Market Announcement

17 December 2019

Authorised Investment Fund Limited (ASX: AIY) – Continuation of Suspension from Official Quotation

Description

Attached for the information of the market is ASX's query letter to AIY dated 19 November 2019 and AIY's response to ASX dated 17 December 2019.

ASX's enquiries into a number of issues concerning AIY are ongoing. AIY's securities will remain suspended until further notice.

Issued by

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RESPONSE TO ASX QUERY LETTER

In response to the questions set out in your letter dated 19 November 2019, Authorised Investment Fund Limited (ASX:AIY) advises as follows:

Question 1

The Directors and Ms Lin (Officers) had incurred expenses and provided services to the Company for a period of the last 10 years. The Company was not in a financial position to be indebted with, or to reimburse most of these expenses nor pay the Officers for services provided.

As such, the Officers (in their capacity as service providers to the Company) chose not to invoice the Company for their services until the Rights Issue in late 2018. In the opinion of the Officers at that time, the Company had progressed to a stage where it was reasonable for the Officers to formally invoice the Company for recent historical and unpaid services provided by them (including expenses incurred in providing those services).

The Officers now acknowledge that they should have instead invoiced the Company on a periodic basis, contemporaneously with when their services were provided, and classified these liabilities as liabilities contingent on the Officers enforcing payment. The Company also accepts that there were significant corporate governance shortcomings in how these related party services were managed, in this regard the Company accepts that its Company Secretary may not have been suited for the role of a publically listed company secretary, however due to the Company's historically difficult financial position which made it difficult to recruit or retain qualified company secretaries, the existing Company Secretary did the best she could to fulfil this position.

As such, to reverse any harm that has occurred due to the invoicing practices of the Officers, and if ASX considers this to be a desirable regulatory outcome, the Officers are receptive for a capital reduction of all shares (for nil consideration) issued to the Officers under the Rights Issue to the extent that the shares were issued to offset liabilities owing to them (as opposed to any shares issued to them for cash consideration). Such a capital reduction will be put to members for approval (for which the Officers or their associates will be refrained from voting).

Please note that the Officers do not offer the proposed capital reduction to ASX lightly. They have indeed performed significant services to the Company and incurred significant expenses and for which they will lose any chance of repayment by the Company if a capital reduction is approved. However, in the

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circumstances that have transpired, the Officers consider that this may be the most appropriate course of action for the Company and its shareholders. If ASX however has other views to redress any harm that may have occurred due to the Officer's actions, please let us know.

Notwithstanding the above, in order to respond to your question in full, the Company provides the information below in order to provide details of the professional services referred to in sub-para F.viii(c) of your letter.

<u>Benjamin Genser</u>

Ben has been a director of the Company since 2008. Ben's career has been in architecture and property development, being the CEO of The Belgrave Group of companies (established in 1953), a company that has designed and developed some of the Melbourne's most iconic, boutique and large scale projects. Throughout his career in architecture and property development, Ben has developed a deep understanding of business and investments.

Since joining the Company, Ben has had unwavering belief in the potential of the Company as an investment vehicle for new and novel companies. In recent years the Company's focus has been on creating a portfolio of investments in the digital media and environmental sciences space. Ben's role and focus in recent years, via his companies Belgrave Environmental Sustainable Technologies Pty Ltd and Belgrave Collective Pty Ltd (previously known as Belgrave Media), has been to identify and foster relationships with suitable companies which meet the investment appetite of the Company.

Finding and ultimately closing on a suitable investment requires substantial time, travel and expenses, for which the Company has historically been unable to afford. As such, in order to keep the momentum of finding suitable investments for the Company, such activities were substantially undertaken by the Director's service companies (using the service companies' resources).

Ben, like the other Officers, did not invoice the Company on a continuous basis for the services provided to the Company by his service company, for fear of jeopardising the Company's historically weak financial position. Ben understands now that this approach is not the correct approach, and instead should have (in addition to corporate governance shortcomings) invoiced the Company continuously and annually for services provided by his services company even though there was no intention require payment of those invoices at a time when the Company did not have the financial capacity to do so.

The professional services that ASX has queried in relation to Ben, were for services and expenses incurred by Ben's related companies between 1 June 2017 to 31 August 2018. Ben has provided a memorandum explaining the services provided and expenses incurred and which is attached to documents provided to ASX separately (not for release to the market).

