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ACN 089 311 026

21 February 2017

Ms Hayley Pratt  
Adviser  
Listing Compliance (Perth)  
Australian Securities Exchange  
Level 40  
Central Park  
152-158 St Georges Terrace  
PERTH WA

Dear Ms Pratt

**Grandbridge Limited (ASX: GBA) – Response to ASX Query**

In response to the questions in your letter of 16 February 2017, Grandbridge Limited (Grandbridge, GBA, the Company) provides this response.

***General Background***

Grandbridge is an investment operating company with 3 key investments, held directly or through investments in BPH Energy (ASX:BPH) and MEC Resources (ASX:MMR):

- Cortical Dynamics – currently commercialising its Brain Anesthesia Monitor
- Molecular Discovery Systems – research into gene impacts on liver cancer
- Advent Energy – On and offshore natural gas exploration

Grandbridge listed on ASX in 2000 as an investment company with a dealer's license in its wholly owned subsidiary. It manages its investments and provides investment advisory services and has continued this business since listing.

Grandbridge is currently managing and partially underwriting a \$1.8m one for one rights issue for BPH to provide additional funding for ongoing investment into BPH's projects. Grandbridge is also managing a \$2m pre-IPO capital raising for Cortical Dynamics which will ultimately enable Cortical to proceed with a listing on the ASX. Grandbridge has a contractual arrangement where it receives a 5% fee for all capital it raises for Cortical.

The value of Grandbridge's listed investments at 31 December 2016 was \$257,000; with a further \$5.7m of value in unlisted investments. In addition, Grandbridge had \$1.1m of loans receivable from investee companies, after write downs. Grandbridge also holds 6% of the share capital of Cortical which if listed at 20c per share would result in an uplift of \$1.33m in Grandbridge's asset base.

**1. Please provide details of the Company's current activities.**

The principle activity of the Company continues to be to manage its investments. This includes capital raising, investment strategy and management, as well as the provision of consulting services to investees such as bookkeeping, accounting, company secretarial records storage, telecommunications, IT systems, and payroll.

As noted above, the Company also holds equity and debt in a number of investee companies with a view to creating long term gains for its own shareholders. The creation of this value aligns with the Company's objectives of locating interested investors and key operating partners.

**2. Please provide details of the revenue and expenditure for the half year ended 31 December 2016 in relation to each activity.**

Revenue and expenditure for each activity for the half year to 31 December 2016 is as follows:

\$000, 6 months to 31 December 2016	On-going Revenue	One-off Termination Revenue	Doubtful debt provision decrease	Valuation increase / (decrease)	Expenditure	Profit/(loss) before tax
Consulting Services	191	341	33	-	(189)	376
Investing	-	-	-	(59)	-	(59)
General Administrative costs	-	-	-	-	(87)	(87)
Other	1	-	-	-	-	1
Total	192	341	33	(59)	(276)	231

**3. Please provide details of the Company's anticipated revenue and expenditure for each activity for the half year commencing 1 January 2017 and ending 30 June 2017.**

The Companies anticipated revenue for the current half year is as follows:

\$000, 6 months to 30 June 2017 Estimated	On-going Revenue	One-off Capital Raising Revenue	Doubtful debt provision decrease	Valuation increase / (decrease)	Expenditure	Profit/(loss) before tax
Consulting Services	96	32	-	-	(160)	(32)
Investing	-	-	-	-	-	-
General Administrative costs	-	-	-	-	(80)	(80)
Other	-	-	-	-	-	-
Total	96	32	-	-	(240)	(112)

**4. Why have the Company's receipts from customers decreased from \$111,000 in the quarter ending 30 September 2017 to \$81,000 in the quarter ending 31 December 2016?**

As advised to ASX on 28 December 2016 and on 19 January 2017, Advent Energy and MEC Resources terminated their consulting services agreement with Grandbridge on 23 November 2016. The reduction in the earning period of the contract by approximately 1 month out of 6 months of cash revenue equates broadly to the reduction noted.

As a result, the termination clauses in the contracts were triggered and a total amount of some \$340,000 was recognised by Grandbridge as termination fee revenue in the period to 31 December 2016. However, cash has not been received due to ongoing disputes with the entities concerned, and a doubtful debt provision of 100% of this receivable amount has been included in Grandbridge's financials for the same period.

