SPOOKFISH LIMITED
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Spookfish Limited
ABN:	24 123 511 017
Reporting period:	For the year ended 31 December 2017
Previous period:	For the year ended 31 December 2016

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	176%	to	13,410,900
Loss from ordinary activities after tax attributable to the owners of Spookfish Limited	up	34%	to	(10,831,876)
Loss for the year attributable to the owners of Spookfish Limited	up	34%	to	(10,831,876)

Dividends

	Amount per security *Cents*	Franked amount per security *Cents*
Dividend for the year ended 31 December 2016	Nil	Nil
Dividend for the year ended 31 December 2015	Nil	Nil

Comments

Please refer to the Operations Report at page 4 of the 2017 Annual Report for a review of the Group's operations and corporate developments during the year ended 31 December 2017.

3. Net tangible assets

	Reporting period *Cents*	Previous period *Cents*
Net tangible assets per ordinary security	1.01	1.01

4. Control gained over entities

Name of entities (or group of entities)	N/A
Date control gained	N/A

	$
Contribution of entities acquired during the period to the reporting entity's profit/(loss) from ordinary activities before income tax during the period	Nil
Profit/(loss) from ordinary activities before income tax of the controlled entities for the whole of the previous period	Nil

5. Loss of control over entities

Name of entities (or group of entities)	N/A
Date control lost	N/A

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period	Nil
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period	Nil

6 Details of associates and joint ventures

None.

7. Audit qualification or review

Details of audit/review dispute or qualification:

The financial statements have been audited and an unqualified opinion has been issued.

8. Attachments

Details of attachments:

The Annual Report of Spookfish Limited for the year ended 31 December 2017 is attached.

9. Signed

Date: 28 February 2018

Jason Marinko
Director
Perth

SPOOKFISH LIMITED
AND CONTROLLED ENTITIES

ABN 24 123 511 017

ANNUAL REPORT
31 DECEMBER 2017

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CORPORATE INFORMATION

Directors
Mr Jason Marinko (Chairman)
Mr Simon Cope (Executive Director)
Ms Shannon Robinson (Non-Executive Director)
Mr Martin Ripple (Non-Executive Director)

Joint Company Secretaries
Ms Shannon Robinson
Mr Ian Magee

Registered Office & Principal Place of Business
10 Brodie-Hall Drive
Bentley WA 6102
Telephone: +61 (8) 6365 5626

Postal Address
PO Box 1103
Bentley DC
Bentley WA 6983

Auditor
RSM Australia Partners
Level 32 Exchange Tower
2 The Esplanade
Perth WA 6000

Share Registry
Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000
Telephone: 1300 850 505

Internet Address
www.spookfish.com

Stock Exchange Listing
Australian Securities Exchange
(Home Exchange : Perth, WA)

ASX Code
Shares SFI

Country of Incorporation & Domicile
Australia

LETTER FROM THE CEO

Dear Shareholder,

Your Board and I are pleased to present the 2017 Annual Report for Spookfish Limited. Your company is at a pivotal point in its history, a very exciting time with substantial growth potential, and I am privileged to have joined Spookfish at this juncture.

2017 was a milestone year, with Spookfish's capture technology proven on three key fronts:

1) Regulator accreditations both in Australia and the US
2) EagleView Technologies Inc. (EagleView) acceptance of our camera technology, as well as placement of orders for multiple systems
3) Most significantly, through the sale and revenue generation of our product in the Australian market across multiple sectors.

Together, these three milestones mark the transformation of Spookfish from a technology start-up into an operating business with growing revenues.

The size and scale of the North American market has been unlocked with a capital-light approach through our EagleView partnership.

At the same time, the importance of the Australian sales effort should not be understated. Spookfish's contracts with sophisticated enterprise-level customers in Australia, are with clients that set high hurdles in terms of quality, accuracy and commercial benchmarks.

Spookfish has clearly demonstrated that our capture technology exceeds the requirements of our Australian enterprise-level customers on all fronts. This validates our claims regarding the ability of the technology to redefine the geospatial imagery market without compromising resolution, area size or capture costs.

Looking forward, our focus for 2018 is to scale the company's operations. We have demonstrated that Spookfish has the capability to design and deliver a complex world-leading technology development program on time and budget.

Our ability to continue rolling out camera systems to support North American royalty growth with EagleView is underpinned by the on-time delivery of all EagleView's orders. We will continue to support EagleView as they ramp up their capture program over 2018.

The Australian capture program is well underway with product already coming on-line in East Coast capital cities and a growing sales team to support the roll-out. Our experience with the Western Australian government and private customers demonstrates Spookfish can compete successfully in these markets and grow share.

We have delivered on our hardware and software product roadmap in 2017. I expect this to continue in 2018 as new generations of camera systems will go through development and testing. Similarly, now that our base products are in service, our focus turns towards our software becoming aligned to enabling manipulation of big data through 3D point cloud, machine learning, computer vision and other artificial intelligence use cases.

While Spookfish is still in its early stages, the Company now has a proven ability to deliver commercial results. Growth through 2018 will be targeted to build on this foundation and increase the ramp-up in revenues, while looking to create step-change through expanding our data products.

On behalf of the Board, I would like to thank our investors for their continued support through this period of exciting growth that has seen Spookfish move from technology development to commercialisation of our technology. We are at an exciting, pivotal point, with the company in a position to maximise the returns on its technology development, secure a strong base and accelerate further growth.

Yours faithfully,

Jason Waller
Chief Executive Officer

2017 was a milestone year for Spookfish. It saw the significant transition of the Company from primarily research and development activities to commencing commercial operations. Spookfish achieved critical milestones:

- Completing the development of the Company's aerial imaging capture and processing technologies
- Achieving external certification from the Civil Aviation and Safety Authority (CASA; Australia) and the Federal Aviation Authority (FAA: United States) for key elements of the Company's proprietary next generation aerial imaging capture technology and processes, enabling commercial operation in both Australia and North America
- Delivery of the Company's camera systems to EagleView Technologies Inc. (EagleView) for use in North America
- Signing up the Company's first commercial clients in Australia and achieving first sales revenue.

Spookfish's capture technology has been extensively and successfully flight tested for operability and certification purposes

Throughout 2017, Spookfish continued to develop and deliver data capture technology to EagleView, its North American partner. Manufacture of the first of the new generation of camera systems was completed just prior to the commencement of 2017 and during the first quarter it was extensively and successfully flight tested for operability and certification purposes. In April, the system was delivered to the USA where it was installed on an aircraft and subjected to further testing. Validation testing concluded in June, with Eagleview confirming that the system conformed with applicable specifications.

Concurrently, Spookfish manufactured a second camera system for its Australian data capture operations and a third system to support the process of gaining CASA and FAA certification and ultimately for commercial use by Eagleview.

With support from Eagleview, the Company has continued to develop and evolve both its data capture technology and its post-capture data processing processes, quality and throughput. Amongst other enhancements, the Company has successfully developed and implemented a new form of custom camera, improved optics and onboard systems.

Multiple capture systems ordered with EagleView's initial order

In July 2017, Eagleview placed an order for multiple additional capture systems for integration into its North American capture program. These systems were manufactured over the period from July to November, and ultimately delivered on schedule during December 2017 and January 2018.

Second larger order placed by EagleView for its North American operations

In early January 2018, Eagleview placed a second large value order for multiple systems for its North American operations, which are due to be delivered during the period from June to December 2018.

EagleView's use of the camera system will generate royalties for Spookfish

With multiples systems already ordered and delivered to EagleView, and many more currently in production, 2018 signifies the launch of large scale commercial operations in North America of Spookfish technology. The amount of royalties are expected to grow as EagleView increases coverage, launches new products and expands in the North American market.

Capture program commenced in Australia with first commercial clients signed up

In mid-2017, Spookfish began commercial operations with its new generation system in Western Australia and achieved its first sales of aerial imagery data subscriptions to private and government sector clients.

In the fourth quarter of 2017 a third aircraft and camera system were added to the fleet. The company's capture program expanded to Melbourne, Brisbane and parts of regional Victoria and New South Wales. At the date of this report, the capture program has further expanded to include Sydney and Adelaide. The Company also expects to complete acquisition of a fourth Aztec aircraft and camera system. This creates options for redeployment of the original first-generation technology demonstrator Cessna 210 and its system, as well as building surge capacity and operational contingency into the full implementation of the planned annual capture program and Australian revenues.

Potential expansion opportunity into China

In October 2017, Spookfish entered into an evaluation agreement with Global Earth Ventures, an entity associated with Dr Vincent Tao, an internationally recognised GIS entrepreneur and global technology investor, to explore opportunities to develop the market for aerial imagery and data analytics in the People's Republic of China.

OPERATIONS REPORT

Corporate

In May 2017, the Company completed a heavily oversubscribed $9.3 million share placement to existing major shareholders, including Eagleview, and new institutional shareholders. The Company also relocated its head office to larger premises in Technology Park, Bentley, Western Australia.

In June, Eagleview's acceptance of their first Spookfish camera system triggered the conversion of the 100,045,583 convertible notes held by Eagleview in the Company into fully paid ordinary shares. This transaction together with their participation in the placement resulted in Eagleview establishing a 12.2% equity stake in Spookfish.

September saw the key appointment of Jason Waller, to the position of Chief Executive Officer. Mr Waller's extensive experience in defence, aviation, infrastructure, transportation and technology including significant strategic, commercial, transformation and project delivery expertise, will guide Spookfish through its next phase of growth and commercial success.

From a corporate governance perspective, in December 2017 Martin Ripple was appointed as a non-Executive Director, while Jason Marinko assumed the role of non-Executive Chairman. Mr Ripple's executive and company director experience in aviation, defence, navigation, technology and transportation sectors bring depth and capability to the Board in these important growth markets.

DIRECTORS' REPORT

Your Directors present the following report on Spookfish Limited and the entities it controlled (referred to hereafter as 'the Group') for the year ended 31 December 2017 and the independent auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors and Officers

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Jason Marinko
Shannon Robinson
Simon Cope
Martin Ripple [1]

1. Mr Ripple was appointed Non-Executive Director effective 1 December 2017.

Joint Company Secretaries

The company secretaries are Ms Shannon Robinson and Mr Ian Magee.

Principal Activities

The principal activities of the Group are development and commercialisation of premium geospatial imagery products and services.

Financial Position

The net assets of the Group are $14,619,894 (2016: $8,889,898) and the Group's working capital, being current assets less current liabilities, is $4,670,261 (2016: $333,595).

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the parent or controlled entities during the financial period.

Subsequent Events

On 9 January 2018 the Company announced that Eagleview Technologies Inc. had placed their second large-scale block order for camera capture systems for operations in North America. The order included a significant upfront deposit, which was received in January. Production has commenced and delivery of systems is expected to commence in the second quarter of 2018.

On 10 January 2018 the Company received an amount, including overdue payment interest, of $2,702,335 in respect of a Research & Development incentive rebate for the financial year to 30 June 2017.

No other matter or circumstance has arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future Developments

The Group will continue to develop and refine its highly innovative technology, will scale up its commercial data capture and sales across Australia and expects to commence royalty revenue flows from its partner in North America.

Environmental Regulation and Performance

The operations and activities of the Company may be subject to state and federal laws and regulations concerning the environment. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all applicable environmental laws.

The Company's current activities are not subject to any particular and significant environmental regulation under the laws of any county in which it operates. The Directors are mindful of the regulatory regime in relation to the impact of the Group's activities on the environment. There have been no known breaches by the Group during the year.