<u>David Craig</u>

David has been a director of the Company since 11 March 1998. David has, and continues, to believe in the potential of the Company as a pooled development fund investment vehicle for innovative companies. Initially a non-executive director until 2008, David has provided substantial amount of

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services to the Company (whether personally or via related entities) with the majority of time spent not being remunerated by the Company due to the Company's historical financial position. Importantly, as well as providing services to the Company, over the years David has (whether by himself, or through his related entities) paid certain expenses on behalf of the Company at a time when the Company itself could not. In short, David could have let the Company enter insolvency, but chose to support the Company due to his unwaivering support and belief in the Company and its investments.

The professional services that ASX has queried, being the $696,000 settled by way of being issued shares under the Rights Issue, these were amounts accrued by David's related entity Harvard Nominees Pty Ltd for services and expenses incurred for the period of 1 July 2017 to 30 August 2018 for:

- conducting due diligence on potential investments for the Company;
- managing existing investments for the Company;
- attending to meetings (internally and with services providers (legal, audit etc), and with external parties);
- promoting and preparing for the Rights Issue;
- general management activities of the Company;

The services provided by David via Harvard Nominees were charged out at $250 per hour, which David considered to be extremely reasonable given his extensive (over 40 years) experience in business, investments and securities dealings.

David now accepts that (in addition to corporate governance shortcomings) historical services should have been invoiced to the Company on a continuous and contemporaneous basis. However, David wishes to also emphasise (without detracting from the seriousness of his actions) that if he had chosen to invoice the Company all the amount of services and expenses incurred over the years, the amount would be significantly larger.

Under the Rights Issue, David effectively sought payment of what he considered was a proportion of the amount owing to Harvard Nominees by the Company, via applying for shares in the Rights Issue to offset such liability. David considered at that time that this approach was fair given the amount of accrued and unpaid (albeit un-invoiced) services he had provided to the Company from 1 July 2017 to 30 August 2018, and at the same time would not prejudice the Company by depleting its financial resources. David accepts now that this approach was not the correct approach.

In the documents provided to ASX separately (not for release to the market), David sets out a more detailed summary of the services and expenses for the relevant period.

Chris Baring-Gould

Chris has been a director and CFO of the Company since 2014, initially as a non-executive director and more recently as executive director as his involvement in the company increased. Chris is also a

Victorian Principal for "CFO Centre", a virtual CFO services provider as part of an international organisation of approximately 600 CFOs in approximately 55 countries.

Like the other Officers, Chris saw the potential of the Company as an investment vehicle for innovative companies and had continued to provide services to the Company notwithstanding the Company's historical inability to adequately remunerate him for such services. Like the other Officers, Chris considered that he would refrain from invoicing the Company when the Company's financial position was poor, and like the other Officers, Chris now accepts that this was not the correct approach.

The professional services rendered by Chris (for which ASX has queried) were related to key accounting and finance tasks and activities for the period 1 July 2017 to September 2018 pertaining to the following:

- half yearly and annual audited accounts
  - review of accounts
  - liaison with auditors and investee companies on audit requirements
  - considering fair valuation of investee companies
- conducting due diligence of Investee companies (whether they "passed" or "failed" due diligence"), reading and compiling documents:
  - review and analysis of accounts, budgets and financial projections
  - review and analysis of business and operating plans
  - meetings and email correspondences with Directors to discuss investee companies
  - meetings with key stakeholders in investee companies (where needed) - in person, teleconferences, etc)
- preparing for the Rights Issue;
  - leading up to Rights Issue - rebuilding investee company portfolio to focus on digital media with fellow Directors in the period 12 months prior;
  - due diligence relating to prospectus;
- Investee companies monitoring and liaison;
- Management/Board meetings
- Dealing with other matters:
  - Speedpanel (written off in June 2017 accounts)

The above work done is charged at an hourly rate of $250/hour and capped at $2,000 per day, which is Chris's CFO Centre recommended consulting charge out rate. Chris considered that this would be a reasonable charge out rate for services provided to the Company, in light of the skill and experience he has due to his 34 years of experience in the accounting and finance industry. Chris notes that by way of a comparison, a small/medium size audit and accounting services firm's charge out rates are (approximately):

- Partner - $495/hour
- Manager - $315/hour
- Senior Auditor - $205/hour
- Graduate - $105/hour

Chris has provided (please see documents provided to ASX separately, not for release to the market) a spreadsheet summary which outlines the time taken to perform the tasks and activities during the period 1 July 2017 to September 2018, the source data is based on times and dates from diary, emails, phone calls, events (e.g. December and June audits, prospectus, etc). In total, the time spent by Chris was approximately 113.5 days which works out to be $227,000 (using a capped $2000 per day rate). The actual time invoiced by Chris to the Company was $183,000, representing a 81% recovery rate, or an hourly rate of $202.50 for the 91.5 days charged.

