However, the accruals taxation system in Australia operates to assess Australian tax residents on an accrual basis on their share of income derived by a CFC (this would include service income received by Dreamscape Networks FZ-LLC from Australian customers) that has not been comparably taxed offshore by attributing the entity's income to the Australian tax resident even if the income has not been distributed. The Company is likely to be assessable on attributed income from Dreamscape Networks FZ-LLC. As a result, the income tax calculations in this financial report have been based on this.

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	31 December 2017 $'000	31 December 2016 $'000
Accounting profit before income tax	**1,038**	2,491
Income tax expense calculated at 30%	**311**	747
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
• Effect of non-deductible share-based payments	**102**	77
• Effect of different tax rates of subsidiaries operating in other jurisdictions	**(127)**	(36)
Income tax expense reported in the consolidated statement of comprehensive income	**286**	788

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

NOTE 4: INCOME TAX (continued)

Amounts recognised directly in equity

The following current and deferred amounts were credited directly to equity during the half-year:

	31 December 2017	31 December 2016
	$'000	$'000
Deferred tax		
• Share issue costs deductible over 5 years	815	815

Deferred tax assets comprise:

	31 December 2017	30 June 2017
	$'000	$'000
Share issue costs	**861**	861
Provisions for employee benefits	**166**	136
Other timing differences	**181**	166
	1,208	1,163

NOTE 5: OTHER CURRENT LIABILITIES

Included in the balance of Other Current Liabilities at 31 December 2017 is an amount of $3,655,000, being a final settlement amount owing for the acquisition of the Vodien group, which was paid on 2 January 2018 (see Note 10).

NOTE 6: BORROWINGS

As announced to the ASX on 28 December 2017, the Company finalised a $20 million three-year cash advance facility with the Commonwealth Bank of Australia (CBA) to assist with the funding of business acquisitions.

The CBA bank facility has a maturity date of 28 December 2020. The facility attracts a commercial interest rate based on the relevant period BBSY rate.

At 31 December 2017, the Company had drawn down $9.8 million from this facility.

NOTE 7: ISSUED CAPITAL

Ordinary shares

	Six months to 31 December 2017		Year to 30 June 2017	
	No.	**$'000**	No.	$'000
Movements in ordinary shares				
Balance at beginning of period	344,000,000	12,920	10,000	10
Issued pursuant to prospectus	-	-	60,000,000	15,000
Settlement with founding shareholders[1]	-	-	40,000,000	-
Shares issued on acquisition of legal parent[2]	-	-	243,990,000	(80)
Share issue costs incurred (net of tax-effect)	-	-	-	(2,010)
Shares issued on acquisition of subsidiaries	42,500,000	9,987	-	-
Shares issued on conversion of performance rights	1,273,333	318	-	-
Balance at end of period	387,773,333	23,225	344,000,000	12,920

[1] Pursuant to the Company's prospectus lodged with ASIC on 3 November 2016, the proceeds from the issue of 40,000,000 ordinary shares ($10,000,000) were paid directly to the previous shareholders of Pandora Enterprise Holdings, Ltd as this formed part of the consideration for the acquisition of Pandora Enterprise Holdings Ltd.

[2] The deemed consideration for shares issued to acquire the legal parent represents the net liabilities of the legal parent at the date of acquisition. The number of shares above has been determined to be the number of shares that would have needed to be issued to effect the transaction.

NOTE 7: ISSUED CAPITAL (continued)

Options

	Six months to 31 December 2017		Year to 30 June 2017	
	No.	**$'000**	**No.**	**$'000**
Balance at beginning of period	30,314,900	862	-	-
Issued during the period	-	-	30,314,900	-
Expensed during the period	-	108	-	862
Balance at end of period	30,314,900	970	30,314,900	862

No share options were exercised during the period.

Performance Rights

	Six months to 31 December 2017		Year to 30 June 2017	
	No.	**$'000**	**No.**	**$'000**
Balance at beginning of period	3,820,000	318	-	-
Issued during the period	-	-	3,820,000	-
Converted into shares during the period	(1,273,333)	(318)	-	-
Expensed during the period	-	231	-	318
Balance at end of period	2,546,667	231	3,820,000	318

NOTE 8: SHARE BASED PAYMENT RESERVE

	Six months to 31 December 2017	Year to 30 June 2017
	$'000	$'000
Opening balance	**1,180**	-
Expense recognised for the period (options and performance rights)	**339**	1,180
Transferred to issued capital upon conversion of performance rights	**(318)**	-
Balance at the end of the year	**1,201**	1,180

The Share Based Payment reserve is used to recognise the fair value of options and performance rights issued.

NOTE 9: EARNINGS (LOSS) PER SHARE

	31 December 2017	31 December 2016
Basic earnings (loss) per share (cents per share)	**0.20**	(5.73)
Diluted earnings (loss) per share (cents per share)	**0.20**	(5.73)
Weighted average number of ordinary shares	**379,978,883**	250,582,609

Options and performance rights are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. At reporting date, the options and performance rights whose milestones are not considered probable of being met are not considered to be dilutive, therefore, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS

	Six months to 31 December 2017 $'000	Year to 30 June 2017 $'000
Balance at beginning of period	**3,645**	1,108
Additions:		
Goodwill from business combinations:		
Net Logistics Pty Ltd	**-**	2,612
Enetica Group	**5,297**	-
Excess consideration paid over net assets acquired:		
Vodien Group (provisionally accounted for)	**29,895**	-
Software (net of amortisation)	**695**	(75)
Balance at end of period	**39,532**	3,645

Vodien Group

On 31 July 2017, Dreamscape Networks Limited acquired 100% of the share capital of Vodien Internet Solutions Pte. Ltd. and its wholly owned subsidiaries. Vodien Group provides domain registration and internet hosting services, currently holds the highest market share in website hosting in Singapore.