Information on Directors

Jason Marinko	-	Chairman
Qualifications	-	MBA, GAICD, F Fin, B.Com
Appointed	-	21 August 2014
Experience	-	Mr Marinko has extensive senior corporate executive and equity capital markets experience. He previously held associate director positions at Azure Capital, where he managed equity capital raisings for private and public companies, and Euroz Corporate, where he advised on small and mid-cap mergers, acquisitions and equity capital raisings. Mr Marinko was formerly the CEO of Little World Beverages Limited and Little Creatures Brewing Pty Ltd and has held senior corporate strategy roles with Qantas and SingTel Optus. He is a fellow of the Financial Services Institute of Australasia (FINSIA), a graduate of the Australian Institute of Company Directors (AICD), and has an MBA from INSEAD Business School in France.
Interest in Shares and Options	-	15,000,000 ordinary fully paid shares and 12,500,000 unlisted options exercisable at $0.04 on or before 21 June 2021.
Current directorships	-	Yojee Limited (ASX: YOJ)
Former directorships held in past three years	-	Nil

Simon Cope	-	Executive Director and Chief Technical Officer
Qualifications	-	B.Sc.
Appointed	-	20 April 2016
Experience	-	Simon has over 20 years working in the geospatial imaging technology field, having performed a range of roles in early stage start-ups to multi-nationals including Chief Architect at Landgate, Western Australia's primary source of land information and geographic data; Spatial Architect at Ajilon, a leading IT services consultancy; CTO at Nearmap Ltd; Chief Technologist at ERDAS LLC, a division of Swiss based Leica Geosystems; Founder of fotoMuse Pty Ltd which was acquired by Leica Geosystems; and Chief Software Architect at Earth Resource Mapping Ltd. Simon is a recognised senior technology leader with a proven track record in delivering market disrupting technologies and innovative products in the geospatial imagery sector from prototype stage through to large-scale commercial production.
Interest in Shares and Options	-	24,357,065 ordinary fully paid shares.
Current directorships	-	Nil
Former directorships held in past three years	-	Nil

Shannon Robinson	-	Non-Executive Director and Joint Company Secretary
Qualifications	-	LLB, B.Com, AGIA, GAICD
Appointed	-	19 April 2013
Experience	-	Shannon has over 10 years' international experience acting as a director or officer of ASX listed companies, more recently focusing on emerging technology companies. Shannon specialises in providing corporate and strategic advice in relation to transaction structuring, business development, acquisitions and mergers, capital raisings and listing of companies on stock exchanges (ASX & AIM). Shannon is currently a director of Fastbrick Robotics Limited (ASX: FBR), Spookfish Limited (ASX: SFI) and Yojee Limited (ASX: YOJ) and has also been a director of several ASX and AIM listed companies. Shannon is an associate of the Australian Institute of Company Directors (AICD), and the Governance Institute of Australia. Shannon is also admitted to practice in Western Australia and the High Court.
Interest in Shares and Options	-	1,000,000 ordinary fully paid shares and 2,000,000 unlisted options exercisable at $0.025 on or before 9 February 2019.
Current directorships	-	Fastbrick Robotics Limited (ASX: FBR), Yojee Limited (ASX: YOJ)
Former directorships held in past three years	-	Equator Resources Limited (ASX: EQU) – resigned 20 September 2016

Martin Ripple	-	Non-Executive Director
Qualifications	-	Master of Science (Mechanical Engineering – Aeronautics), GAICD
Appointed	-	1 December 2017
Experience	-	Martin is an experienced executive and company director with a diverse and complementary international background in aviation, defence, navigation, technology and transportation. Martin is currently the Managing Director and Head of Region Asia for Frequentis Singapore Pte Ltd, part of Frequentis AG, the leading global supplier of communication and information solutions for mission-critical applications in traffic management, public safety and transport.
Interest in Shares and Options	-	Nil
Current directorships	-	Frequentis Singapore Pte Ltd
Former directorships held in past three years	-	Nil

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Number of Meetings Eligible to Attend	Number of Meetings directors' attended
Number of meetings held	11	11
Number of meetings attended:		
Director		
Mr Jason Marinko	11	11
Mr Simon Cope	11	11
Ms Shannon Robinson	11	11
Mr Martin Ripple	1	1

Committee Membership

As at the date of this report the Company does not have a Remuneration, Nomination or Audit Committee as their roles are undertaken by the full Board.

Retirement, election and continuation in office of directors

In accordance with the Constitution, one Director will retire as a Director at the annual general meeting and, being eligible, offers himself for re-election.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Spookfish Limited support the ASX Principles and Recommendations of Corporate Governance.

Shares under Option

Unissued ordinary shares of Spookfish Limited under option at the date of this report are as follows:

Class	Expiry Date	Exercise price	Number Under Option
Unlisted options	30 November 2018	$0.050	52,253,570
Unlisted options	3 February 2019	$0.025	2,000,000
Unlisted options	21 June 2021	$0.040	12,500,000
Unlisted options [1]	18 September 2021	$0.100	20,000,000
Unlisted tranche 1 options	10 August 2021	$0.090	52,655,569
Unlisted tranche 2 options	10 August 2021	$0.120	54,261,260
Unlisted milestone options	28 February 2020	$0.060	42,800,000
Unlisted performance rights	31 December 2019	-	1,057,870
Unlisted performance rights	31 December 2020	-	5,427,374
Total			**242,955,643**

[1] At the date of this report these options had not been issued, but the entitlement existed from commencement of the contract and accordingly have been deemed as granted.

Shares Issued on the Exercise of Options

During the financial year 14,164,287 ordinary shares were issued on exercise of options and 100,045,583 ordinary shares were issued to Eagleview Technologies Inc. upon conversion of convertible notes.

Shares under Incentive Scheme

As at the date of this report, Incentive Shares on issue are as follows:

Date Issued	Issue Price of Rights	Expiry Date	Number Under Rights
21 August 2014	$0.04	21 August 2019	2,500,000
17 December 2014	$0.04	21 August 2019	5,000,000
19 February 2015	$0.04	21 August 2019	5,000,000

The shares were issued to Mr Marinko's nominee and are held in escrow pending repayment of the associated incentive scheme loan with a balance at year-end of $500,000 (2016: $500,000).

There have been no ordinary shares issued or loan amounts repaid under an incentive scheme since 31 December 2016 and up to the date of this report.

During the year the Company issued to employees 6,599,483 performance rights pursuant to the Spookfish Performance Rights Plan, of which 2,199,823 vested during the year. A total of 2,022,391 shares were issued during the year as a result of exercise of performance rights. A further 534,896 shares have been issued as result of the exercise of performance rights subsequent to balance date and up to the date of this report.

Indemnifying Officers

The Company has agreed to indemnify each of the Directors from liabilities incurred while acting as a director and to grant certain rights and privileges to the Director to the extent permitted by law.

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate, incurred any expense in relation to the indemnification.

The Company has also paid premiums to insure each of the Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company or a controlled entity in the Group, other than conduct involving a wilful breach of duty in relation to the Group. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on Behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

The Group is not party to any other legal proceedings at the present time, nor have any significant claims been made against the Group.

Remuneration Report (Audited)

This remuneration report for the year ended 31 December 2017 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* ("the Act") and its Regulations. This information has been audited as required by section 308(3C) of the Act.

For the purposes of this report, key management personnel ("KMP") of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

Remuneration Policy

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company bases its remuneration of employees and consultants on industry standards.

Performance Linked Compensation

Due to the size and nature of the Company's operations, the remuneration structure is not directly linked to shareholder wealth. There are currently no short or long term incentives provided other than as summarised above.

Company Performance, Shareholder Wealth and Director and Executive Remuneration

Due to the size and nature of the Company's operations, the remuneration structure is not directly linked to shareholder wealth. The remuneration policy has been tailored to increase goal congruence between shareholders and executives primarily through the issuance of Incentive Shares. Incentive options and performance share rights are valued using an appropriate valutaion model and expensed to the Group over the vesting period.

Company Performance

Due to the current early stage of the Company's growth it is not appropriate at this time to evaluate the Company's financial performance using generally accepted measures such as revenue, EBITDA and profitability; this assessment will be developed over the next few years.

The following information provides a summary of the Company's financial performance for the last five years:

	December 2017	December 2016	December 2015	December 2014	December 2013
Net Loss	$10,831,876	$8,054,784	$7,993,989	$956,811	$1,629,658
Factors considered to affect shareholder return:					
Share price at year end	$0.076	$0.068	$0.052	$0.056	$0.009
Market capitalisation	$81.7M	$56.8M	$42.7M	$20.5M	$2.0M

During the years stated above there were no returns of capital to shareholders and no dividends paid.

Remuneration Committee

The Company does not have a formal Remuneration Committee. The full Board attends to the matters normally attended to by a Remuneration Committee.

Non-Executive Director Remuneration

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Payment to the non-executive directors is by way of fixed salary and is reviewed annually based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group. Further, shareholders must approve the framework for any equity schemes and if a director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

Remuneration Report (continued)

The directors receive a superannuation guarantee contribution required by the government, which is currently 9.5% and do not receive any other retirement benefits. There are no other short or long term incentives paid to non-executive directors.

Executive Director & Other Key Management Personnel Remuneration

The Company's pay and reward framework is designed to ensure reward structures are aligned with shareholders' interest by:

- being market competitive to attract and retain high calibre individuals;
- rewarding high individual performance;
- recognising the contribution of each key management personnel to the contributed growth and success of the Company; and
- ensuring that long term incentives are linked to shareholder value.

To achieve these objectives, the remuneration of key management personnel may comprise a fixed salary component and an 'at risk' variable component linked to performance of the individual and the Company as a whole. Fixed remuneration comprises base salary, superannuation contributions and other defined benefits. 'At risk' variable remuneration comprises both short term and long term incentives.

The pay and reward framework for key management personnel may consist of the following areas:

(a) Fixed Remuneration – base salary
(b) Variable Short Term Incentives
(c) Variable Long Term Incentives

The combination of these would comprise the key management personnel's total remuneration.

(a) Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

(b) Variable Remuneration – Short Term Incentives (STI)

Discretionary cash bonuses may be paid to senior executives annually, subject to the requisite Board and shareholder approvals where applicable.

(c) Variable Remuneration – Long Term Incentives (LTI)

In August 2014 the Company established the Spookfish Limited Employee Share Plan, as approved by shareholders of the plan at general meeting in January 2015, which applies to all directors and executives of the Company, to link rewards of key management personnel to Company performance.

In January 2015 the Company established the Spookfish Limited Performance Rights Plan, following shareholder approval of the plan at general meeting in December 2014.

In June 2016 the Company established the Spookfish Option Share Trust, as approved by shareholders at the general meeting in May 2016

The Company may issue options or performance rights to key management personnel under the respective Plan.

Remuneration Report (continued)

Service Agreements

Remuneration arrangements for KMP are formalised in employment agreements, the details of which are below.

Director and key management personnel service agreements:

Name	Term of agreement	Base salary including superannuation	Termination benefit
J Marinko (Chairman) [1]	No set term	$153,300	6 months of salary[6]
S Cope (Executive Director)	No set term	$328,500	6 months of salary[6]
S Robinson (Non-Executive Director) [2]	No set term	$98,550	3 months of salary[6]
M Ripple (Non-Executive Director) [3]	No set term	$45,000	None
J Waller (KMP) [4]	No set term	$300,000	6 months of salary[6]
M von Bertouch (KMP) [5]	No set term	$250,000	6 months of salary[6]
G Perkins (KMP)	No set term	$240,900	6 months of salary[6]

Notes:

1. Mr Marinko also has an incentive share and option package as part of his employment, details of which are summarised below. He transitioned from Executive Chairperson to Non-Executive Chairperson on 1 December 2017 at which time his base salary reduced from $250,000 to $140,000.
2. This includes both services provided as director as well as for services provided in respect to company secretarial and corporate services, details of which are summarised below.
3. Mr Ripple was appointed as a director of the Company on 1 December 2017.
4. Mr Waller was appointed as Chief Executive Officer effective 18 September 2017.
5. Mr von Bertouch is engaged via a consulting agreement and does not receive superannuation entitlements. In addition, Mr von Bertouch has a beneficial interest in a key service provider, details of which are summarised disclosed below.
6. Termination benefits are only paid if certain conditions per the service contract have been met.