Work done and email correspondences over the period are kept by Chris. These can be produced if further documentation is required for this ASX query. However please note that only the latest versions of files and records are kept, e.g.when a spreadsheet template is updated numerous times, it is saved as one file record, unless there is a reason for replicating versions.

Under the Rights Issue, Chris effectively sought payment of what he considered was a proportion of the amount owing to him for historical services provided to the Company, via applying for shares in the Rights Issue to offset such liability. Chris considered at that time that this approach was fair given the amount of accrued and unpaid (albeit un-invoiced) services he had provided to the Company since his involvement with the company as a director, and at the same time would not prejudice the Company by depleting its financial resources. Chris accepts now that (in addition to corporate governance shortcomings) this approach was not the correct approach.

Cathy Lin

Cathy became involved with the Company in 2013, and was appointed company secretary in March 2014. Her main roles have been:

- maintaining company records
- conducting administrative tasks
- accounting and preparing financial reports
- assist directors regarding management and operational matters; and
- assist directors with the compliance of regulations and laws.

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Cathy provides the services above through her company, Consolidated Accounting and Taxation Services Pty Ltd (**CATS**). Cathy estimates that the tasks listed above require an average of 15 to 20 hours work per week. In addition, she has also provided staff to assist her on an as needed basis.

Cathy's charge out rate (via CATS) is $250 per hour (plus GST), which is the standard charge out rate to CATS clients, including the Company. Cathy keeps a detailed record of all her work conducted for her clients, including the Company.

As noted above and in the covering letter, due to the financial circumstances of the Company Cathy has not invoiced the Company for most of the services CATS provided to the Company for the financial years of 2014 to 2017. In retrospect, Cathy acknowledges that this was not the correct approach, and should have caused CATS to invoice the Company on a continuing basis notwithstanding the intention was not to seek payment from the Company until the Company reached a healthy financial position.

Between 1 June 2017 to 30 August 2018, Cathy (via CATS) accrued approximately $236,000 in services provided to the Company totalling approximate 944 hours of work (which is supportable by timesheets and notes). Under the Rights Issue, Cathy effectively sought payment of what she considered was a proportion of the amount owing to her by the Company, via applying for shares in the Rights Issue to offset such liability. Cathy considered at that time that this approach was fair to her given the amount of accrued and unpaid (albeit un-invoiced) services she had provided to the Company since 2013, and also did not prejudice the Company by depleting its financial resources. Cathy accepts now that (in addition to corporate governance shortcomings) this approach was not the correct approach.

Cathy has provided an itemised summary of her time for the relevant period, based of source documentation. Please see documents provided to ASX separately (not for release to the market).

Question 2

2(a)

Please see documents provided to ASX separately.

2(b)

There were no formalised agreements, and instead the Officers considered that their services were provided at an arms length basis, and on an "as needed" basis.

Question 3

3(b)

The Officers chose not to invoice their services (the subject of ASX's query) to the Company in prior years

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due to a belief (albeit mistaken) that the invoices would create a liability for the Company for which the Company was unable to repay and thus jeopardise the Company's solvency.

Of course, the Officers now understand that the correct approach should have been to contemporaneously and periodically invoice the Company (so the liability is correctly recorded in the financial statements) even if the Officers did not have an intention at the time of issuance to call for immediate payment of the invoices.

Question 4

4(b)

At the time of preparing the Prospectus for the Rights Issue, the Officers had not yet completed their marketing strategy for the capital raise and thus considered that it was too difficult to estimate the amount of marketing and promotion costs. The Officers now understand that, at the very least, when they each decided to invoice their services (which was in late August 2018), the proper approach would have been to prepare and lodge a supplementary prospectus.

Question 5

5(a)

The current related party receivable noted above is a loan to Endless Solar Corporation Ltd (ESC), an entity in which the Company is a shareholder. By agreement between the Company and ESC, the loan balance has now been reduced to $92,065.08.

5(b)

As announced on ASX on 1 May 2019, the Company relocated to its new office on Level 40, 140 William Street. Previous to the new office, the Company operated out of an office that it shared with ESC (since circa 2009).

