

WhiteHawk CEC Inc.

(State File Number 5538590)

**Special Purpose Financial Statements
for the Year Ended 31 December 2015**

WhiteHawk CEC Inc.
2015 Financial Report

Table of Contents

	Page
Corporate Information	2
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Directors' Declaration	15
Auditor's Report	16

Corporate Information

WhiteHawk CEC Inc.

Executives

Terry Roberts	<i>Chief Executive Officer</i>
Luis Cruz-Rivera	<i>Chief Technology Officer</i>
Trevor Rudolph	<i>Chief Operating Officer (Resigned 13 October 2017)</i>
Shannon Hughes	<i>Chief Marketing Officer (Resigned 26 October 2017)</i>
Antonio Crespo	<i>Director of Product Development and Services</i>
Tiffany Jones	<i>Non-Executive Director</i>
Phillip George	<i>Non-Executive Director</i>

Registered Office

1765 Duke St
Alexandria VA 22314
United States of America

Website:

<http://www.whitehawk.com>

Accountant

Traverse Accountants
Level 3
35 Lime Street
Sydney NSW 2001
Australia

Auditor

RSM Australia Partners
Level 13
60 Castlereagh Street
Sydney NSW 2000
Australia

Lawyer

Steinepreis Paganin
Level 4, The Read Buildings,
16 Milligan Street
Perth WA 6000
Australia

WhiteHawk CEC Inc.
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Revenue from continuing operations	3	-	-
Other income	3	1,130	-
License fees and patent expense		(1,051)	-
Professional expenses		(29,224)	-
IT expenditure		(16,553)	-
Conference and travel expenditure		(15,494)	-
Office expenses		(10,245)	-
Finance costs		(45)	-
General and administration expenses		(1,067)	-
Loss before income tax		(72,549)	-
Income tax expense		-	-
Loss for the year		(72,549)	-
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>		-	-
Exchange differences on translating foreign operations, net of tax		559	-
Total comprehensive loss for the year		(71,990)	-

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

WhiteHawk CEC Inc.
Statement of Financial Position
As at 31 December 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	283,680	-
Trade and other receivables	5	-	1,079
Total Current Assets		283,680	1,079
Total Assets		283,680	1,079
LIABILITIES			
Current Liabilities			
Trade and other payables	6	6,642	-
Total Current Liabilities		6,642	-
Total Liabilities		6,642	-
Net Assets		277,038	1,079
EQUITY			
Contributed equity	7	349,028	1,079
Reserves	8	559	-
Accumulated losses		(72,549)	-
Equity		277,038	1,079

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

WhiteHawk CEC Inc.
Statement of Changes in Equity
For the year ended 31 December 2015

	Notes	Contributed equity \$	Accumulated Losses \$	Reserves \$	Total \$
2014					
22 May 2014		-	-	-	-
Loss for the year		-	-	-	-
Other comprehensive loss		-	-	-	-
Total comprehensive income		-	-	-	-
Share capital raised in the year		1,079	-	-	1,079
At 31 December 2014		1,079	-	-	1,079
2015					
At 1 January 2015		1,079	-	-	1,079
Loss for the year		-	(72,549)	-	(72,549)
Other comprehensive income		-	-	559	559
Total comprehensive (loss)/income		-	(72,549)	559	(71,990)
Share capital raised in the year	7	347,949	-	-	347,949
At 31 December 2015		349,028	(72,549)	559	277,038

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

WhiteHawk CEC Inc.
Statement of Cash Flows
For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Interest received		1,130	-
Payments to suppliers and employees		(67,037)	-
Net cash outflow from operating activities	11	(65,907)	-
 Cash flows from investing activities		 -	 -
Net cash from investing activities		-	-
 Cash flows from financing activities			
Proceeds of share issues		349,028	-
Net cash from financing activities		349,028	-
 Net increase in cash and cash equivalents		 283,121	 -
 Cash and cash equivalents at the beginning of the financial year		 -	 -
Foreign exchange adjustment to cash balance		559	-
Cash and cash equivalents at end of the year		283,680	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

1 Summary of significant accounting policies

These financial statements and notes represent those of WhiteHawk CEC Inc (the “Company”). WhiteHawk CEC Inc is a limited liability company incorporated in Delaware, USA.

Basis of preparation

The Directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the Directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes.

The accounting policies that have been adopted in the preparation of the statements are as follows:

Accounting policies

(a) Foreign currency translation

(i) *Functional currency*

Items included in the financial statements of the Company’s operations are measured using the currency of the primary economic environment in which it operates (‘the functional currency’). The functional currency of the Company is United States dollars (US\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

1 Summary of significant accounting policies (continued)

(ii) Presentation currency

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

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rate is recognised in the Foreign Currency Translation Reserve.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

1 Summary of significant accounting policies (continued)

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

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability 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, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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) a legally enforceable right of set-off exists; and (b) 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.

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

1 Summary of significant accounting policies (continued)

(d) Impairment of assets

At the end of each reporting period the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(e) Cash and cash equivalents

Cash and cash equivalents include 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-term borrowings in current liabilities on the statement of financial position.