Key terms of the director service agreements and/or consultancy agreements are summarised as follows:

- The Company and Mr Marinko entered into a director appointment agreement dated 21 August 2014 and upon completion of the transaction to acquire the Spookfish business on 3 February 2015 was appointed to the position of Executive Chairman. The initial executive package for Mr Marinko included an annual salary and statutory superannuation entitlements, which upon commencement totalled $225,000, together with an executive placement of 2,500,000 ordinary shares at a cost of $0.035 per share.

  Effective 1 December 2017 Mr Marinko transitioned from Executive Chairman to Non-Executive Chairman at which time his annual remuneration including superannuation entitlements was revised from $273,750 to $153,300.

  Under the terms of his initial employment agreement, Mr Marinko was also granted rights to the following ordinary shares, upon satisfaction of the milestones set out below within 5 years and payment pursuant to a non-interest bearing loan with the Company at a vesting price of $0.04 per share ("Incentive Shares"):

  (a) 2,500,000 shares on the date of appointment;
  (b) 5,000,000 shares on the Company's share price trading at a 5 day vwap of $0.05 or more;
  (c) 5,000,000 shares the Company's share price trading at a 5 day vwap of $0.07 or more;
  (d) 7,500,000 shares the Company's share price trading at a 5 day vwap of $0.10 or more; and
  (e) 5,000,000 shares the Company's share price trading at a 5 day vwap of $0.15 or more.

  As at the date of this Report, the Company has issued 12,500,000 Shares in total pursuant to the incentive share package which will vest upon the satisfaction of the vesting conditions of tranches a), b) and c). The Company has since agreed with Mr Marinko to cancel unvested tranches d) and e).

Remuneration Report (continued)

In June 2016 the company issued 12,500,000 options to the Option Share Trust for the benefit of Mr Marinko, which are exercisable at 4 cents per share on or before 21 June 2021 subject to the following vesting conditions:
(a) 7,500,000 options upon the Company's share price trading at a 10 day vwap of $0.10 or more; and
(b) 5,000,000 options upon the Company's share price trading at a 10 day vwap of $0.15 or more.

In addition, Mr Marinko may qualify to participate in long term and short term incentives schemes at the Board's discretion. Either party may terminate the agreement with at least 6 months' prior written notice and the agreement contains additional provisions considered standard for agreements of this nature.

- The Company has entered into an executive services agreement with Mr Cope whereby he was appointed as Chief Technical Officer of the Group and director of several controlled entities effective from completion of the Spookfish Transaction on 3 February 2015. Pursuant to the agreement Mr Cope is also required to serve as a director of the Company as nominated, and on 20 April 2016 he replaced Mr von Bertouch as Executive Director. Mr Cope receives remuneration inclusive of superannuation of $328,500 (2016: $273,750) per annum for his role and may qualify to participate in long term and short term incentives schemes at the Board's discretion. Either party may terminate the agreement with at least 6 months' prior written notice. The agreement contains additional provisions considered standard for agreements of this nature.

- The Company and Ms Shannon Robinson entered into a director appointment letter dated on or about 22 April 2013 pursuant under which Ms Robinson acts as a non-executive director of the Company. Ms Robinson has also acted as company secretary of the Company since 30 April 2013. The Company subsequently entered into an executive services agreement with Ms Robinson in respect of the provision of corporate and company secretarial services in December 2014. Pursuant to the agreements, as varied, Ms Robinson receives a salary of $30,000 (2016: $30,000) per annum (excluding superannuation) in respect of non-executive director fees and a salary of $60,000 (2016: $60,000) per annum (excluding superannuation) in respect of corporate and company secretarial services plus superannuation. In addition, Ms Robinson may qualify to participate in long term and short term incentives schemes at the Board's discretion. Either party may terminate the agreement with at least 3 months' prior written notice. The agreement contains additional provisions considered standard for agreements of this nature.

- The Company entered into an agreement with Mr Martin Ripple, whereby he was appointed as a non-executive director of the Company effective 1 December 2017. Under the agreement Mr Ripple receives annual remuneration inclusive of superannuation entitlements of $45,000.

- Pursuant to a consultancy services agreement for services to be provided by Structured Design Pty Ltd, via its nominee, Mr von Bertouch was appointed as Strategic Operations Director of the Group effective from completion of the Spookfish Transaction on 3 February 2015. Pursuant to the agreement, as varied, Mr von Bertouch receives $125,000 (2016: $150,000) per annum for his role as Strategic Operations Director of the Group. In addition, Mr von Bertouch may qualify to participate in long term and short term incentives schemes at the Board's discretion. Either party may terminate the agreement with at least 6 months' prior written notice. The agreement contains additional provisions considered standard for agreements of this nature.

- Spookfish have also entered into a service provider agreement with Innovaero Pty Ltd (Innovaero). Pursuant to the agreement, Innovaero provides aeronautical engineering design and construction services to Spookfish for which the scope and budget are on a project job basis agreed with the Company prior to the commencement of each job. In addition, Innovaero charges a fixed fee of $125,000 (2016: $150,000) per annum in respect of project management provided by Mr von Bertouch in relation to services provided by Innovaero under the service provider agreement. Innovaero is an innovator in aeronautical technology and specialises in aircraft certification, these services are provided as part of the ordinary course of its business. Mr von Bertouch is a principal and shareholder of Innovaero.

Remuneration Report (continued)

- The company has entered into an executive service agreement with Mr Jason Waller whereby he was appointed as Chief Executive Officer of the Spookfish Group effective 18 September 2017. Mr Waller receives annual remuneration inclusive of superannation of $300,000. Mr Waller may also be paid a performance based bonus in either cash or equity at the discretion of the Company.

  Under the terms of his executive service agreement Mr Jason Waller is entitled to be issued with 20,000,000 options over fully paid ordinary shares in the company which vest in four tranches upon satisfaction of the milestones set out below within 4 years and payment of $0.10 per share:

  (a) 5,000,000 on the Company's share price trading at a 10 day vwap of $0.10 or more;
  (b) 5,000,000 on the Company's share price trading at a 10 day vwap of $0.15 or more;
  (c) 5,000,000 on the Company's share price trading at a 10 day vwap of $0.20 or more; and
  (d) 5,000,000 on the Company's share price trading at a 10 day vwap of $0.25 or more.

  At balance date the options had not been issued, but the entitlement existed from commencement and has been deemed granted and expensed accordingly.

Voting and comments made at the company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 31 December 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Remuneration Report (continued)

Remuneration of key management personnel of the Company and the Group

The remuneration for each director and key management personnel of the Group for the year ended **31 December 2017** was as follows:

	Short Term Benefits			Post-Employment		Share Based Payments		Total	Proportion of remuneration performance related	Fixed remuneration
	Salary $	Other $	Non-Monetary $	Superannuation $	Termination Payment $	Equity $	Options $	$	%	%
Directors										
Jason Marinko[1] Chairman	240,833	-	-	22,880	-	-	95,158	**358,871**	**26.5**	**73.5**
Shannon Robinson Non-Executive Director	90,000	-	-	8,550	-	-	-	**98,550**	**-**	**100**
Simon Cope Executive Director	266,667	-	-	25,333	-	-	-	**292,000**	**-**	**100**
Martin Ripple[2] Non-Executive Director	3,425	-	-	325	-	-	-	**3,750**	**-**	**100**
Key Management Personnel										
Michael Von Bertouch Strategic Director - Operations	-	250,000	-	-	-	-	-	**250,000**	**-**	**100**
Guy Perkins Strategic Director - Sales	233,538	-	-	20,900	-	-	-	**254,438**	**-**	**100**
Jason Waller[3] Chief Executive Officer	80,097	-	-	5,781	-	-	67,742	**153,620**	**44.1**	**55.9**
Total Remuneration	**914,560**	**250,000**	-	**83,769**	**-**	**-**	**162,900**	**1,411,229**		

Notes:

1. Mr Marinko transitioned from Executive to Non-Executive Chairman effective 1 December 2017.
2. Mr Ripple was appointed effective 1 December 2017.
3. Mr Waller was appointed effective 18 September 2017.

The amounts disclosed above do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts.

Remuneration Report (continued)

Remuneration of key management personnel of the Company and the Group

The remuneration for each director and key management personnel of the Group for the year ended **31 December 2016** was as follows:

	Short Term Benefits			Post-Employment		Share Based Payments		Total	Proportion of remuneration performance related	Fixed remuneration
	Salary $	Other $	Non-Monetary $	Superannuation $	Termination Payment $	Equity $	Options $	$	%	%
Directors										
Jason Marinko Executive Chairman	250,000	-	-	23,750	-	(75,951)	49,399	**247,198**	**(10.7)**	**110.7**
Simon Cope [1] Executive Director	250,000	-	-	23,750	-	-	-	**273,750**	**-**	**100**
Michael von Bertouch [2] Executive Director	-	250,000	-	-	-	-	-	**250,000**	**-**	**100**
Shannon Robinson [3] Non-Executive Director	90,000	-	-	8,550	-	-	-	**98,550**	**-**	**100**
Guy Perkins Strategic Director - Sales	220,000	-	-	20,900	-	-	-	**240,900**	**-**	**100**
Total Remuneration	**810,000**	**250,000**	**-**	**76,950**	**-**	**(75,951)**	**49,399**	**1,110,398**		

Notes:

1. Mr Cope was appointed Executive Director effective 20 April 2016 and a key management person up until his appointment.
2. Mr von Bertouch resigned as Non-Executive Director effective 20 April 2016, but continued in the role of Strategic Director – Operations for the Spookfish Group as a key management person.
3. Ms Robinson is also engaged to provide company secretarial services.

The amounts disclosed above do not include insurance premiums paid in relation to directors' and officers' liability insurance as the terms of the insurance policy preclude disclosure of these amounts.

Remuneration Report (continued)

Share based compensation

(a) Incentive share rights

Key Management Personnel	Grant date	Number of rights granted	Number of shares issued at year end	Average fair value per incentive share granted	Maximum total value of grant yet to vest	Expiry date
2017						
J Marinko[1]	21 Aug 2014	12,500,000	12,500,000	$0.022	-	21 August 2019
2016						
J Marinko	21 Aug 2014	12,500,000	12,500,000	$0.022	-	21 August 2019

1. Mr Marinko's shares were issued under a remuneration incentive scheme, whereby they remain escrowed until repayment of a loan of $500,000.

(b) Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 December 2017 or the prior corresponding period.

(c) Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this year or future reporting years are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Fair value per option
22 Jun 2016	N/A	21 Jun 2021	$0.04	$0.0369 – $0.0387
18 Sep 2017	N/A	18 Sep 2021	$0.10	$0.0466 – $0.0481

Options vest on achievement of certain performance conditions.

The numbers of options granted to and vesting in directors and other key management personnel during the year are as follows:

Name	No of options granted		No of options vested	
	2017	2016	2017	2016
J Waller	20,000,000	-	-	-
J Marinko	-	12,500,000	-	-

The values of options granted, exercised and lapsed for directors and other key management personnel during the year ended 31 December 2017 are as follows:

Name	Options granted $	Options exercised $	Options lapsed $	% of remuneration comprising options
J Waller	67,742[1]	-	-	44%

[1] $67,742 has been expensed during the year ended 31 December 2017. The total value of the options granted to be expensed over the vesting period is $951,000. Refer to note 18.