The arrangement between ESC and AIY, ESC paid for all outgoings and rental expenses (such as telephone, administrative staff, and office facilities) which would be reimbursed from the Company. The annual rent for the premises is $156,000 per year (as of the 2019 year) which has been paid by ESC.

Historically, ESC only apportioned the Company 30% of the total rent incurred by ESC. However, in the 2019 financial year the Company was apportioned 50% of the total rent incurred by ESC due to increasing usage of office and facilities.

Furthermore, prior to April 2019, although ESC apportioned the Company for use of the premises and facilities, ESC did not require payment for most of the apportionment costs due to the ongoing support of the Directors. In April 2019, ESC requested the Company to compensate the costs of sharing the premises for the 2019 financial year.

The Company provides the following itemised list of related party expenses paid to ESC for the 2019 financial year:

Rent: (50% of total rent)	$78,000
Internet & IT support: (1 full time staff)	$52,000
Secretarial service: (1 full time staff plus 1 casual staff)	$68,996
Office equipment, Stationery, postage, Printing, office supplies etc	$52,212
Telephone:	$7,200
Utilities (power):	$9,960
Parking fees:	$21,600
Cleaning:	$7,160
Other miscellaneous (travel, waste removal):	$8,872
Total:	$306,000

5(c)

The payments relate to the following:

(a) Repayment of related party loans by the Company for a total amount of $191,646.25 (as at the balance date), being:

i. a loan from ESC for $100,806.69;

ii. a loan from Weeping Elm Wines Pty Ltd (a company related to David Craig) for $17,291.70;

iii. a loan from David Craig on behalf of Weeping Elm Wines Pty Ltd for $59,173.23; and

iv. a loan from Cathy Lin for $14,374.63.

The loans to the Company were made in FY 2018 and intended to be short terms loans (ie: repayable within 12 months), and for the purpose of providing working capital support to the Company to allow it to pay expenses such as legal fees, rent, ASX listing fees, audit fees, share registry fees etc.

(b) A loan advanced by the Company to ESC for $242,698 (per response to 5(a) above) ;

The loan from the Company was for the purpose of providing working capital support to ESC in particular in relation to ESC's solar R&D projects. As noted in the response to 5(a) above, by agreement between the Company and ESC, the loan balance has now been reduced to $92,065.08.

Question 6

6(a)

It would appear that there was a drafting error in the Prospectus, namely the headings in the table referred to in sub-paragraph B.ii should have been "2018 Financial Year" and "2019 Financial Year". Ie: the heading in column 3 of "2017 Financial Year" is incorrect.

Given the above, and as per the 31 Dec 2017 half yearly report, the following is disclosed for KMP remuneration (which would have been consistent with the Prospectus if the correct heading of "2018 Financial Year" was shown):

Note 17. Key management personnel remuneration

Remuneration arrangements of key management personnel were issued of ordinary shares approved and granted by shareholders in 2017 AGM on 30th November 2017 as follows:

1. Ordinary shares

Directors/Officers	Shares allotted	Cost per share	Total
Mr Ben Genser	3,000,000	$0.02	$60,000
Mr David Craig	3,000,000	$0.02	$60,000
Mr Chris Baring-Gould	1,500.000	$0.02	$30,000
Ms Cathy Lin	1,500,000	$0.02	$30,000
Total	**9,000,000**		**$180,000**

2. Options

Directors/Officers	Shares allotted	Cost per share	Total	Expiry date
Mr Ben Genser	3,000,000	$0.05	$150,000	22/12/2022
Mr David Craig	3,000,000	$0.05	$150,000	22/12/2022
Mr Chris Baring-Gould	1,500.000	$0.05	$75,000	22/12/2022
Ms Cathy Lin	1,500,000	$0.05	$75,000	22/12/2022
Total	**9,000,000**		**$450,000**	22/12/2022

For the details of shares and options approved to issue to the directors and officers in the 2017 AGM, please refer to the ASX announcement of 2017 AGM result dated 30th November 2017.

The third column in the table at section 7.8 of the Prospectus is intended to disclose the proposed or aspirational remuneration for the 2019 financial year (hence the words "subject to approval" as it appears in the prospectus).

