

11 March 2020

ASX ANNOUNCEMENT

HALF-YEAR FINANCIAL STATEMENTS – 31 DECEMBER 2020

Please find attached the Half Year Financial Statements to 31 December 2019.

Authorised by the Board

Further information:

Andrew Fogg – Chief Executive Officer

Bruce Patrick – Chief Operating Officer

AUSTCHINA HOLDINGS LIMITED
ABN 20 075 877 075

HALF-YEAR REPORT – 31 DECEMBER 2019

DIRECTORS' REPORT

Your directors present their report on the consolidated entity ("the Group" or "AustChina") consisting of AustChina Holdings Limited (the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

The following persons were directors of AustChina Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Name	Position	Period of Directorship
Daniel Chan	Non-Executive Chairman	Appointed 22 November 2013
George Lam	Non-Executive Director	Appointed 22 November 2013
William Ko	Non-Executive Director	Appointed 5 December 2018
Andrew Macintosh	Non-Executive Director	Appointed 4 July 2019

REVIEW OF OPERATIONS

The loss after income tax of the Group for the half-year was \$893,881 (2018: profit \$3,367,820) after recognising a profit in the prior half year of \$3,901,128 on the sale of Assets classified as held for resale and after recognising expenses of \$96,241 from share of loss from equity accounted investment (2018: \$52,881) and exploration assets written off of \$552,051 (2018: \$7,728).

Exploration activities in the half-year included drilling on the Group's tenements, desktop studies and management of field facilities.

Strategic Direction

The Group's key strategic focuses are:

1. Acquisition of a suitable project to provide cash flow in the short to medium term.
2. Exploration and development of existing coal projects for the creating of longer-term shareholder value.
3. Seek opportunities in the energy sector.
4. Seek opportunities in the resources sector; and
5. Commodity trading to pursue short-to-medium term revenue opportunities.

ACTIVITIES RELATED TO ENERGY PROJECTS

Coal

At 31 December 2019 AustChina retained 3 coal exploration permits centred on its Blackall Coal Project. The permits are:

EPC1625

EPC1719

EPC1993

In December 2019 a drilling programme was undertaken at AustChina Holdings Limited's (AUH's) Blackall Coal Project. Coal sampling was undertaken at three sites with samples sent to the laboratory for analysis.

The programme was targeted to add to the structural and coal quality information available for the Project. The three sites were selected to close the existing drill hole spacing. Following analysis of the coal samples obtained from coal seams intersected, the new lithological, structural and coal quality data will be added to the existing geological models for the resource.

A revision of the resource status under JORC guidelines will be undertaken to assess whether a proportion of the coal resource can be allocated to Indicated status.

AustChina is reviewing ways to bring value from its Blackall Coal project including potential for use of the coal for on-surface gasification.

Statutory reporting and where relevant relinquishments of sub-blocks have been made in accordance with the conditions of the various exploration permits.

Copper

As part of the settlement of the sale of the Surat Gas subsidiary on 28 September 2018, the company acquired 5% of the issued capital and a \$1.0m Convertible Note in Sector Projects Pty Ltd (Sector), a Queensland exploration company related to the Purchaser of Surat Gas.

The Note was for a term of 1 year at 8% interest and is secured by a Tenement Mortgage over 2 tenements controlled by Sector (through a wholly owned subsidiary for \$1.0 million). Subsequent negotiations have the Note extended, with a partial repayment of \$250,000 received on 28 February 2020. The balance of the Note will mature on 28 June 2020.

Sector holds EPMs 18628, 18644, 18645 and 18647 together with EPMs 26419 and 26463 held in 100% owned subsidiary Sector Projects Australia Pty Ltd. The permits (collectively the Gregory Project) are in North West Queensland with copper mineralisation being the primary target.

Sector has over the last three years undertaken three ground-based geophysical surveys and a 6-hole diamond drill programme. In July 2019 a 4-hole, 2,799m drilling programme was completed. Encouraging signs of mineralisation, predominantly chalcopyrite, were intersected in 3 of the 4 holes. Further exploration including an IP survey is planned in 2020. Sector's strategy is to build on previous interpretations and results of work in the area.

This opportunity allows the Group to participate in the early stages of exploration of this project and offers the opportunity (but not a right or obligation) for further participation in future capital raisings. The Group views copper as a strategic mineral for investment.

Biogas

AustChina has a shareholding in Utilitas Group Pty Ltd (Utilitas) of just over 25%.

Utilitas is a privately-owned company focused on the emerging biogas industry in Australasia and represents a unique opportunity for AustChina as it provides an additional investment in the energy and resources sector to diversify its existing portfolio.