Remuneration Report (continued)

Share and option holdings of directors and key management personnel – Year ended 31 December 2017 (Numbers of shares)

(a) Shares

Name	Balance at 1 Jan 2017 No.	Received as remuneration No.	Net change other* No.	Balance at 31 Dec 2017 No.
J Marinko	15,000,000	-	-	15,000,000
S Robinson	1,000,000	-	-	1,000,000
S Cope	25,577,065	-	(1,220,000)	24,357,065
M Ripple	-	-	-	-
J Waller	-	-	-	-
M von Bertouch	33,215,467	-	(150,000)	33,065,467
G Perkins	19,862,813	-	(12,000,000)	7,862,813
Total	**94,655,345**	**-**	**(13,370,000)**	**81,285,345**

(b) Options

Name	Balance at 1 Jan 2017 No.	Received as remuneration No.	Net change other* No.	Balance at 31 Dec 2017 No.
J Marinko	12,500,000	-	-	12,500,000
S Robinson	2,000,000	-	-	2,000,000
S Cope	-	-	-	-
M Ripple	-	-	-	-
J Waller	-	20,000,000	-	20,000,000
M von Bertouch	-	-	-	-
G Perkins	-	-	-	-
Total	**14,500,000**	**20,000,000**	**-**	**34,500,000**

Other transactions with key management personnel and their related parties

During the year, subcontract aeronautical engineering and project management services and aircraft lease services with a total value of $7,660,892 were provided to the Group by Innovaero, a company in which Mr von Bertouch is a director and has a beneficial interest. An amount of $1,344,655 payable to Innovaero as at 31 December 2017 is included in trade and other payables in the consolidated statement of financial position.

All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 6 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 6 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 has been included as part of the financial report.

Auditor

RSM Australia Partners continues in office in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors.

Mr Jason Marinko
Chairman
28 February 2018

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Spookfish Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
REVENUES			
Development & manufacture of aerial image capture systems	2	13,062,758	2,319,564
Sales of aerial imagery data	2	33,786	-
Other income	2	314,356	2,535,547
Total Revenues		**13,410,900**	**4,855,111**
EXPENSES			
Costs of sale – aerial image capture systems		13,058,685	2,319,564
Operating costs		2,211,577	1,927,899
Subcontracted engineering development		1,159,290	984,715
Employee benefits expense		4,840,786	3,451,055
Share based payments expense	18	1,046,017	2,366,043
Depreciation & amortisation expense	3	902,381	480,027
Advertising & marketing expense		385,797	342,310
Occupancy expense		268,126	204,513
Interest & finance costs		-	396,240
Corporate & other expenses		370,117	437,529
Total expenses		**24,242,776**	**12,909,895**
(Loss) before income taxes		(10,831,876)	(8,054,784)
Income tax expense	4	-	-
(Loss) for the year		**(10,831,876)**	**(8,054,784)**
Other comprehensive income/(loss)		-	-
Total comprehensive loss for the year		**(10,831,876)**	**(8,054,784)**
Earnings/(Loss) per share		**Cents**	**Cents**
Basic earnings/(loss) per share	7	(1.11)	(0.97)
Diluted earnings/(loss) per share	7	(1.11)	(0.97)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	8	5,881,142	6,788,249
Trade and other receivables	9	1,658,742	421,434
TOTAL CURRENT ASSETS		**7,539,884**	**7,209,683**
NON CURRENT ASSETS			
Plant and equipment	11	2,927,866	1,528,664
Intangible assets	12	6,496,840	6,496,840
Other assets	13	554,132	530,799
TOTAL NON CURRENT ASSETS		**9,978,838**	**8,556,303**
TOTAL ASSETS		**17,518,722**	**15,765,986**
CURRENT LIABILITIES			
Trade and other payables	14	2,582,501	676,568
Borrowings	15	-	6,002,735
Provisions	16	287,122	196,785
TOTAL CURRENT LIABILITIES		**2,869,623**	**6,876,088**
NON-CURRENT LIABILITIES			
Provisions	16	29,205	-
TOTAL NON-CURRENT LIABILITIES		**29,205**	-
TOTAL LIABILITIES		**2,898,828**	**6,876,088**
NET ASSETS		**14,619,894**	**8,889,898**
EQUITY			
Issued capital	17	53,415,985	37,514,242
Reserves	17	5,733,789	4,687,772
Other equity	17	-	385,888
Accumulated losses		(44,529,880)	(33,698,004)
TOTAL EQUITY		**14,619,894**	**8,889,898**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued Capital $	Accumulated Losses $	Share Based Payments Reserve $	Other Equity $	Total $
Balance at 1 January 2016	**36,953,163**	**(25,643,220)**	**2,321,729**	**-**	**13,631,672**
Loss for the year	-	(8,054,784)	-	-	(8,054,784)
Other comprehensive income	-	-	-	-	-
Total comprehensive (loss) for the year	-	**(8,054,784)**	-	**-**	**(8,054,784)**
Securities issued during the year	679,107	-	-	-	679,107
Issue of convertible notes	-	-	-	385,888	385,888
Share based payments	-	-	2,366,043	-	2,366,043
Share issue expenses	(118,028)	-	-	-	(118,028)
Balance at 31 December 2016	**37,514,242**	**(33,698,004)**	**4,687,772**	**385,888**	**8,889,898**
Balance at 1 January 2017	**37,514,242**	**(33,698,004)**	**4,687,772**	**385,888**	**8,889,898**
Loss for the year	-	(10,831,876)	-	-	(10,831,876)
Other comprehensive income	-	-	-	-	-
Total comprehensive (loss) for the year	-	**(10,831,876)**	-	**-**	**(10,831,876)**
Share options exercised	642,714	-	-	-	642,714
Conversion of convertible notes	6,388,623	-	-	(385,888)	6,002,735
Share placement	9,300,000	-	-	-	9,300,000
Share based payments	-	-	1,046,017	-	1,046,017
Share issue expenses	(429,594)	-	--	-	(429,594)
Balance at 31 December 2017	**53,415,985**	**(44,529,880)**	**5,733,789**	**-**	**14,619,894**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
- Receipts from customers		12,047,822	2,097,287
- Payments to suppliers and employees		(20,457,490)	(9,667,191)
- Receipts from interest received		125,264	131,655
- Receipts from government grants and rebates		92,385	2,416,284
Net cash (used in) operating activities	19(i)	(8,192,019)	(5,021,965)
Cash flows from investing activities			
- Proceeds from disposal of plant and equipment		96,707	-
- Purchase of plant and equipment		(2,301,583)	(1,447,725)
- Payment of deposit on rental premises	25	(23,332)	-
Net cash (used in) investing activities		(2,228,208)	(1,447,725)
Cash flows from financing activities			
- Proceeds from issue of shares		9,300,000	-
- Proceeds from exercise of share options		642,714	679,107
- Proceeds from issue of convertible notes		-	6,002,735
- Share issue expenses		(429,594)	(118,028)
Net cash provided by financing activities		9,513,120	6,563,814
Net (decrease)/increase in cash held		(907,107)	94,124
Cash at beginning of financial period		6,788,249	6,694,125
Cash at end of financial period	8	**5,881,142**	**6,788,249**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Spookfish Limited and controlled entities ("the Group").

Spookfish Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The separate financial statements of the parent entity, Spookfish Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial report was authorised for issue on 28 February 2018 by the directors of the Company.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

(c) Functional Currency

The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

(d) Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

(e) Principles of Consolidation

A controlled entity is any entity over which Spookfish Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended. Where controlled entities have entered (left) the consolidated group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(f) Income Tax

The income tax revenue for the period comprises current income tax income and deferred tax income.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax assets are therefore measured at the amounts expected to be recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax income is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(g) Plant and Equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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.

The depreciable amount of all plant and equipment is depreciated on a declining balance basis over the assets useful life to the group commencing from the time the asset is held ready for use.

The depreciation rate used for plant and equipment is 25% - 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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.

(h) Financial Instruments

(i) 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.

(ii) De-recognition

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 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 or loss.

(iii) Classification and Subsequent Measurement

(A) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with the Group’s documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(B) 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 subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

(C) Held-to maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(D) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise of investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see below), are recognised as profit or loss.

(E) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

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.

(h) Financial Instruments (Cont.)

Impairment

At each reporting date, the Group 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 profit or loss.

(i) Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets (except for deferred tax 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation current are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(k) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(l) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. 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.

(m) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured. These largely relate to benefits accruing to employees in respect of wages and salaries and annual leave.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Cash and Cash Equivalents

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

Deposits held at call with banks and other short-term highly liquid investments with original maturities beyond three months have been separately identified from cash and cash equivalents.

(o) Revenue

Construction work in progress is measured at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of indirect taxes.

(p) Comparative figures

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

(q) Indirect Taxes (Goods and Services Tax and other similar taxes)

Revenues, expenses and assets are recognised net of the amount of indirect tax, except where the amount of indirect tax incurred is not recoverable from the relevant taxing authority. In these circumstances the indirect tax 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 indirect tax.

The net amount of indirect tax recoverable from, or payable to, the relevant taxing authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The indirect tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxing authority are classified as operating cash flows.

(r) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(s) Share Based Payments

The Group provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an option pricing model using measurement inputs of share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the option (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

(t) Issued Capital

Issued and paid up capital is recognised in equity at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(u) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Option Reserve

The option reserve records items recognised as expenses on valuation of director and employee share options.

(w) Foreign Exchange Reserve

The foreign exchange reserve records unrealised gains or losses due to movement in foreign currency exchange rate translations.

(x) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate option pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(ii) Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

(iii) Amortisation of intangible assets

The Group will commence amortisation of intangible assets as soon as they are considered to be available for use. This is assessed on a regular basis using a range of factors including completion of engineering milestones, evaluation of output quality against required targets and achievement of necessary statutory certification levels.

(y) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(z) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 22.

(aa) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(bb) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(cc) Intangible assets

Intellectual property rights - Geospatial imagery capture & processing technology

Intellectual property rights are recognised at cost of acquisition less accumulated amortisation and any impairment losses. Amortisation of intellectual property rights will commence as soon as they are considered to be available for use. For intellectual property rights not yet available for use, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

(dd) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

(i) AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is not expected to result in a significant change to the way the Group accounts for its financial instruments.

(dd) New Accounting Standards and Interpretations not yet mandatory or early adopted (Cont.)

(ii) AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise 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 those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is not expected to result in a significant change to the way the Group accounts for its existing revenue streams.

(iii) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

As the entity holds leases as at 31 December 2017 the impact of the new Leases standard is that leased assets will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term and a liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

2. REVENUE

	2017 $	2016 $
Sales Revenue		
Development & manufacture of aerial image capture systems	13,062,758	2,319,564
Sales of data subscriptions	33,786	-
	13,096,544	2,319,564

Other income		
Research & development incentives	-	2,439,725
Other government grants	92,385	(23,441)
Interest income	125,264	119,263
Proceeds from sale of assets	96,707	-
	314,356	2,535,547

3. EXPENSES

	2017 $	2016 $
Depreciation and amortisation		
Depreciation – plant & equipment	902,381	472,054
Amortisation - software	-	7,973
	902,381	480,027

4. INCOME TAX EXPENSE

	2017 $	2016 $
The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

(a) The prima facie tax on loss before income tax is reconciled to the income tax as follows:

	2017 $	2016 $
Net (loss) before tax	(10,831,876)	(8,054,784)
Prima facie tax benefit on loss before income tax at 30% (2016: 30%)	(3,249,563)	(2,416,435)
Increase in income tax due to:		
Non-deductible expenses	1,139,299	954,088
Current period tax losses not recognised	2,101,266	1,339,602
Decrease in income tax expense due to:		
Movement in unrecognised temporary differences	183,556	226,712
Deductible equity raising costs	(77,608)	(35,408)
Prior period adjustments	(96,950)	(68,559)
Income tax expense attributable to entity	-	-

(b) Unrecognised deferred tax assets

	2017 $	2016 $
Deferred tax assets have not been recognised in respect of the following:		
Deductible temporary differences	410,268	282,259
Tax revenue losses	2,466,466	2,466,466
	2,876,734	2,748,725

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(f) occur.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel.