The acquisition is in line with the strategy of the Group to expand using complementary business located in South East Asia.

The fair values of identifiable assets and liabilities acquired in the business combination are as follows:

	$'000
Net assets acquired	
Cash and cash equivalents	730
Trade and other receivables	311
Prepayments and other current assets	8
Property and equipment	1,083
Intangible assets	40
Other non-current assets	34
Trade and other payables	(395)
Deferred revenue	(2,905)
Income tax payable	(248)
Deferred tax liabilities	(110)
Fair value of net assets acquired	(1,452)
Consideration:	
Cash	18,456
Shares issued at fair value – 42.5 million shares at 23.5 cents[1]	9,987
	28,443
Excess consideration paid over net assets required[2]	29,895

[1] The Share Sale and Purchase Agreement for the Vodien acquisition deemed the shares to be issued at 25 cents per share, however under AASB2, the shares issued are required to be measured at the date the transaction was completed (31 July 2017) at which date the shares had a market price of 23.5 cents.

[2] At reporting date, the initial accounting for the business combination is incomplete as the Company is currently finalising the allocation of the initial excess consideration noted above. The allocation will be finalised when the 30 June 2018 annual financial report is produced and the provisional amounts noted above will be adjusted accordingly.

NOTE 10: GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The net cash outflow from the acquisition is as follows:	$'000
Cash paid as consideration	18,456
Initial refundable deposit paid on 23 June 2017	(1,908)
Final settlement transferred on 2 January 2018 (recorded under other current liabilities as at 31 December 2017 – Note 5)	(3,655)
Net cash acquired	(730)
Net cash outflow	12,163

Acquisition related costs of $119,278 are included in the condensed consolidated statement of comprehensive income for this reporting period.

From the date of acquisition, Vodien Internet Solutions Pte Ltd and its subsidiaries have contributed $4,352,395 to the consolidated revenue and $1,137,515 to the consolidated profit after tax attributable to the members of the parent.

Enetica Group

On 31 October 2017, Dreamscape Networks Limited acquired 100% of the share capital of Enetica Pty. Ltd. and Web City Australia Pty. Ltd., while Vodien Internet Solutions Pte. Ltd. acquired 100% of the share capital of Web City International Pte. Ltd. The three (3) acquired entities, known as Enetica Group, provides domain registration and internet hosting services, with data centres servicing from Sydney, Australia.

The acquisition is expands the Group's hosting footprint in Australia, bringing into the business more than 15,000 customers and 70,000 registered domains.

The fair value of identifiable assets and liabilities acquired in the business combination are as follows:

	$'000
Net assets acquired	
Cash and cash equivalents	434
Trade and other receivables	12
Trade and other payables	(29)
Deferred revenue	(1,287)
Fair value of net assets acquired	(870)
Consideration paid - cash	4,427
Goodwill recognised from the acquisition	5,297

The net cash outflow from the acquisition is as follows:	$'000
Cash paid as consideration	4,427
Net cash acquired on subsidiary	(434)
Net cash outflow	3,993

Acquisition related costs of $113,412 are included in the condensed consolidated statement of comprehensive income for this reporting period.

From the date of acquisition, the acquired companies have contributed $449,799 to the consolidated revenue and $201,826 to the consolidated profit after tax attributable to the members of the parent.

NOTE 11: FINANCIAL INSTRUMENTS

The categories of financial instruments are as follows:

	31 December 2017 $'000	30 June 2017 $'000
Financial assets		
Cash and cash equivalents	**14,287**	17,698
Loans and receivables	**1,565**	1,497
	15,852	19,195
Financial liabilities		
Other financial liabilities	**25,151**	6,101

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The fair values of financial assets and liabilities approximate their carrying values. Refer to Note 3(b) for details of the related party loan payable and Note 6 for details of the cash advance facility with the Commonwealth Bank of Australia.

NOTE 12: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last reporting date.

NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

Acquisition of Quadra Hosting

On 31 January 2018, Dreamscape Networks Limited completed the acquisition of the customers, systems, and brand assets of the business operating as Quadra Hosting.

Quadra Hosting is a Gold Coast-based business with a solid local reputation. Principally focused on web hosting, approximately 95% of Quadra's business comes from Hosting, with 5% coming from re-selling Domain Registrations.

Dreamscape aims to bring increased value to Quadra customers by using recently-upgraded technology platforms, while improving customer service and marketing capabilities via its dedicated hosting brand, Vodien.

The total consideration as per binding agreement was $2.5 million.

DIRECTORS' DECLARATION

In the opinion of the Directors of Dreamscape Networks Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

    a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

    b. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year then ended; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Peter James
Director

22 February 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Dreamscape Networks Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Dreamscape Networks Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time 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 Dreamscape Networks Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year 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 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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A review of a 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
22 February 2018