Utilitas continues to progress the first two regional bioHub projects, Casino in Northern NSW and Bundaberg in Queensland, through financial close with project financiers.

Utilitas has confirmed that it received further private investment to proceed with the planned bioHub in Bundaberg. The investment has allowed the company to acquire approximately 9½ acres of freehold land which previously housed the now decommissioned East Bundaberg wastewater treatment plant.

The Bundaberg bioHub will be one of Australia's first bioHubs.

Bundaberg Regional Council's water services laboratory and a Utilitas biorefining laboratory are already tenants of the site.

Talks are underway with other potential bioHub tenants including a possible aquaculture operation. The company is also partnering with Oper8 Global to establish Australia's first "green edge data centre" at the Bundaberg bioHub.

Events subsequent to reporting date

There have been no significant events subsequent to reporting date.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 is set out on page 4.

This report is made in accordance with a resolution of directors.

A handwritten signature in blue ink, appearing to read 'David Chan'.

D Chan
Chairman

11 March 2020

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of AustChina Holdings Limited for the half-year ended 31 December 2019, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in grey ink that reads "RSM".**RSM AUSTRALIA PARTNERS**A handwritten signature in grey ink, appearing to be "ALLOOTS".**Albert Loots**

Partner – Assurance and Advisory

Brisbane, Queensland
Dated: 11 March 2020

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General information

The financial statements cover AustChina Holdings Limited as a consolidated entity ("the Group") consisting of AustChina Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

AustChina Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 16, 344 Queen Street
Brisbane QLD 4000
(07) 3229 6606

A description of the nature of the Group's operations and its principal activities are included in the directors' report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 11 March 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 \$	31 December 2018 \$
Interest income		43,641	21,921
Gain on fair value of financial instrument		70,206	
Gain on sale of Assets classified as held for resale	3	-	3,901,128
Permit deposit refund previously expensed		10,006	-
Professional services expenses		(216,114)	(253,828)
Tenement expenditure written off/expensed		(552,051)	(7,728)
Finance and interest costs	4	-	(39,653)
Corporate overhead expenses		(115,808)	(144,974)
Directors' remuneration		(37,520)	(56,165)
Share of loss from equity accounted investment	4	(96,241)	(52,881)
Profit (loss) before income tax		(893,881)	3,367,820
Income tax expense		-	-
Net profit (loss) for the half-year		(893,881)	3,367,820
<i>Other comprehensive income</i>			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit (loss) for the half-year		(893,881) =====	3,367,820 =====
		Cents	Cents
Profit (Loss) per share for loss from continuing operations attributable to the ordinary equity holders of AustChina Holdings Limited:			
Basic earnings per share		(0.06)	0.30
Diluted earnings per share		(0.05)	0.19
Profit (Loss) per share for loss attributable to the ordinary equity holders of AustChina Holdings Limited:			
Basic earnings per share		(0.06)	0.30
Diluted earnings per share		(0.05)	0.19

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **AS AT 31 DECEMBER 2019**

	Note	31 December 2019 \$	30 June 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents		546,432	65,881
Trade and other receivables		56,456	18,916
Convertible notes	6	414,106	508,685
Total current assets		1,016,944	593,482
Non-current assets			
Exploration and evaluation assets	7	15,391,591	15,755,652
Investments accounted for using the equity method		680,272	776,513
Investments other		76,300	76,300
Other assets		10,200	10,200
Total non-current assets		16,158,363	16,618,665
Total assets		17,175,357	17,212,147
		=====	=====
LIABILITIES			
Current liabilities			
Trade and other payables		161,847	65,868
Borrowings	8	845,891	1,268,269
Total current liabilities		1,007,738	1,334,137
Non-current liabilities			
Other financial liabilities	9	1,500,000	1,500,000
Total non-current liabilities		1,500,000	1,500,000
Total liabilities		2,507,738	2,834,137
		=====	=====
Net assets		14,667,619	14,378,010
		=====	=====
EQUITY			
Issued capital		66,573,043	65,389,553
Reserves		3,528,043	3,528,043
Accumulated losses		(55,433,467)	(54,539,586)
Total equity		14,667,619	14,378,010
		=====	=====