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Short term benefits	Post-employment benefits	Termination payments	Share-based payments	Total
	$	$	$	$	$
31 December 2017					
Total compensation	1,164,560	83,769	-	162,900	1,411,229
31 December 2016					
Total compensation	1,060,000	76,950	-	(26,552)	1,110,398

6. AUDITORS' REMUNERATION

	2017	2016
	$	$
Remuneration of the auditor for:		
Audit or review of the financial statements	41,000	35,000
Non audit services (Tax compliance and advice)	41,475	26,730
Non audit services (Research & development incentive advice)	22,555	19,300
Non audit services (Other)	750	12,500
	105,780	93,530

7. EARNINGS/(LOSS) PER SHARE

	2017	2016
	Cents	Cents
Basic earnings/(loss) per share	(1.11)	(0.97)
Diluted earnings/(loss) per share	(1.11)	(0.97)
	$	$
Loss used in the calculation of basic and diluted EPS	(10,831,876)	(8,054,784)
	Number	Number
Weighted average number of ordinary shares on issue during the period used in the calculation:		
Basic	979,134,452	828,997,036
Diluted	979,134,452	828,997,036

8. CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Cash at bank	960,899	22,726
Short term deposits (i)	2,920,243	1,765,523
Term deposits (ii)	2,000,000	5,000,000
	5,881,142	6,788,249

(i) Short term deposits are cash deposits due on demand paying an interest rate of 0.5% (2016: 0.7%) per annum.

(ii) Term deposits are cash deposits maturing over periods between 1 and 3 months and paying interest rates between 2.00% and 2.50% per annum (2016: 1.7% - 2.0%).

9. TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Current		
Trade debtors	111,717	-
Progress claim receivable for data capture system (i)	1,284,176	223,277
Accrued interest on deposits	-	3,241
GST recoverable	150,691	104,868
Other debtors and prepayments	112,158	90,048
	1,658,742	421,434

(i) Progress claim receivable

Contract costs incurred	13,058,685	2,319,564
Less: Progress payments received	(11,774,509)	(2,096,287)
Receivable as at reporting date	1,284,176	223,277

10. CONTROLLED ENTITIES

Controlled entities of Spookfish Limited:

Name	Country of Incorporation	Ownership Interest 2017 %	Ownership Interest 2016 %
Spookfish Global Operations Pty Ltd	Australia	100	100
Spookfish Australia Pty Ltd	Australia	100	100
Spookfish Innovations Pty Ltd	Australia	100	100
Spookfish Aviation Pty Ltd	Australia	100	100
Geospatial Investments Pty Ltd	Australia	100	100
Mystic Sands Pty Ltd (i)	Australia	N/A	100
Spookfish Option Share Trust (ii)	Australia	N/A	N/A

(i) This entity was de-registered on 22 November 2016.

(ii) The Group is deemed to have control over the trust under the accounting standards.

11. PLANT AND EQUIPMENT

	2017 $	2016 $
At cost	4,273,848	2,247,434
Accumulated depreciation	(1,345,982)	(718,770)
	2,927,866	1,528,664

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial period:

Plant and equipment		
Balance at the beginning of the year	1,528,664	446,062
Additions	2,301,583	1,554,656
Disposals and write offs	-	-
Depreciation expense	(902,381)	(472,054)
Carrying amount at the end of the year	2,927,866	1,528,664

12. INTANGIBLE ASSETS

	2017 $	2016 $
Technology Asset		
At cost- Intellectual property rights[1]	6,496,840	6,496,840
Accumulated amortisation	-	-
Total	6,496,840	6,496,840

Movements in the carrying amount between the beginning and end of the current financial period:		
Technology Asset		
Balance at the beginning of the year	6,496,840	6,496,840
Carrying amount at the end of the year	6,496,840	6,496,840
Software		
Balance at the beginning of the year	-	7,973
Amortisation expense	-	(7,973)
Carrying amount at the end of the year	-	-

[1] Intellectual property rights acquired through the acquisition of the Spookfish business during the 2015 financial year are not yet available for use and have been tested for impairment by management as at 31 December 2017.

13. OTHER NON-CURRENT ASSETS

	2017 $	2016 $
Loan Receivable – Employee share plan*	500,000	500,000
Security deposit on Bentley office lease	54,132	30,799
	554,132	530,799

*The remuneration arrangements of director Jason Marinko include an incentive package comprising the right to acquire up to 12,500,000 (2016: 12,500,000) ordinary shares on satisfaction of certain hurdles within 5 years and on payment pursuant to a non-interest bearing loan with the Group at a vesting price of $0.04 per share. At year-end, 12,500,000 (2016: 12,500,000) ordinary shares had been issued on satisfaction of hurdles but remain in escrow pending repayment of the outstanding loan. The loan receivable is secured against the shares issued and repayable upon the earliest of:

- 1 month after the date of resignation;
- 6 months after death;
- the date which is 5 years from the date on which the company advances the loan.

14. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current- Unsecured		
Trade creditors	2,225,894	411,783
Employment expense related creditors	141,714	124,384
Other creditors and accrued expenses	214,893	140,401
	2,582,501	676,568

15. BORROWINGS

Convertible Notes	2017 $	2016 $
Opening balance	6,002,735	-
Initial valuation on issue	-	6,002,735
Fair value transfer to equity	-	(385,888)
Finance costs expensed to date	-	385,888
Conversion to equity	(6,002,735)	-
	-	6,002,735

Under the terms of the agreement between the Group and EagleView Technologies Inc ('EagleView') on 31 May 2016, EagleView invested an amount of $6,002,735 through convertible notes with the following terms:

- Number of notes – 100,045,583;
- Face value - $0.06 each;
- Each note was convertible into one fully paid ordinary share;
- The notes were interest free;
- The notes did not entitle the holder to dividends or voting rights; and
- The notes automatically converted into shares upon EagleView's acceptance of delivery of the first data capture system to be delivered in accordance with the Agreements on 29 June 2017.

The convertible notes were considered to be compound financial instruments and as such were independently valued in accordance with AASB 132.

16. PROVISIONS

	2017 $	2016 $
Provision for employee benefits - current	287,122	196,785
Provision for employee benefits – non current	29,205	-
	316,327	196,785

The provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount presented as current when the Group does not have an unconditional right to defer settlement. Based on past experience, for the amounts disclosed as current, the Group does expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

17. ISSUED CAPITAL AND RESERVES

	2017		2016	
	Number	$	Number	$
(a) Issued and paid-up share capital				
Ordinary shares, fully paid	1,075,446,204	53,415,985	835,213,943	37,514,242
Movements in ordinary shares:				
Opening balance	835,213,943	37,514,242	820,410,256	36,953,163
Issue of shares upon conversion of options at 5.0 cents each	6,664,287	333,214	13,582,143	679,107
Issue of shares upon conversion of options at 2.5 cents each	5,500,000	137,500	-	-
Issue of shares upon conversion of options at 8.6 cents each	2,000,000	172,000	-	-
Issue of shares upon conversion of convertible notes at 6 cents each	100,045,583	6,388,623	-	-
Issue of shares upon vesting and exercise of employee performance rights at nil cost	2,022,391	-	1,221,544	-
Placement issue at an issue price of 7.5 cents each in May 2017	124,000,000	9,300,000	-	-
Transaction costs arising from issue of securities	-	(429,594)	-	(118,028)
Closing balance	1,075,446,204	53,415,985	835,213,943	37,514,242

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders' meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Share Options

Options to subscribe for ordinary shares in the Company have been granted as follows:

2017	Exercise price	Expiry date	Opening balance *Number*	Options granted *Number*	Options exercised/ expired	Balance at end of year *Number*
Unlisted options	$0.050	30-Nov-18	58,917,857	-	(6,664,287)	52,253,570
Unlisted options	$0.025	3-Feb-19	7,500,000	-	(5,500,000)	2,000,000
Unlisted options	$0.086	4-Jul-17	2,000,000	-	(2,000,000)	-
Unlisted options	$0.090	10-Aug-21	52,655,569	-	-	52,655,569
Unlisted options	$0.120	10-Aug-21	54,261,260	-	-	54,261,260
Unlisted options	$0.060	28-Feb-20	42,800,000	-	-	42,800,000
Unlisted options	$0.040	21-Jun-21	12,500,000	-	-	12,500,000
Unlisted options	$0.100	18-Sep-21	-	20,000,000	-	20,000,000
			230,634,686	20,000,000	(14,164,287)	236,470,399

2016	Exercise price	Expiry date	Opening balance *Number*	Options issued *Number*	Options exercised/ expired	Balance at end of year *Number*
Unlisted options	$0.050	30-Nov-18	72,500,000	-	(13,582,143)	58,917,857
Unlisted options	$0.025	3-Feb-19	7,500,000	-	-	7,500,000
Unlisted options	$0.090	10-Aug-21	-	52,655,569	-	52,655,569
Unlisted options	$0.120	10-Aug-21	-	54,261,260	-	54,261,260
Unlisted options	$0.060	28-Feb-20	-	42,800,000	-	42,800,000
Unlisted options	$0.040	21-Jun-21	-	12,500,000	-	12,500,000
Unlisted options	$0.086	4-Jul-17	-	2,000,000	-	2,000,000
			80,000,000	164,216,829	(13,582,143)	230,634,686

(c) Capital risk management

The Group's primary objective when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

The Group's working capital, being current assets less current liabilities excluding amounts to be settled by way of shares, has decreased from $6,336,330 at 31 December 2016 to $4,670,261 at 31 December 2017.

Due to the nature of the Group's activities, being the development and commercialisation of geospatial imagery technology, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior period.

(d) Reserves

Share Based Payments Reserve	2017 $	2016 $
Opening balance	4,687,772	2,321,729
Share based payments expense	1,046,017	2,366,043
	5,733,789	4,687,772

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. The reserve is also used to record the value of share based payments provided to suppliers where relevant.

(e) Other equity

This reserve is used to record the fair value of the equity component on the valuation of the convertible notes issued. The amount as at 31 December 2017 is $Nil (2016: $385,888). Refer to Note 15.

18. SHARE BASED PAYMENTS

The Company has recognised the following amounts as expenses relating to share based payments for the year.