Notwithstanding the aspirations of the Company at the time of the Prospectus, it appears that the Company did not actually issue any shares or options to officers as part of compensation during FY 19, as per the disclosure in the 30 June 2019 remuneration report (in the annual report) :

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

6(b)

The Company incorrectly believed that as the Officers considered the related party transactions to be at arms-length, they did not need to separately disclose these loans in the financial reports. The Company notes that these accounts were audited, and considered that due to the Company having a different auditor for FY 18, that the differences in related party disclosure between FY 17 and FY 18 was due to different auditors having different opinions. (In fact from 2017 to 2019, the Company had three different auditors).

6(c)

In FY 18, in addition to the 3,000,000 shares issued to Ben Genser, 6,000,000 shares (at $0.035 per share, totalling $210,000) were issued to Belgrave Environment Sustainable Technologies Pty Ltd, a company related to Ben. These shares were issued in lieu of consultancy fees and were approved by shareholders on 26 March 2018.

Although the FY 18 annual report:

- at page 13 (Director's Report) does include these additional 6,000,000 shares in the "net change" column of the table showing KMP equity holdings (in relation to Ben), and

- at Note 5 on page 23 discloses that the line item "Investment Promotion and Marketing Fees … includes $210,000 incurred by a director which was satisfied by an issue of shares",

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the Company accepts that perhaps these 6,000,000 additional shares should have been disclosed as "shares issued in lieu of consulting fees" in Note 18 to the 2018 Annual Report. However, the Company also notes (as in (b)) that these accounts were indeed audited.

6(d)

Mr Genser's share based *remuneration* in FY 18 was $60,000 (or 3,000,000 shares) as currently disclosed on page 13 (top table):

	Short-term Benefits		Post Employment	Share based Payments		
	Salary & fees $	Super. Contribution $	Super. $	$	Total $	Performance related %
Mr. B. Genser	-	-	-	60,000	60,000	-
Mr. D.H.A.Craig	-	-	-	60,000	60,000	-
Mr C.J. Baring-Gould	-	-	-	30,000	30,000	-
Ms C Lin	-	-	-	30,000	30,000	-
Total				180,000	180,000	

However, as shown in the bottom table on page 13, the KMP holdings include those shares issued as compensation (which for Ben includes the 3,000,000 remuneration shares and 6,000,000 shares issued in lieu of consultancy fees, the latter not forming part of Ben's remuneration as director):

Key management personnel equity holdings (include shareholding through related parties)

	Balance 01/07/17	Received as compensation	Option Exercised	Net change*	Balance 30/06/18
Mr.B.Genser	14,540,235	9,000,000	-	9,000,000	23,540,235
Mr.D.H.A.Craig	38,321,845	3,000,000	-	3,000,000	41,321,845
Mr C. J. Baring-Gould	11,028,652	1,500,000	-	1,500,000	12,528,652
Ms C. Lin	3,200,000	1,500,000	-	1,500,000	4,700,000

6(e)

As per above, 9 million shares were issued to KMPs as part of their remuneration as KMPs, where as the additional 6 million shares were issued as compensation (issued as shares in lieu) to Belgrave Environment Sustainable Technologies Pty Ltd.

6(f)

As per above, the line item in Note 5 is for "Directors and officer's fee" which is remuneration for the KMPs acting in their capacity as KMPs (which was $180,000 as per the disclosure in the first table on page 13).

However, the additional 6,000,000 shares received as compensation for Ben (via his related entity), which is included as part of his equity holdings (including shareholdings through related parties) in the second table on page 13, is included in Note 5 as part of "Investment Promotion and Marketing Fees" (worth $210,000).

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6(g)

Please see response to (a) above.

6(h)

The extract of the balance sheet from the FY 18 report is below:

Current Liabilities	
Trade and other payables	347,460
Total Current Liabilities	**374,460**
Non-current Liabilities	-
Total non-current Liabilities	-
Total Liabilities	**347,360**

It is evident that there was a transposition error in the report, and that actual total liabilities was $347,460, as confirmed in Note 22.2. Again the Company notes that these accounts were audited.

6(i)

The reasons for such a significant increase in expenses in FY 19 are mainly due to:

- ESC having decided to require payment from the Company for historical accrued amounts in relation to rent and other related administrative expenses (see response to 5(b) above);
- fees incurred in relation to the increased activities undertaken for the Rights Issue and conducting investment activities and managing investments; and
- the Officers deciding to invoice the Company for historical services and expenses incurred (see response to question 1 to 3 above).

