

Powerhouse Ventures Limited

QUARTERLY REPORT

FOR THE 3 MONTH PERIOD ENDED 31 DECEMBER 2019



ASX Announcement

Powerhouse Ventures Limited

(ASX Code: PVL)

Level 1, Awly Building, 293 Durham Street, Christchurch 8013, New Zealand

NZ Company Number: 1854396

ARBN: 612 076 169

Release date: 23 January 2020

**QUARTERLY ACTIVITIES REPORT
FOR THE 3 MONTH PERIOD ENDED 31 DECEMBER 2019**



Operations Update

- ▲ During the 3 month period ending 31 December 2019 (the Quarter) there was a continued focus by the Board of Powerhouse Ventures Limited (PVL or the Company) to realign the cost structure to the new PVL strategic business model. The Company announced on 14 November 2019 that it had repaid the entire \$NZ2.1 million in Convertible Notes it had outstanding, further reducing the monthly cash burn rate and leaving the Company debt free.
- ▲ This repayment coincided with the sale of PVL's stakes in Invert Robotics and MARS Bioimaging, both announced on 12 November 2019 and which netted the Company ~\$NZ3.87m, representing a return on investment of 585% on Invert Robotics and 169% on Mars Bioimaging.
- ▲ On 19 November 2019, the Company announced that it had been unsuccessful in its tender response for a new contract under New Zealand's 2020 Technology Incubator programme. Whilst a disappointing result, PVL remains committed to the New Zealand commercialisation market and its NZ based portfolio companies. The Company continues to work with Callaghan Innovation in transitioning out of the programme and is currently developing new markets into which it will be able to use the detailed methodology it has developed to identify and commercialise early stage intellectual property.
- ▲ The Annual General Meeting took place on 25 November 2019 and all Resolutions were passed on a show of hands. Shareholders confirmed the recent appointments of Non Executive Directors Richard Symon and Shuyu Yang (Nick Young) to the PVL Board. Richard and Nick are representatives of PVL's two new China based investors, the Shenzhen based United World Group and Jun Hong Shen (Australia) Pty Ltd, the Australian subsidiary of Shanghai based investment company Shanghai Junsheng Investment Fund.

ASX: PVL

Issued Capital:

32.312m Fully Paid Shares

Key Personnel:

Mr Russell Yardley

Executive Chairman

Mr Geoff Gander

Executive Director

Mr Ian Lothian

Executive Director

Mr Richard Symon

Non-Executive Director

Mr Shuyu Yang (Nick Young)

Non-Executive Director

- ▲ On 30 November 2019 Toni Rowell, PVL's Chief Financial Officer, also took on the role of Company Secretary.
 - ▲ As outlined in the Operations Update released on 10 January 2020, PVL goes into 2020 with unaudited cash reserves of ~\$NZ1.8m as at 31 December 2019 and is debt free.
 - ▲ A valuation review of the PVL portfolio is currently being completed and it is expected to show material uplifts for a number of the investee companies, with significant capital raisings having been completed during the 4th Quarter of 2019 by five of the portfolio companies.
 - ▲ Other investee companies are currently in the process of raising additional funds and the Company will release its reviewed half year financial statements by the end of February 2020, which will include an analysis of individual investments in the PVL portfolio.
 - ▲ The Board is now finalising its 3 year strategic plan and is working with its three major shareholders to ensure there is a cohesive and agreed way forward for PVL over the coming months and years. The PVL capital structure remains tightly held with the three major shareholders holding ~50% of the shares on issue and the Board is cognisant of the need to create more liquidity in PVL shares.
 - ▲ It is expected that the focus on the commercialisation of Intellectual Property development in leading universities in Australia and New Zealand will continue but there will also be a new initiative to open up overseas markets, particularly in China and South East Asia, for the existing portfolio companies. There is also a desire to begin funding later stage start-up companies that have begun to achieve revenues and are beyond angel stage investors. This will require access to additional capital and PVL is in discussions with several groups regarding potential partnerships in this area.
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Summary Financial Position

- As outlined in the Operations Update released on 10 January 2020, PVL goes into 2020 with unaudited cash reserves of ~\$NZ1.8m as at 31 December 2019 and is debt free.
- A valuation review of the PVL portfolio is currently being completed and it is expected to show material uplifts for a number of the portfolio companies.
- The Company's share price continues to trade significantly below published NTA.

Outlook

Careful management of cash resources to maintain the Company's lean and more targeted organisation and portfolio focus continues to be an important objective for the Board.

The Company will release its reviewed half year financial statements by the end of February 2020.