	2017	2016
	$	$
Share based payments to directors – performance rights	-	(75,951)
Share based payments to KMP – options	162,900	49,399
Share based payments to employees – performance rights	501,597	178,206
Share based payments to Eagleview Technologies Inc. - options	381,520	2,196,389
Share based payments to suppliers - options	-	18,000
	1,046,017	2,366,043

(a) Share based payment to directors - performance rights

On 21 August 2014, the Company and Mr Marinko entered into a director appointment agreement where, upon satisfaction of the milestones set out in the schedule below, Mr Marinko was granted the right to acquire up to 25,000,000 ordinary shares at a price of 4 cents per share. When milestones are met the shares are issued and are held in escrow pending repayment to the Company of a non-recourse loan equivalent to the agreed acquisition cost. The first tranche of 2,500,000 shares vested upon execution of the agreement and the remaining shares were established in four additional tranches according to their vesting conditions as set out below. Fair value at the grant date was determined using the binomial option pricing model inputs as follows:

	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Number of rights	5,000,000	5,000,000	7,500,000	5,000,000
Vesting milestone	The Group's share price trading at a 5 day vwap of $0.05 or more.	The Group's share price trading at a 5 day vwap of $0.07 or more.	The Group's share price trading at a 5 day vwap of $0.10 or more.	The Group's share price trading at a 5 day vwap of $0.15 or more.
Exercise price	$0.04	$0.04	$0.04	$0.04
Grant Date	21 Aug 2014	21 Aug 2014	21 Aug 2014	21 Aug 2014
Expiration Date	21 Aug 2019	21 Aug 2019	21 Aug 2019	21 Aug 2019
Vested	30 Nov 2014	19 Feb 2015	-	-
Weighted average life of performance rights	1250 days	1250 days	1250 days	1250 days
Underlying share price at grant date	$0.035	$0.035	$0.035	$0.035
Volatility	100%	100%	100%	100%
Risk free rate	2.55%	2.55%	2.55%	2.55%
Value per right	$0.0223	$0.0241	$0.0229	$0.0220
Total value	$111,400	$120,352	$171,525	$110,100
Expensed - 2014	$111,400	$8,035	$11,900	$7,623
Expensed - 2015	-	$112,317	$34,366	$22,062
Reversed - 2016	-	-	($46,266)	($29,685)
Unexpensed balance	-	-	-	-

Tranches 2 and 3 of the rights vested prior to 31 December 2015 and shares were issued, which remain in escrow pending repayment of the outstanding loan. On 15 April 2016 the company agreed with Mr Marinko to cancel by forfeiture unvested tranches 4 and 5 resulting in a reversal of previously expensed amounts of $75,951.

(b) Share based payment to KMP - options

On 22 June 2016, following shareholder approval, the company issued 12,500,000 options to the Spookfish Option Share Trust for the benefit of Mr Marinko, which are exercisable at 4 cents each on or before 21 June 2021 subject to Mr Marinko remaining as a director and satisfaction of certain vesting milestones. The options were established in two tranches based on their vesting milestones and binomial option pricing model inputs were used to determine the fair value at the grant date as follows:

	Tranche 1	Tranche 2
Number of options	7,500,000	5,000,000
Vesting milestones	The Group's share price trading at a 10 day vwap of $0.10 or more.	The Group's share price trading at a 10 day vwap of $0.15 or more.
Exercise price	$0.04	$0.04
Expiration date	21 Jun 2021	21 Jun 2021
Underlying share price at grant	$0.06	$0.06
Expected volatility	67%	67%
Risk free interest rate	1.765%	1.765%
Weighted average expected life of options (years)	5	5
Expected dividends	Nil	Nil
Fair value per option	$0.0387	$0.0369
Total value	$290,250	$184,500
Expensed - 2016	$30,202	$19,197
Expensed - 2017	$58,177	$36,981
Unexpensed balance	$201,871	$128,322

Under the terms of an Executive Services Agreement dated 18 September 2017 with Mr Jason Waller the company granted 20,000,000 options exercisable on or before 18 September 2021 at 10 cents each, subject Mr Waller continuing to be employed as Chief Executive Officer and satisfaction of certain vesting milestones. The options were established in four tranches based on their vesting milestones and trinomial barrier option pricing model inputs were used to determine the fair value at the grant date as follows:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Number of options	5,000,000	5,000,000	5,000,000	5,000,000
Vesting milestones	The Group's share price trading at a 10 day vwap of $0.10 or more.	The Group's share price trading at a 10 day vwap of $0.15 or more.	The Group's share price trading at a 10 day vwap of $0.20 or more.	The Group's share price trading at a 10 day vwap of $0.25 or more.
Exercise price	$0.10	$0.10	$0.10	$0.10
Expiration date	18 Sep 2021	18 Sep 2021	18 Sep 2021	18 Sep 2021
Underlying share price at grant	$0.087	$0.087	$0.087	$0.087
Expected volatility	77%	77%	77%	77%
Risk free interest rate	2.3%	2.3%	2.3%	2.3%
Weighted average expected life of options (years)	4	4	4	4
Expected dividends	Nil	Nil	Nil	Nil
Fair value per option	$0.0481	$0.0480	$0.0475	$0.0466
Total value	$240,500	$240,000	$237,500	$233,000
Expensed - 2017	$17,131	$17,096	$16,918	$16,597
Unexpensed balance	$223,369	$222,904	$220,582	$216,403

At balance date these options had not been formally issued to Mr Waller. They have been expensed with effect from the date of entitlement on 18 September 2017.

(c) Share based payment to employees – performance rights

During the year, pursuant to the Spookfish Performance Rights Plan, the company granted to a number of employees as part of their remuneration the right to acquire up to a total of 6,599,453 (2016: 3,664,622) ordinary shares for no cost, which were divided into three tranches based on their vesting conditions. The tranches vest subject to the individual employees concerned remaining employed by the Spookfish Group on nominated dates and once vested may be exercised at the discretion of the employee. Fair value is determined at grant date based on the underlying share price at the date of issue and the estimated probability of vesting occurring, as follows:

	FY 16 Tranche 1	FY 16 Tranche 2	FY 16 Tranche 3	FY 17 Tranche 1	FY 17 Tranche 2	FY 17 Tranche 3	Total
Number of rights	1,221,544	1,221,541	1,221,537	2,199,823	2,199,820	2,199,810	10,264,075
Exercised 2016	(1,221,544)	-	-	-	-	-	(1,221,544)
Exercised 2017	-	(1,221,541)	-	(800,850)	-	-	(2,022,391)
Oustanding	-	-	1,221,537	1,398,973	2,199,820	2,199,810	7,020,140
Exercise price	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	-
Underlying price at grant	$0.069	$0.069	$0.069	$0.084	$0.084	$0.084	-
Vesting date	31 Oct 2016	1 Jan 2017	1 Jan 2018	1 Jul 2017	1 Jan 2018	1 Jan 2019	-
Total value	$84,287	$84,286	$84,286	$184,785	$176,879	$159,190	$773,713
Expensed 2016	$84,287	$84,286	$12,041	-	-	-	$180,614
Expensed 2017	-	-	$72,245	$184,785	$176,879	$67,687	$501,596
Unexpensed balance	-	-	-	-	-	$91,503	$91,503

(d) Share based payments to Eagleview Technologies Inc. - options

Pursuant to strategic North American partnership agreements entered into with Eagleview Technologies Inc ("Eagleview") in May 2016, on 11 August 2016 the company issued a total of 149,716,829 options to acquire ordinary shares in the company. These options were issued in four tranches of options with varying terms and binomial option pricing model inputs were used to determine the fair value at the grant date as follows:

	Tranche 1	Tranche 2	Tranche 3 (Milestone A)	Tranche 4 (Milestone B)
Number of options	52,655,569	54,261,260	19,022,222	23,777,778
Vesting milestone	Royalties from Eagleview to Spookfish reach USD$10M in a 12 month period	Royalties from Eagleview to Spookfish reach USD$20M in a 12 month period	**Either** Spookfish cumulative revenues reach $20M **Or** the Group's share price trades at a 20 day vwap of $0.18 before 28 Feb 2019	**Either** Spookfish cumulative revenues reach $36M **Or** the Group's share price trades at a 20 day vwap of $0.18 before 28 Feb 2020
Exercise price	$0.09	$0.12	$0.06	$0.06
Grant Date	11 Aug 2016	11 Aug 2016	11 Aug 2016	11 Aug 2016
Expiration Date	10 Aug 2021	10 Aug 2021	28 Feb 2020	28 Feb 2020
Underlying share price at grant date	$0.067	$0.067	$0.067	$0.067
Volatility	84%	84%	85%	85%
Estimated term to vesting (days)	872	1,053	-	-
Risk free rate	1.41%	1.41%	1.54%	1.54%
Value per option	$0.041	$0.037	$0.034	$0.039
Total value	$1,942,990	$1,405,367	$646,756	$927,333
Expensed - 2016	$351,560	$270,739	$646,756	$927,333
Expensed - 2017	$342,658	$38,862		
Unexpensed balance	$1,248,772	$1,095,766	-	-

(e) Share based payments to suppliers - options

In the 2016 share based payments to suppliers were provided to a service provider on 5 July 2016 under a contract for the provision of defined services. A total of 2,000,000 options over fully paid shares were issued for services rendered at a deemed value of $18,000. The options were exercised at 8.6 cents each in July 2017.

19. CASH FLOW INFORMATION

	2017	2016
	$	$
Reconciliation of cash flows from operating activities with profit/(loss) after income tax		
(Loss) for the year after income tax	(10,831,876)	(8,054,784)
Adjustments for:		
Gain from disposal of assets	(96,707)	-
Depreciation and amortisation	902,381	480,027
Share based payments	1,046,017	2,366,042
Notional interest on convertible notes	-	385,888
	(8,980,185)	(4,822,827)
Change in trade and other receivables	(1,247,356)	(235,691)
Change in trade and other payables	1,915,980	(56,339)
Change in provisions	119,542	92,892
Net cash outflows from operating activities	**(8,192,019)**	**(5,021,965)**

20. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

During the year, the business of the Group consisted of one operating segment, namely the commercialisation of premium geospatial imagery products and services, and in one geographical segment, being Australia.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in these financial statements.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied in these financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

21. TRANSACTIONS WITH RELATED PARTIES

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Group and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 5.

On 15 April 2016 the Company agreed with director Jason Marinko to cancel by forfeiture his rights to 12,500,000 incentive shares, which had not vested (refer to Note 18). An interest free, non-recourse loan of $500,000 (being the exercise price of 4 cents per share) remains outstanding in relation to 12,500,000 incentive shares previously issued to Mr Marinko, which have vested and which will only be released to Mr Marinko upon repayment of the loan. The loan balance is included in other non-current assets in the statement of financial position.

On 22 June 2016, following shareholder approval, the company issued 12,500,000 options to the Spookfish Option Share Trust ('OST') for the benefit of Jason Marinko as part of his executive remuneration program, which are exercisable at 4 cents per share on or before 21 June 2021 subject to satisfaction of certain vesting conditions (refer to Note 18).

Mr Jason Waller was appointed as Chief Executive Officer of the Spookfish Group effective 18 September 2017. Under the terms of his executive service agreement Mr Jason Waller is entitled to be issued with 20,000,000 options over fully paid ordinary shares in the company which vest in four tranches upon satisfaction of the milestones set out below within 4 years and payment of $0.10 per share (refer to Note 18).

During the year $7,660,892 (2016: $2,814,288) was paid for aeronautical engineering and allied services to Innovaero Pty Ltd and Structured Design Pty Ltd, companies in which Mr von Bertouch is a director and has a beneficial interest. The outstanding amount payable to these companies at 31 December 2017 was $1,344,655 (2016: $295,483), which is included in trade creditors. In addition Mr Von Bertouch received consulting fees through Innovaero Pty Ltd and Structured Design Pty ltd to the value of $250,000 (2016: $250,000) as disclosed in Note 5.

Other than the above, there have been no further transactions with Key Management Personnel.

22. PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the parent entity.

Financial Position	**2017 $**	**2016 $**
Assets		
Current assets	5,005,839	6,414,553
Non-current assets	8,326,985	8,278,512
Total assets	13,332,824	14,693,065
Liabilities		
Current liabilities	104,926	6,065,513
Total liabilities	104,926	6,065,513
Net assets	13,227,898	8,627,552
Equity		
Issued capital	53,415,985	37,514,242
Reserves	5,733,789	5,110,522
Other equity	-	385,888
Accumulated losses	(45,921,876)	(34,383,100)
Total equity	13,227,898	8,627,552
Financial Performance		
(Loss) for the year	(11,538,776)	(8,739,879)
Other comprehensive income	-	-
Total comprehensive (loss)	(11,538,776)	(8,739,879)

Guarantees of the Parent Entity

There are no guarantees provided by the parent entity other than as disclosed in Note 25.

Contingent Liabilities of the Parent Entity

There are no contingent liabilities of the parent entity other than as disclosed in Note 25.

Commitments for the acquisition of property, plant and equipment by the Parent Entity

There are no capital commitments of the parent entity.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except that investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

23. FINANCIAL INSTRUMENTS

Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The Group does not speculate in the trading of derivative instruments. The main risks the Group is exposed to through its financial instruments are:

- Market risk
- Interest rate risk
- Liquidity risk
- Credit risk

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The board as a whole has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return

Interest rate risk

The Group has interest rate exposure to the cash and other financial assets (term deposits) held at bank, which are subject to both fixed and variable interest rates. Interest rate risk results principally from changes in the benchmark interest rate. However, as the interest earned on deposited cash is fixed, the Group has elected not to actively manage this interest rate outside of ordinary monitoring activities.

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

23. FINANCIAL INSTRUMENTS (Cont.)

The effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

Year ended 31 December 2017

CHANGE IN LOSS	Change $
Increase in interest rate by 200 basis points	+117,623
Decrease in interest rate by 200 basis points	-117,623

CHANGE IN EQUITY	Change $
Increase in interest rate by 200 basis points	+117,623
Decrease in interest rate by 200 basis points	-117,623

Year ended 31 December 2016

CHANGE IN LOSS	Change $
Increase in interest rate by 200 basis points	+135,765
Decrease in interest rate by 200 basis points	-135,765

CHANGE IN EQUITY	Change $
Increase in interest rate by 200 basis points	+135,765
Decrease in interest rate by 200 basis points	-135,765

The interest rate profile of the Group's interest-bearing financial instruments is provided further below.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

The details of the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, is provided further below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

23. FINANCIAL INSTRUMENTS (Cont.)

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, 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.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The Board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. All of the Group's surplus funds are invested with AA Rated financial institutions.

The credit risk for counterparties included in cash and cash equivalents is detailed below:

	2017 $	2016 $
Financial Assets		
Cash and cash equivalents and term deposits		
- Cash and cash equivalents AA rated counterparties	960,899	22,726
-Term and short term deposits AA rated counterparties	4,920,243	6,765,523
Total	5,881,142	6,788,249

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the statement of financial position.

31 December 2017	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing in 1 year or less $	Total $
Financial assets					
Cash	-	-	-	960,899	960,899
Cash deposits	-	4,920,243	-	-	4,920,243
Receivables	-	-	-	1,658,742	1,658,742
	-	4,920,243	-	2,619,641	7,539,884
Weighted average Interest rate	-	2.13%	-	-	-
Financial Liabilities					
Payables	-	-	-	2,582,501	2,582,501
	-	-	-	2,582,501	2,582,501
Weighted average interest rate	-	-	-	-	-

23. FINANCIAL INSTRUMENTS (Cont.)

31 December 2016	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing in 1 year or less $	Total $
Financial assets					
Cash	-	-	-	22,726	22,726
Term deposits	-	6,765,523	-	-	6,765,523
Receivables	-	-	-	421,434	421,434
	-	6,765,523	-	444,160	7,209,683
Weighted average interest rate	-	1.5%	-	-	-
Financial Liabilities					
Payables	-	-	-	676,568	676,568
	-	-	-	676,568	676,568
Weighted average interest rate	-	-	-	-	-

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss due to fair value changes.

The Group’s income and operating cash flows are substantially independent of changes in market interest rates.

Net fair value

The fair value has been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

24. COMMITMENTS

	2017 $	2016 $
No longer than one year:		
Lease commitments – premises	151,718	66,248
Other	365,148	281,868
Sub Total	516,866	348,116
Longer than one year, but no longer than five years:		
Lease commitments – premises	73,848	-
Other	330,983	446,291
Sub Total	404,831	446,291
	921,697	794,407

25. CONTINGENT LIABILITIES

Under the terms of the agreement entered into by the Company to acquire Spookfish Innovations Pty Ltd (previously Spookfish Pty Ltd) and Geospatial Investments Pty Ltd in 2015, the Company will be required to issue certain additional 'milestone shares' to the vendors and advisers, if certain specified conditions are met as follows:

i) 171,200,000 Milestone 1 shares will be issued upon the achievement by 3 February 2019 of either cumulative consolidated revenue of $20,000,000 or a value weighted average share price of $0.18;

ii) 214,000,000 Milestone 2 shares will be issued upon the achievement by 3 February 2020 of either cumulative consolidated revenue of $36,000,000 or a value weighted average share price of $0.18;

iii) In the event of a successful takeover of the Company or controlled entity between 4 February 2017 and the relevant expiry date, thirteen of every twenty unissued milestone shares will be issued, subject to certain pro-rata conditions if specified dilution thresholds are exceeded.

Under the terms of the License, Royalty and Equity Agreement with EagleView Technologies Inc. ('EagleView'), the Group supplies spatial imagery capture systems to Eagleview and Eagleview pays the Group amounts equal to the cost of those systems in progress instalments. If for any reason the Group elects not to renew this agreement on the due date, EagleView may elect to return capture systems in use. In this event, EagleView are entitled to a refund equal to their book value, based on a straight-line, five-year depreciation schedule. At reporting date Spookfish has manufactured and delivered several systems for Eagleview which have a gross cost value, including progress payments and outstanding receivables, of $9,705,222 (2016: $2,319,564). After depreciation the notional contingent liability at year-end would be $9,451,343 (2016: $2,319,564).

The Group leases office premises in Bentley, Western Australia and the lease is secured by a bank guarantee issued by Westpac Banking Corporation. The bank guarantee is in turn secured by a cash deposit of $54,132 (2016: $30,799), which is included in other non-current assets.

Other than the above, there were no other contingent liabilities at 31 December 2017.

26. SUBSEQUENT EVENTS

On 9 January 2018 the Company announced that Eagleview Technologies Inc. had placed their second large-scale block order for camera capture systems for operations in North America. The order included a significant upfront deposit, which was received in January. Production has commenced and delivery of systems is expected to commence in the second quarter of 2018.

On 10 January 2018 the Company received an amount, including overdue payment interest, of $2,702,335 in respect of a Research & Development incentive rebate for the financial year to 30 June 2017.

No other matter or circumstance has arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2017

In accordance with a resolution of the directors, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Spookfish Limited for the financial year ended 31 December 2017 are in accordance with the Corporations Act 2001, including:

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

      (ii) complying with Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) The financial statements and notes also comply with International Financial Reporting Standards; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the chief executive officer and chief financial officer in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2017.

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

Mr Jason Marinko
Chairman

Dated: 28 February 2018

RSM

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SPOOKFISH LIMITED

Opinion

We have audited the financial report of Spookfish Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

(ii) 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 Group 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Intangible Assets Refer to Note 12 in the financial statements	
Intangible assets are stated at $6,496,840 as at 31 December 2017 and comprise the intellectual property rights acquired through the acquisition of the Spookfish business in 2015 (IP asset). The IP asset is not yet available for use and is therefore, subject to an annual impairment test by management. Management's assessment involved: • Evaluating the current status of the IP asset and future development plans to determine whether the IP asset is available for use as at 31 December 2017 for the purposes of determining whether amortisation of the IP asset should commence; and • Evaluating whether any events have occurred to indicate that the IP asset's recoverable amount may be materially less than its carrying amount. We determined this to be a key audit matter due to management's assessment requiring significant judgement and the risk that the outcome of this assessment could result in a material misstatement to the carrying value of the IP asset if applied incorrectly.	Our audit procedures in relation to the intangible asset included: • Assessing whether the Group's accounting policy in relation to intangible assets is in compliance with Australian Accounting Standards; • Assessing management's determination that at 31 December 2017, the IP asset is not yet available for use; and • Assessing whether there are any indicators of impairment of the IP asset as at 31 December 2017.
Recognition of Revenue Refer to Note 2 in the financial statements	
For the year ended 31 December 2017, the Group has recognised revenue from the development and manufacture of aerial image capture systems of $13,062,758. We determined revenue recognition to be a key audit matter due to the following: • The balance is significant to the Group and there are risks associated with management override, completeness and accuracy of sales and the timing of revenue recognition for sales occurring on or around year end; • Revenue is comprised of several revenue streams, some with multiple-element contract	Our audit procedures in relation to the Group's revenue recognition included: • Assessing whether the Group's accounting policy in relation to revenue recognition is in compliance with Australian Accounting Standards; • On a sample basis, for each revenue stream, we agreed the revenue amounts to various supporting documentation including a combination of approved contracts, work programmes, purchase orders and proof of delivery documents to assess that the revenue recognition criteria were met for recognised sales;

arrangements and contract terms that impact on the timing of revenue recognition which could have a material impact on the financial statements if recognised incorrectly; • Management must exercise significant judgement in the assessment of the recoverability of costs incurred to date for revenue recognised in accordance with *AASB 111 – Construction Contracts*.	• Assessing whether the costs incurred are recoverable under the terms of the agreement; • Reviewing sale transactions occurring on and around the reporting date to ensure that revenue had been recognised in the correct period; and • Performing testing on journals to identify any management override of internal controls related to revenue recognition.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the 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 Group 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 Group 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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Spookfish Limited, for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2018

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement reports the governance processes and procedures in place at Spookfish Limited as at 28 February 2018 and has been approved by the board of the Company as at that date. This Corporate Governance Statement is also provided on our website at www.spookfish.com, together with copies of our Board and Board Committee Charters and some of the Company's key policies. The ASX Appendix 4G, which is a checklist cross-referencing the third edition of the ASX Corporate Governance Principles and Recommendations to the relevant disclosures in Spookfish' Corporate Governance Statement and 2017 Annual Report is also provided on that webpage.

Commitment to Good Governance

The directors of Spookfish Limited ("Spookfish" or the "Company") believe that effective corporate governance improves company performance, enhances corporate social responsibility and benefits all stakeholders. Governance practices are not a static set of principles and the company assesses its governance practices on an annual basis. Changes and improvements are made in a substance over form manner, which appropriately reflect the changing circumstances of the company as it grows and evolves. Accordingly, the Board has established a number of practices and policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company.

The Company has a corporate governance section on the website at www.spookfish.com. The section includes details on the company's governance arrangements and copies of relevant policies and charters.

ASX Corporate Governance Council's Principles and Recommendations (3rd Edition)

Spookfish reviews all of its corporate governance practices and policies on an annual basis to ensure they are appropriate for the Company's current stage of development. This year, the review was made against the new ASX Corporate Governance Council's Principles and Recommendations (third edition) ("CGRs").

The following table outlines which of the ASX recommendations the Company has not complied with. Reasons for non-compliance are explained in this report.