The Company provides a break down of the profit and loss statement below:

	2019	2018
6-1301 Advertising expenses	4,545.45	-
6-1600 Professional Consulting fees	10,000.00	-

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6-2000 Listing and Registration Costs	13,677.67	-	
6-4030 6-4000 Office, general and administrative expenses:Waste disposal	645.37	-	
BAS Roundoff Gain or Loss	(2,107.11)	-	
6-1001 Accountancy	6,000.00	-	
6-4000 Office, general and administrative expenses	66,093.89	-	
6-1002 Auditing fee	23,000.00	22,360.00	
6-1304 Investment Promotion & Marketing Fees	530,006.41	-	Capital raising related and should be recognised as expense not as capital item as per Auditor
6-1309 Bank Charges	877.95	745.57	
6-1375 Directors Fees	-	180,000.00	
6-2000 Listing and Registration Costs:6-2001 ASX listing fee	53,943.55	56,079.77	
6-2000 Listing and Registration Costs:6-2002 Computershare Registry fee	28,553.80	30,062.10	
6-2000 Listing and Registration Costs:6-2003 ASIC Filing Fee	2,006.00	4,980.00	
6-3002 Insurance expenses	13,920.00	7,012.50	
6-3003 Legal fees	94,783.68	29,932.70	
6-4000 Office, general and administrative expenses:6-4001Rent or lease payments	316,600.00	43,200.00	
Audit adjustment as advised by AK	525,305.00	-	Investment valuation accounting method adjustment advised by Auditors
Authorised Investment Fund Limited	**1,687,851.66**	**374,372.64**	

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Yours sincerely

Authorised Investment Fund Limited

David Craig

Director

Cathy Lin

Company Secretary

19 November 2019

Ms Cathy Lin
Company Secretary
Authorised Investment Fund Limited
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By email

Dear Ms Lin

Authorised Investment Fund Limited ('AIY'): Rights Issue Query

ASX Limited ('ASX') refers to the following:

A. AIY's audited financial statements for the year ended 30 June 2017 ('2017 Annual Report') lodged on the ASX Market Announcements Platform ('MAP') on 28 August 2017, which disclosed the following:

   i) Total liabilities of $115,809 at 30 June 2017.

   ii) Shares issued in lieu of consulting fees of $165,000 in FY2017 (in Note 18 – Note to the Statement of Cash Flow).

   iii) Rent paid of $7,920 for FY2017 (in Note 21 - Related Party transactions).

   iv) The issue of ordinary shares valued at $165,000 to key management personnel as remuneration during FY2017 as follows:

      a) Mr David Craig, Mr Ben Genser and Mr Chris Baring-Gould: 1,500,000 ordinary shares each; and

      b) Ms Cathy Lin: 1,000,000 ordinary shares.

   These share based payments are shown as the total remuneration paid to each person in FY2017 (i.e. no cash salary, fees or other payments are disclosed).

   v) *'The directors and executives do not have formalised contracts of employment.'*

B. The prospectus dated 5 June 2018 and the supplementary prospectus dated 17 August 2018 (together the 'Prospectus') in relation to AIY's 1 for 1 non-renounceable rights issue to raise approximately $6,613,819 through the issue of fully paid ordinary shares (with a free attaching 'primary option' which upon exercise will grant a 'secondary option') at an issue price of $0.03 per share ('Rights Issue'), which included the following disclosures:

   i) The intended use of proceeds from the Rights Issue set out at section 4.2 of the Prospectus, which stated the following:

   'Use of funds

   The Company intends to apply the funds raised from the Offer (being a maximum of approximately $6,613,819 before expenses of the Offer and exercise of any Options) together with existing cash at bank, as indicated below:

   (a) $350,000 to pay general overhead and operating costs for the next 12 to 18 months;

   (b) $67,400 to pay expenses associated with this Offer; and

(c) *remaining funds to be used to participate in suitable investment opportunities.'*

ii) The remuneration of directors set out in section 7.8 of the Prospectus, which stated:

'The annual remuneration (exclusive of superannuation) payable to each of the Directors in the past financial year and proposed annual remuneration for the current financial year is as follows:

Director	***2017 Financial Year***	***2018 Financial Year***
Mr B. Genser	*$60,000 in Shares plus 3,000,000 options exercisable at $0.05 per share with an expiry date of 5 years*	*$180,000 in Shares plus 3,000,000 options exercisable at $0.075 per share with an expiry date of 5 years*
Mr D.H.A. Craig	*$60,000 in Shares plus 3,000,000 options exercisable at $0.05 per share with an expiry date of 5 years*	*$180,000 in Shares plus 3,000,000 options exercisable at $0.075 per share with an expiry date of 5 years*
Mr C.G. Baring-Gould	*$30,000 in Shares plus 1,500,000 options exercisable at $0.05 per share with an expiry date of 5 years*	*$90,000 in Shares plus 1,500,000 options exercisable at $0.075 per share with an expiry date of 5 years*

C. AIY's audited financial statements for the year ended 30 June 2018 lodged on MAP on 31 August 2018 ('2018 Annual Report'), which disclosed the following:

a) Total current liabilities of $374,460 and total liabilities of $347,360 at 30 June 2018.

b) Rent paid of $43,200 for FY2018 (in Note 21 Related Party transactions).

c) Loans from related parties of $191,646 at 30 June 2018 and $63,655 at 30 June 2017 (in Note 21 Related Party transactions).

d) Cashflows from financing activities of nil in FY2018.

e) The issue of ordinary shares to key management personnel as remuneration during FY2018 as follows:

i) Mr Ben Genser: 9,000,000 ordinary shares valued at $60,000;

ii) Mr David Craig: 3,000,000 ordinary shares valued at $60,000; and

iii) Mr Chris Baring-Gould and Ms Cathy Lin: 1,500,000 ordinary shares each (with each valued at $30,000).

These share based payments are shown as the total remuneration paid to each person in FY2018 (i.e. no cash salary, fees or other payments are disclosed).

f) ***'Shares issued as Part of Remuneration for the Year Ended 30 June 2018***

There were 9 million shares issued to directors and executives as part of their remuneration during 2018.'

g) *'The directors and executives do not have formalised contracts of employment.'*

h) 'Directors and officer's fee' of $180,000 and 'Investment Promotion & Marketing Fees' of $390,000 for FY2018 (in Note 5 on page 23) together with the following note:

'The payments to Directors and officer were the 9,000,0000 ordinary shares issued to directors and company secretary at the cost of $0.02 per shares in lieu of cash payments to directors and secretarial fees for their services. These payments were approved and granted by shareholders in the 2017 AGM on 30th November 2017.

Investment Promotion & Marketing Fees relate to overseas roadshows with prospective buyers and customers. Included in this amount is $180,000 of costs incurred by a director on the roadshow promotions. This amount includes $210,000 incurred by a director which was satisfied by an issue of shares.'

i) The issue of 15 million shares to directors and officers during FY2018 (in Note 17(a) on page 31).

D. AIY's announcement titled 'Notification of under subscriptions for the non-renounceable' released on MAP on 21 September 2018, which disclosed that 99,333,880 new shares and 99,333,880 attaching options had been subscribed for under the Rights Issue raising a total amount of $2,980,016.40 (before costs).

E. The Appendices 3Y lodged on MAP on 2 October 2018, which disclosed that the following directors were issued ordinary shares pursuant to subscriptions to the Rights Issue:

i) Mr Genser: 23,540,235 shares;

ii) Mr Craig: 23,200,000 shares; and

iii) Mr Baring-Gould: 6,200,000 shares

F. AIY's audited financial statements for the year ended 30 June 2019 lodged on MAP on 1 October 2019 ('2019 Annual Report'), which disclosed the following (emphasis added):

i) Administration and other expenses of $1,687,852 for FY2019, which represented a substantial increase compared to administration and other expenses of $374,373 in FY2018.

ii) Net cashflows from financing activities of $1,090,679 in FY2019 comprising proceeds from issue of shares of $1,620,447 less payments to related parties of $434,335 and share issue transaction costs of $95,433.

iii) *'There were no fees paid to directors and key management personnel during the 2019 financial year.'*

iv) *'The directors and executives do not have formalised contracts of employment.'*

v) *'There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.'*

vi) The following shares were issued to directors and executives in lieu of professional services in FY2019:

(a) Mr Genser: 23,540,235 shares;

(b) Mr Craig: 23,200,000 shares;

(c) Mr Baring-Gould: 6,100,000 shares; and

(d) Ms Lin: 6,666,667 shares.

vii) The issue of 59,506,921 shares valued at $1,785,208 on 25 September 2018 to directors for settlement of loans (see Note 10 on page 23).

viii) The following Related Party transactions (in Note 18 on page 29):

(a) 'Payment for rent and management fees from other related party' of $306,000 in FY2019.