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Total \$
Balance at 1 July 2018	65,507,816	(57,126,901)	3,528,043	11,908,958
Profit for the period	-	3,367,820	-	3,367,820
Other comprehensive income	-	-	-	-
Total comprehensive income	-	3,367,820	-	3,367,820
Transactions with owners in their capacity as owners:				
Equity component of repaid Convertible Note	(118,263)	-	-	(118,263)
Sub total	(118,263)	-	-	(118,263)
Balance at 31 December 2018	65,389,553	(53,759,081)	3,528,043	15,158,515
Balance at 1 July 2019	65,389,553	(54,539,586)	3,528,043	14,378,010
Loss for the period	-	(893,881)	-	(893,881)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	(893,881)	-	(893,881)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	831,318	-	-	831,318
Equity issued on part conversion of Convertible Note	500,000	-	-	500,000
Equity component of Convertible Note that was converted to shares	(147,828)	-	-	(147,828)
Sub total	1,183,490	-	-	1,183,490
Balance at 31 December 2019	66,573,043	(55,433,467)	3,528,043	14,667,619

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities		
Receipts in the course of operations (inclusive of goods and services tax)	34,115	24,258
Payments to suppliers (inclusive of goods and services tax)	(436,469)	(808,698)
Interest received	138,220	1,397
Refund of security deposit	10,006	-
Net cash outflow from operating activities	(254,128)	(783,043)
Cash flows from investing activities		
Payments for exploration and evaluation assets	(96,639)	(98,430)
Proceeds on sale of Assets classified as held for sale	-	3,100,000
Payments for security deposit	-	(500)
Net cash inflow/(outflow) from investing activities	(96,639)	3,001,070
Cash flows from financing activities		
Repayment of current borrowings	-	(1,461,000)
Proceeds from issue of shares	831,318	-
Repayment of convertible note	-	(400,000)
Net cash inflow/(outflow) from financing activities	831,318	(1,861,000)
Net increase in cash and cash equivalents	480,551	357,027
Cash and cash equivalents at the beginning of the half-year	65,881	115,575
Cash and cash equivalents at the end of the half-year	546,432	472,602

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 1 Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by AustChina Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$893,881 and had net cash outflows from operating and investing activities of \$254,128 and \$96,639 respectively for the half-year ended 31 December 2019. As at 31 December 2019, the Group had net current assets of \$9,206.

These factors indicate significant uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Company expects to raise additional capital to fund working capital requirements. The Company has been successful in raising capital whenever it has approached the markets in the past and the directors are confident in the ability to continue to raise additional funds on a timely basis, as and when required; and
- The consolidated entity has the ability to defer or scale back certain parts of their activities so as to conserve cash.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 2 Segment information

Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Board of Directors carries out the role and is therefore the Chief Operating Decision Maker. Financial information provided to the board is currently at the consolidated level.

Management currently identifies the Group as having only one reportable segment, being exploration of coal, oil and gas. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group operates solely within Australia. The Group does not have any products or services that it derives revenue from.

Note 3 Gain on sale of Assets classified as held for resale

During the prior financial half-year to 31 December 2018 the Group recognised a gain on sale of Assets classified as held for resale of \$3,901,128.

This gain arose from the sale of Surat Gas Pty Ltd, which was a 100% owned subsidiary of the Company. The sale was completed on 28 September 2018 for a total price of \$5.1 million, comprising \$3.1 million cash, shares in Sector Projects Pty Ltd, being the purchaser of Surat Gas Pty Ltd, representing 5% of the issued capital with a nominal value of \$1.0 million and a Convertible Note in Sector Projects Pty Ltd for \$1.0 million (refer note 6).

The shares in Sector Projects Pty Ltd were independently valued to a fair value of \$76,300 and a decrement on revaluation of \$923,700 was recognised against the gain on sale.

The gain on sale represents:	\$
Sale price	5,100,000
Less Costs incurred in respect of the sale	(5,960)
Carrying value of the asset at 30 June 2018	(269,212)
Revaluation decrement on the shares in Sector Projects Pty Ltd upon Independent Valuation	(923,700)
Net Gain on Sale	<u>\$3,901,128</u>

Note 4 Expenses

	31 December 2019 \$	31 December 2018 \$
Profit/(Loss) before income tax for the half-year includes the following items:		
Expenses		
Exploration Expenditure expensed	-	-
Share of loss from equity accounted investment	96,241	52,881
Finance costs		
Unwinding of issue costs on financial liabilities not at fair value through profit or loss	-	39,653

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 5 Fair Value of Financial Instruments

Recurring Fair Value Measurements

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 and the gain on fair value measurement of convertible notes is recognised in profit or loss.

Due to their short-term nature, the carrying amounts of current receivables, and current payables is assumed to approximate their fair value.

Note 6 Current assets – Convertible Notes

	31 December 2019	30 June 2019
	\$	\$
Convertible Note at face value	1,000,000	1,000,000
Capitalised interest	-	61,684
Prepaid interest	(32,894)	-
Less provision for non-recovery	(553,000)	(553,000)
	<u>414,106</u>	<u>508,685</u>

During the prior financial half-year as part consideration for the sale of Surat Gas Pty Ltd (refer Note 3) the company received a Convertible Note with a Face Value of \$1,000,000 in Sector Projects Pty Ltd, the purchaser of Surat Gas Pty Ltd.