Recommendation	Nature of departure	Explanation for departure
2.1	The company does not have a nomination committee.	The role of the nomination committee is assumed by the full Board in accordance with the committee charter available on the Company's website www.spookfish.com (under the corporate governance tab). The size and scope of the company's activities does not justify the establishment of such a committee.
4.1, 4.2, 4.4, 4.5	The company does not have an audit committee.	The role of the audit committee is assumed by the full Board in accordance with the committee charter available on the Company's website www.spookfish.com (under the corporate governance tab). The size and scope of the company's activities does not justify the establishment of such a committee.
7.1 , 7.3, 7.4	The company does not have a risk committee.	The role of the risk committee and internal audit function is assumed by the full Board in accordance with the committee charter available on the Company's website www.spookfish.com (under the corporate governance tab). The size and scope of the company's activities does not justify the establishment of such a committee. Business risk is continually assessed by the Board in accordance with the Company's risk management and internal compliance and control policy.

Recommendation	Nature of departure	Explanation for departure
8.1, 8.2 , 8.3	The company does not have a remuneration committee.	The role of the remuneration committee is assumed by the full Board who apply the Company's Remuneration Policy and in accordance with the committee charter available on the Company's website www.spookfish.com (under the corporate governance tab). The size and scope of the company's activities does not justify the establishment of such a committee. No director participates in any deliberation regarding their own remuneration or related issues.

The role of the Board

The role of the board of Directors is to provide strategic guidance to the Company (and its related bodies corporate), effective oversight of management and to provide a sound base for a culture of good corporate governance within the Company. The Board will always retain ultimate authority over the management and staff of the Company and its related bodies corporate.

In performing its role, the Board should act, at all times:

(a) in recognition of its overriding responsibility to act honestly, fairly and in accordance with the law in serving the interests of the Company, its shareholders, as well as its employees, customers and the community;

(b) in a manner designed to create and continue to build sustainable value for shareholders;

(c) in accordance with the duties and obligations imposed upon them by the Company's constitution and applicable law; and

(d) with integrity and objectivity, consistently with the ethical, professional and other standards set out in the Company's corporate governance policies.

Responsibilities of the Board

The responsibilities of the Board include:

(a) represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;

(b) protect and optimise the Company's performance and build sustainable value for Shareholders;

(c) set, review and ensure compliance with the Company's values and governance framework; and

(d) ensure that Shareholders are kept informed of the Company's performance and major developments.

Composition of the Board

Under the Company's constitution, the minimum number of Directors is three and the maximum number is ten. The Board currently comprises of 4 Directors, namely Jason Marinko, Simon Cope, Shannon Robinson and Martin Ripple. The Directors consider the size and composition of the Board is appropriate given the current size and status of the Company.

Each Director is bound by all of the Company's charters, policies and codes of conduct. If the Board determines it is appropriate or necessary, they may establish committees to assist in carrying out various responsibilities of the Board. Such committees will be established by a formal charter.

The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board.

Independence of Directors

The Board considers the issue of independence with regard to a set of questions outlined in the Board charter. The issue is considered in light of a materiality threshold relevant to the particular time of the issue.

Diversity

The Company is committed to workplace diversity through acting in fairness and without prejudice. The Company believes that decision-making is enhanced through diversity and supports and encourages diversity at all levels of the organisation in accordance with the Company's Diversity Policy, a copy of which is located at: www.spookfish.com.

Under the principles outlined in the Company's Nomination and Remuneration Committee Charter the Board is responsible for setting measurable objectives for achieving gender diversity and annually reviewing any such objectives and the Company's progress towards achieving them. A copy of the Nomination and Remuneration Committee Charter is available at: www.spookfish.com.

Given the size of the Company the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

At 31 December 2017 the Company had a total of 2 female employees out of a total of 34 employees, with no female employees in senior management positions and 1 female director on the board.

Independent professional advice

The Directors are entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities. Such advice may be sought in accordance with the procedures set out in the Board charter.

Securities trading policy

The Company has adopted a formal policy for dealing in the Company's securities by Directors and employees and their related entities (in accordance with Listing Rule 12.9).

The securities trading policy regarding allowable dealings is that those persons should:

(a) not deal in the Company's securities while in possession of price sensitive, non-public information; and

(b) only trade in the Company's securities after receiving clearance to do so from a designated clearance officer, where clearance may not be provided in defined "black out periods".

The securities trading policy is available on the Company's website at www.spookfish.com.

Remuneration policy

The Company has adopted a remuneration policy designed to align individual and team reward and encourage executives to perform to their full capacity.

Remuneration packages may contain any or all of the following:

(a) annual salary base with provision to recognise the value of the individuals' personal performance and their ability and experience;

(b) rewards, bonuses, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;

(c) Share participation – the Company has implemented an employee incentive scheme by way of a performance rights plan and an employee share plan; and

(d) other benefits, such as holiday leave, sickness benefits, superannuation payments and long service benefits.

The Board will determine the appropriate level and structure of remuneration of the executive team and such consideration will occur each year on the recommendation of the Executive Directors.

The Board will review remuneration of the Executive Directors annually. Determination of Non-Executive Director's fees is with regard to the long-term performance of the Company.

Continuous disclosure policy

The Company, as a listed public company, is required to disclose price sensitive information to the market as it becomes known to comply with the continuous disclosure requirements of the Corporations Act and the Listing Rules.

The continuous disclosure policy of the Company ensures that all Shareholders and investors have equal access to the Company's information, to the extent practicable. Price sensitive information will be disclosed by way of an announcement to the ASX and placed on the Company's website.

Shareholder communication

The Board strives to ensure that Shareholders are provided with full and timely information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders:

(a) through the release of information to the market via the ASX;

(b) through the distribution of the annual report and notice of annual general meeting;

(c) through letters and other forms of communications directly to Shareholders; and

(d) by posting relevant information on the Company's website.

Ethical standards and business conduct

The Board recognises the need for Directors and employees to observe appropriate standards of behaviour and business ethics when engaging in corporate activity. Through its code of conduct, the Board intends to maintain a reputation for integrity. The Company's business ethics are founded on openness, honesty, fairness, integrity, mutual respect, ethical conduct and compliance with laws.

The standards set out in the code of conduct are required to be adhered to by officers and employees of the Company. The code of conduct and further details of these standards can be found on the Company's website.

ASX ADDITIONAL INFORMATION

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 12 February 2018.

Shareholding

At 12 February 2018 there are 1,075,525,788 ordinary fully paid shares on issue. All issued ordinary fully paid shares carry one vote per share.

Distribution of Shareholders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 – 1,000	51	17,951
1,001 – 5,000	58	201,358
5,001 – 10,000	582	4,756,210
10,001 – 100,000	1,475	60,354,851
100,001 – and over	731	1,010,185,418
Total	**2,897**	**1,075,525,788**

There were 358 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Shareholders

The names of the twenty largest holders of quoted equity securities are listed below:

	Name	Number of Shares	%
1.	Eagleview Technologies Inc.	130,712,250	12.15
2.	Hoperidge Enterprises Pty Ltd <Jones Family A/C>	76,633,333	7.13
3.	J P Morgan Nominees Australia Limited	30,365,172	2.82
4.	Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA A/C>	29,074,564	2.70
5.	Michael John von Bertouch <von Bertouch Family A/C>	25,430,065	2.36
6.	Simon John Cope <The Cope Family A/C>	24,180,065	2.25
7.	Optim8 Pty Ltd <The GIC Super Fund A/C>	20,341,664	1.89
8.	HSBC Custody Nominees (Australia) Limited	19,858,561	1.85
9.	National Nominees Limited	18,664,399	1.74
10.	Neil Douglas Rae + Mrs Melanie Rae <The Rae Family SF A/C>	16,000,000	1.49
11.	UBS Nominees Pty Ltd	15,990,399	1.49
12.	Motte & Bailey Pty Ltd <Bailey Super Fund A/C>	15,046,371	1.40
13.	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	14,258,611	1.33
14.	William Taylor Nominees Pty Ltd	12,944,781	1.20
15.	Turquoise Blue Pty Ltd <Bluehaven S/F A/C>	12,777,859	1.19
16.	Tessobel Pty Ltd <JEM Family A/C>	12,500,000	1.16
17.	Merrill Lynch (Australia) Nominees Pty Limited	11,723,278	1.09

	Name	Number of Shares	%
18.	James Taylor & Marion Taylor <ITS Management S/F A/C>	11,375,000	1.06
19.	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	10,087,031	0.94
20.	Peterlyn Pty Ltd <RPC Salmon Super Fund A/C>	9,625,056	0.89
	Total	**517,588,459**	**48.12**

Substantial Shareholders

Name	Number of Shares	%
Eagleview Technologies Inc.	130,712,250	12.15
Hoperidge Enterprises Pty Ltd <Jones Family A/C>	76,633,333	7.13

Options and Performance Rights

As at 12 February 2018 the Company has on issue 52,253,570 unlisted options ($0.05; 30 November 2018), 2,000,000 unlisted options ($0.025; 3 February 2019), 12,500,000 unlisted options ($0.04: 21 June 2021), 52,655,569 unlisted tranche 1 options ($0.09: 10 August 2021), 54,261,260 unlisted tranche 2 options ($0.12; 10 August 2021), 42,800,000 unlisted milestone options ($0.06; 28 February 2020), 20,000,000 unlisted options ($0.10; 18 September 2021), 1,221,537 unlisted performance rights ($Nil; 31 December 2019) and 5,798,603 unlisted performance rights ($Nil; 31 December 2020).

Milestone Shares

In addition there are rights to 171,200,000 Milestone 1 Shares and 214,000,000 Milestone 2 Shares if relevant Milestones are satisfied prior to the expiry date for the right to be issued the Milestone Shares.

(a) The performance milestones for the Milestone 1 Shares are:

(i) the achievement of:

(A) the Company and any Related Entity combined generating $20,000,000 of cumulative revenue; or

(B) the VWAP of the Shares being equal to or greater than $0.18,

each right to a Milestone 1 Share will result in the issue of one Share.

(ii) The milestone in paragraph (A) above must be achieved on or before 5.00pm (WST) on 3 February 2019.

(b) The performance milestones for the Milestone 2 Shares are:

(i) the achievement of:

(A) the Company and any Related Entity combined generating $36,000,000 of cumulative revenue; or

(B) the VWAP of the Shares being equal to or greater than $0.18,

each right to a Milestone 2 Share will result in the issue of one Share.

(ii) The milestone in paragraph (A) above must be achieved on or before 5.00pm (WST) on 3 February 2020.

(c) General Provisions applying to both Milestone 1 and Milestone 2 Shares

(i) If there is a Successful Takeover in relation to the Company or a Related Entity prior to the issue of all the Milestone Shares:

(A) on or prior to the date that is two years from the date of Completion, then on the date that the Successful Takeover occurs, for the right to every two Milestone Shares that have not already been issued one Share will be issued; and

(B) during the period after the date that is two years after Completion but prior to the Expiry Date, then on the date that the Successful Takeover occurs, for the right to every twenty Milestone Shares that have not already been issued thirteen Shares will be issued,

provided however, if the number of Shares to be issued as a result of the Milestone 1 Shares and the Milestone 2 Shares due to a Successful Takeover in relation to the Company or a Related Entity is in excess of 10% of the total fully diluted share capital of the Company at the time of the issue, then the number of Shares to be issued in respect of the Milestone 1 Shares and Milestone 2 Shares will be prorated so that the aggregate number of Shares issued for all Milestone 1 Shares and all Milestone 2 Shares that remain unissued is equal to 10% of the entire fully diluted share capital of the Company.

(ii) If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.

(iii) An application will be made by the Company to the ASX for official quotation of the Shares issued upon the issue of each Milestone Share within the time period required by the Listing Rules.

Restricted Securities subject to escrow period

The 385,200,000 Milestone Shares escrowed until milestone conditions are met or their expiry date. The 12,500,000 incentive shares issued to Mr Marinko are escrowed until repayment of the attaching loan or their expiry date.

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 31 December 2017.