The Board is now finalising its 3 year strategic plan and is working with its three major shareholders to ensure there is a cohesive and agreed way forward for PVL over the coming months and years. The PVL capital structure remains tightly held with the three major shareholders holding ~50% of the shares on issue and the Board is cognisant of the need to create more liquidity in PVL shares.



Forward Looking Statements

All statements other than statements of historical fact including, without limitation, statements regarding projections, future plans and objectives of PVL, are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'anticipate', 'believe', 'could', 'estimate', 'expect', 'future', 'intend', 'may', 'opportunity', 'plan', 'in principle', 'potential', 'project', 'seek', 'will' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions and assumptions regarding future events. Such forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and Management of PVL that could cause PVL's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by these forward-looking statements will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. PVL does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained above, except where required by applicable law and securities exchange listing requirements.

For further information, please visit the Company's website at www.powerhouse-ventures.co.nz

**Authorised by:
The Board of Powerhouse Ventures Limited**

For more information please contact:

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Executive Chairman

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Appendix

Portfolio Companies Featured in this Announcement

For details of portfolio companies not included below, please refer to our Annual Report posted to the ASX Announcements Platform (Powerhouse's ASX Code: "PVL").

Invert Robotics



Within the food-processing industry, food-safety is driven by eliminating bacterial contamination which can be harboured by cracks in industrial vessels such as tanks, dryers and silos. Historically these vessels have been serviced by scaffold or rope-based inspections - a hazardous process which is prone to error.

Invert Robotics provides remote inspection services to global blue-chip customers using its proprietary robotics technology. The mobile climbing robot system allows identification, recording and reporting of cracks in mission critical infrastructure. Invert is currently expanding geographically into Europe, following success with inspection of milk silos and dryers in Australasia. A new and exciting world-wide business opportunity has also developed in aircraft fuselage inspection. A petro-chemical tank inspection business is also under consideration.

Mars Bioimaging



MARS Bioimaging is bringing 'colour' to medical x-ray imaging through its world-leading spectral x-ray computed tomography (CT) technology. This novel information enables exciting new opportunities for both clinicians and preclinical researchers to better understand health problems and develop new treatments.

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Quarterly Cashflow Report (Appendix 4C)

Quarter Ended 31 December 2019

Statement of cash flows

1 Cash flows from operating activities	Current quarter	Year to date (6 months)
	\$NZD'000	\$NZD'000
1.1 Receipts from customers	9	28
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(113)	(221)
(f) administration and corporate costs	(178)	(571)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	33	97
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	125	250
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(124)	(417)

2 Cash flows from investing activities	Current quarter	Year to date (6 months)
	\$NZD'000	\$NZD'000
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(146)	(171)
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	3,863	4,093
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	3,717	3,922

3 Cash flows from financing activities	Current quarter	Year to date (6 months)
	\$NZD'000	\$NZD'000
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	314
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(3)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(2,137)	(2,137)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material) (i)	-	-
3.10 Net cash from / (used in) financing activities	(2,137)	(1,826)

4 Net increase / (decrease) in cash and cash equivalents for the period	Current quarter	Year to date (6 months)
	\$NZD'000	\$NZD'000
4.1 Cash and cash equivalents at beginning of period	346	123
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(124)	(417)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	3,717	3,922
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(2,137)	(1,826)
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	1,801	1,801

5 Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the	Current quarter	Previous Quarter
	\$NZD'000	\$NZD'000
5.1 Bank balances	1,801	346
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter	1,801	346

6 Payments to related parties of the entity and their associates	Current quarter
	\$NZD'000
6.1 Aggregated amount of payments to related parties and their associates included in item 1	69
6.2 Aggregated amount of payments to related parties and their associates included in item 2	-

Includes all Directors fees and contractor costs paid to four Executive Directors and Directors fees to one Non-Executive Director
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7 Financing facilities available Note: the term 'facility' includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the	Total facility at quarter end	Amount drawn at quarter end
	\$NZD'000	\$NZD'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end	-	-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8 Estimated cash available for future operating activities	\$NZD'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(124)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,801
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,801
8.5 Estimated quarters of funding available (Item 8.4 dividend by Item 8.1)	14
8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions: N/A	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies that comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 23 January 2020

Authorised by: The Board of Powerhouse Ventures Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the name of board committee – e.g. Audit and Risk Committee". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

About Powerhouse

Powerhouse is a leading intellectual property commercialisation company which focuses on developing brilliant research from New Zealand and Australian universities into world changing businesses. It has developed a unique approach to develop these innovations and businesses by providing access to business building expertise, capital, networks, recruitment and ongoing business support. Powerhouse has a successful track record with an existing active portfolio of early stage to mature businesses across four main sectors: engineering and clean-tech, medical and healthcare, agritech and environmental, and digital and ICT.

Contact Details

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