The Convertible Note had an initial term of 12 months and was due to mature on 28 September 2019, however the Company has granted extensions such that the note now matures on 28 June 2020. The extension was granted subject to \$250,000 being repaid on 28 February 2020 with the remaining \$750,000 being due on 28 June 2020 and the prepayment of all interest which accrues to 28 June 2020. This prepaid interest was received on 28 December 2019.

The Note accrues interest of 8% calculated daily and capitalised at the end of each calendar month and is payable together with the face value of the convertible note on maturity date, unless AustChina Holdings Limited elects to convert to shares in Sector Projects Pty Ltd. The Note is secured by a mortgage over two tenements controlled by Sector Projects Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 7 Non-current assets - Exploration and evaluation assets

	31 December 2019 \$	30 June 2019 \$
Exploration phase costs – at cost	15,391,591	15,755,652

The capitalised exploration assets carried forward above has been determined as follows:

Balance at the beginning of the period	15,755,652	15,580,782
Expenditure incurred during the period	187,990	174,870
Tenement expenditure written off during the period	(552,051)	-
Balance at the end of the period	15,391,591	15,755,652

The ultimate recoupment of costs carried forward for exploration assets is dependent upon the successful development and commercial exploitation or alternatively sale of the interests in the tenements.

The write-off of capitalised exploration expenditure recognises the continuing process undertaken by the Group to rationalise holding costs in areas where coal project development would be very long term in the current industry environment.

Note 8 Current Liabilities – Borrowings

	31 December 2019 \$	30 June 2019 \$
Convertible note	845,891	1,268,269
	845,891	1,268,269

During the current financial half-year a convertible note of \$1,500,000 matured. The noteholder, Treasure Wheel Global Limited, converted \$500,000 into fully paid ordinary shares on 8 November and granted an extension for the remaining \$1,000,000 for a period of 6 months. No interest is payable on the convertible note which has a maturity date of 8 May 2020.

Convertible Note - Current	31 December 2019 \$	30 June 2019 \$
Face value of notes issued	1,000,000	1,500,000
Other equity securities – value of conversion rights	(154,109)	(231,731)
	845,891	1,268,269
Unwinding of discount	-	-
Current liability	845,891	1,268,269

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 9 Non-current liabilities – Other financial liabilities

	31 December 2019 \$	30 June 2019 \$
Other financial liabilities	1,500,000	1,500,000

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid a net \$1.5 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold from certain tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The liability was initially recognised at fair value. Post initial recognition, the financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(n) of the 30 June 2019 Annual Report.

The royalty is only payable in the event of future production of coal.

There has been no movement in the balance of the liability. The Group has assessed that the fair value at the time of the initial transaction, which was at arm's length, remains a reasonable assessment of the fair value at 31 December 2019 as no changes in the underlying circumstances have occurred since. The fair value would be Level 3 in the fair value hierarchy.

Note 10 Equity securities issued

	Half-year		Half-year	
	2019 Shares	2018 Shares	2019 \$	2018 \$
Issue of ordinary shares during the half-year				
Shares issued during half year for cash	277,105,649	-	831,318	-
Shares issued during half year on conversion of Convertible Note	161,089,109	-	500,000	-
Value of conversion right – Convertible Note	-	-	(147,828)	(118,263)
Net increase (decrease) in contributed equity	438,194,758	-	1,183,490	(118,263)

There are no options on issue in AustChina Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Note 11 Commitments for expenditure

	31 December 2019 \$	30 June 2019 \$
Exploration commitments		
Commitments as at 31 December 2019 for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities are as follows:	312,083	189,167

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of the tenements will be held for its full term. However, commitments may decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

Note 12 Contingent liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period.

Note 13 Events subsequent to reporting date

There have been no significant events subsequent to reporting date.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that AustChina Holdings Limited 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 directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



D Chan
Chairman

11 March 2020

RSM Australia Partners

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www.rsm.com.au**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
AUSTCHINA HOLDINGS LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of AustChina Holdings Limited which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AustChina Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AustChina Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AustChina Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a loss of \$893,881 and had net cash outflows from operating and investing activities of \$254,128 and \$96,639 respectively for the half-year ended 31 December 2019. As at 31 December 2019, the Group had net current assets of \$9,206. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



RSM AUSTRALIA PARTNERS



Albert Loots
Partner – Assurance and Advisory

Brisbane, Queensland
Dated: 11 March 2020

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