(b) Current receivables from related party of $242,689 at 30 June 2019.

(c) ***'Loans to/from related parties*** (emphasis added)

Mr Benjamin Genser is the director of Belgrave Environmental Sustainable Technologies Pty Ltd (BEST). BEST is also a shareholder of AIY. Professional services valued at $706,207 were provided by BEST to AIY. This balance was settled via the issue of shares through the Rights Issue in September 2018.

Mr David Craig is the director of Harvard Nominees Pty Ltd, which provided professional services valued at $696,000 to AIY. This balance was settled via the issue of shares through the Rights Issue in September 2018.

Mr Chris Baring-Gould provided professional services value at $183,000 to AIY. This balance was settled via the issue of shares through the Rights Issue in September 2018.

Ms Cathy Lin is the director of Consolidated Accounting and Taxation Services Pty Ltd (CATS). CATS provided professional services value at $200,000 to AIY. This balance was settled via the issue of shares through the Rights Issue in September 2018.'

Questions and Request for Information

In light of the information above, ASX asks AIY to respond separately to each of the following questions and requests for further information:

1. Please detail the professional services referred to in sub-paragraph F.viii(c) above which were provided to AIY ('Services') and the time frame(s) over which they were provided.

2. Please provide a copy of the following (not for release to the market):

   a) any agreements or documents relating to the 'Investment Promotion & Marketing Fees' (see sub-paragraph C.h) above; and

   b) any service agreements (and/or related documents) between AIY and each of BEST, Harvard Nominees, Mr Baring-Gould and CATS in relation to the Services.

3. If any of the Services were provided during FY2018 or earlier, was disclosure made in the financial statements for the relevant period(s)? If the answer to this question is:

   a) 'yes', please provide details of the relevant disclosures.

   b) 'no', why weren't they disclosed in the relevant financial statements?

4. Did the Prospectus disclose that AIY would use any of the funds raised from the Rights Issue to pay for the Services? If the answer to this question is:

   a) 'yes', please provide details.

   b) 'no', why not?

5. Please provide full details of the following:

   a) Current receivables from related party of $242,689 at 30 June 2019 (per Note 18 to the 2019 Annual Report).

   b) Rent and management fees from other related party of $306,000 in FY2019 (per Note 18 to the 2019 Annual Report).

c) Payments to related parties of $434,335 for FY2019 disclosed in the cashflow statement in the 2019 Annual Report.

Please also provide a copy of any agreements or documents relating to a)-c) above (not for release to the market).

6. Please explain the following:

a) the differences between the directors' remuneration for FY2017 disclosed in the 2017 Annual Report (see sub-paragraph A.iv) above) and the Prospectus (see sub-paragraph B.ii) above).

b) why loans from related parties of $63,655 at 30 June 2017 were not disclosed in the 2017 Annual Report.

c) there being shares issued in lieu of consulting fees of $165,000 disclosed in the 2017 Annual Report (see sub-paragraph A.iv) above) and no such issues disclosed in the 2018 Annual Report.

d) the reference to Mr Genser's share based remuneration in FY2018 being worth $60,000 (rather than $180,000) in the 2018 Annual Report on page 13.

e) the reference to a total of 9 million shares having been issued to directors and executives as remuneration during FY2018 (see sub-paragraph C.f) above) rather than a total of 15 million shares (per the total of shares issued to directors and executives in the table on page 13 of the 2018 Annual Report).

f) the differences between the directors' remuneration for FY2018 disclosed in the 2018 Annual Report on page 13 (see sub-paragraph C.e) above) and in Note 5 on page 23 (see sub-paragraph C.h) above).

g) the differences between the directors' remuneration for FY2018 disclosed in the 2018 Annual Report (see sub-paragraph C.e) above) and the Prospectus (see sub-paragraph B.ii) above).

h) why total current liabilities of $374,460 at 30 June 2018 are disclosed in the statement of financial position in the 2018 Annual Report but total liabilities are disclosed to be $347,460.

i) The substantial increase in administration and other expenses from $374,373 in FY2018 to $1,687,852 for FY2019 disclosed in the statement of profit or loss in the 2019 Annual Report.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by **2:00 p.m. AEDT** on **Friday, 22 November 2019**.

ASX reserves the right to release a copy of this letter and your response on MAP under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

If you have any queries in relation to this letter, please do not hesitate to contact me.

Yours sincerely

James Gerraty
Senior Manager, Listings Compliance (Melbourne)