(f) Trade and other receivables

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

(g) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Statement of Comprehensive Income as 'impairment expenses'. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

1 Summary of significant accounting policies (continued)

(h) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

(i) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(j) Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(k) New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(l) 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 company for the annual reporting period ended 31 December 2015. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

2 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The company remains in a development phase and consequently there is some uncertainty surrounding the availability of future taxable amounts to utilise tax losses. Management considers it prudent not to raise any deferred tax assets at this point in time.

License and patent expenses

There is a degree of judgement required in respect of the capitalisation of patent costs and the future commercial application thereof. The Company has adopted a prudent approach and all patent costs are currently expensed until there is more certainty around the commercialisation of the technology.

	2015 \$	2014 \$
3 Revenue and other income		
Other income		
Interest received	1,130	-
	<u>1,130</u>	<u>-</u>
4 Cash and cash equivalents		
Cash at bank	283,680	-
	<u>283,680</u>	<u>-</u>
5 Trade and other receivables		
CURRENT		
Share proceeds receivable	-	1,079
	<u>-</u>	<u>1,079</u>

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

	2015 \$	2014 \$
6 Trade and other payables		
CURRENT		
Accrued expenses	6,642	-
	6,642	-
7 Contributed equity		
107.69 (2014: 100) fully paid ordinary shares	349,028	1,079
Balance at beginning of financial year	1,079	-
Share capital issued	347,949	1,079
Costs of capital raising	-	-
Balance at end of the financial year	349,028	1,079
	No. of Shares	No. of Shares
Balance at beginning of financial year	100.00	-
Share capital issued	7.69	100.00
Balance at end of the financial year	107.69	100.00
8 Reserves		
	\$	\$
Foreign currency translation reserve	559	-
<u>Foreign currency translation reserve</u>		
Balance at beginning of financial year	-	-
Movements	559	-
Balance at end of the financial year	559	-
9 Commitments		
As at 31 December 2015, the Company has no capital commitments .		

WhiteHawk CEC Inc.
Notes to the Financial Statements
For the year ended 31 December 2015

10 Events occurring after the balance sheet date

On 27 July 2016, the Company signed a Promissory Note to borrow US \$250,000 from Ana R. Smythe. The term of the loan was two years and interest was due and payable at a rate of 1.9% per annum.

On 10 October 2016, the Company signed a Convertible Loan Agreement ("the First Agreement") with Viaticus Capital LLC as agent for a group of investors to borrow \$1,050,000. The term of the loan was one year and interest was due and payable at a rate of 5% per annum. The First Agreement provided that the lender may convert the amount outstanding to ordinary shares at deemed face value of 150% of the Loan in the event of an IPO or reverse listing. Interest will commence accruing 150 days from the date of signing.

On 2 March 2017, the Company signed a Convertible Loan Agreement ("the Second Agreement") with Viaticus Capital LLC as agent for a group of investors to borrow \$1,050,000. The term of the loan was one year and interest was due and payable at a rate of 5% per annum. The Second Agreement provided that the lender may convert the amount outstanding to ordinary shares at deemed face value of the Loan in the event of an IPO or reverse listing. Interest will commence accruing 180 days from the date of signing.

On 24 October 2017, the Company signed a Convertible Loan Agreement ("the Third Agreement") with Viaticus Capital LLC as agent for a group of investors to borrow \$264,000. The term of the loan was one year and interest was due and payable at a rate of 5% per annum. The Third Agreement provided that the lender may convert the amount outstanding to ordinary shares at deemed face value of the Loan in the event of an IPO or reverse listing. Interest will commence accruing 180 days from the date of signing.

Other than the above, no other matters or circumstances have arisen since 31 December 2015 that has significantly affected, or may significantly affect:

- a) The Company's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Company's state of affairs in future financial years.

11 Reconciliation of loss after income tax to net cash outflow from operating activities

	2015	2014
	\$	\$
Loss for the year	(72,549)	-
<i>Change in operating assets and liabilities</i>		
Increase in trade and other payables	6,642	-
Net cash outflow from operating activities	(65,907)	-

12 Company details

Corporate Head Office and Principal Place of Business

1765 Duke St
 Alexandria VA 22314
 United States of America

WhiteHawk CEC Inc.
2015 Financial Report

Directors' Declaration

The Directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The Directors of the company declare that:

1. the financial statements and notes, present fairly the company's financial position as at 31 December 2015 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Terry Roberts
Chief Executive Officer
7 November 2017

RSM Australia Pty Ltd**INDEPENDENT AUDITOR'S REPORT
To the Members of WhiteHawk CEC Inc.**Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61(0) 2 8226 4500

F +61(0) 2 8226 4501

www.rsm.com.au**Opinion**

We have audited the financial report of WhiteHawk CEC Inc., which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial report presents fairly, in all material respects the financial position of WhiteHawk CEC Inc. as at 31 December 2015, and its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

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 WhiteHawk CEC Inc. in accordance with the auditor independence 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist WhiteHawk CEC Inc. to meet the requirements of its members. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2015, 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 Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the applicable legislation and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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/ar4.pdf. This description forms part of our auditor's report.



RSM Australia Pty Ltd



G N Sherwood

Sydney, NSW

Dated: 7 November 2017