Grandbridge Limited has sent two letters of demand to MEC and Advent Energy. These letters request:

- The sum of \$212,052 payable to Grandbridge by MEC for services provided.
- The sum of \$128,640 payable to Grandbridge by Advent Energy for services provided.

These letters were sent on 7 December 2016, requiring payment within 21 days. All amounts are still outstanding.

**5. Please provide details of the Company's current liabilities as at the date of your response to this letter, including with each entry the following information:**

**(a) the quantum of funds owed;**

**(b) whether the liability is secured, and if so, details of the security;**

**(c) the date the liability is payable (which may be in the past); and**

**(d) whether the liability is presently payable.**

Details of the Company's current liabilities are as follows:

<b>Current Liabilities</b>	<b>Amount (a)</b>	<b>Date Due (c)</b>	<b>Presently payable (d)</b>
Trade Creditors, including GST	\$55,000	\$28,000 within next 30 days	\$28,000
Annual leave provision	\$64,000	Relates to managing director and not anticipated to be payable in next few months	No.
Directors' fees	\$308,000	Current Directors have confirmed that they have deferred payment until the company is able to pay	No
Former Directors' fees	\$456,000	Former directors confirmed in October 2016 that they would defer payment until the company is able to pay. This was recorded in the annual report and signed off	No. Despite this agreement being documented in the published annual report and as set out in the audit papers , 2 former directors have requested payment of their fees. Grandbridge intends to defend any proceedings

		by all directors and is set out in the audit papers.	commenced by these directors and to commence counterclaim and to issue separate proceedings against these directors as a result of their conduct.
Total	\$883,000		

(b) All current liabilities are unsecured.

**6. Please state GBA's current cash balance as at the date of your response to this letter.**

GBA's current cash balance is \$17,371

**7. Having regard to the information provided in response to paragraphs 5 and 6 above, and in particular paragraph 5(d), please state whether GBA is able to pay all its debts as and when they become due and payable.**

GBA is able to pay to pay all its debts as and when they fall due.

GBA has a loan of approximately \$425,000 due from BPH Energy Ltd, which is has sufficient cash to provide funds to GBA as and when required. The managing director of both companies is Mr David Breeze.

GBA also has loans (at call) of \$703,000 which are currently due and payable from Advent (and its subsidiary) and MEC, which Grandbridge is entitled to call.

**8. If GBA is not able to pay all its debts as and when they become due and payable, please state the date on which GBA first became aware that this was the case.**

n/a

**In relation to the disclosure in its Appendices 4C:**

**9. Does GBA expect that it will continue to have negative operating cash flows for the time being and, if not, why not?**

Yes, GBA expects to have negative operating cash flows for the time being, except for the receipt of amounts due under the termination provisions of its contracts, see 4. above, if these are received.

**10. Has GBA 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?**

GBA has taken the step of requesting repayment of \$40,000 of its loan to BPH Energy to fund operations in the short-term. Please also note that payments from the BPH service contract to Grandbridge have been increased in December.

In addition, GBA, on behalf of Cortical, is in advanced discussions on a \$2m pre IPO funding round and a contract was signed on 19 January to initiate a capital raising of \$1m of those funds. Two additional investor groups are currently performing due diligence processes for a potential investment into Cortical of up to \$2m. In addition a number of additional parties are in discussions on this funding round. Cortical also expects to raise a further \$5m at IPO. Grandbridge previously wrote down a \$300,000 loan to Cortical which would subsequently be recoverable at such time as Cortical raised significant funds. Furthermore, contractual capital raising fees and ongoing investment management revenue are anticipated from managing the Cortical investment.

With Grandbridge's purpose being is to manage investments over a long time horizon, it is expected that the company will raise funds from time to time to fulfil this objective. GBA is also currently considering a one for one rights issue which could potentially raise \$600,000.

**11. Does GBA expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes, GBA expects to be able to continue its operations and meet its business objectives, on the basis of co-operation between itself, BPH and Cortical.

**In relation to all questions in this letter:**

**12. Please confirm that GBA is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.**

GBA confirms it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition that has not already been released to the market.

**13. Please confirm that GBA's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of GBA with delegated authority from the board to respond to ASX on disclosure matters.**

GBA confirms that this response has been authorized and approved by David Breeze who has authority to do so from the board.

**Please also provide any other information that GBA considers may be relevant to ASX forming an opinion on whether GBA is in compliance with Listing Rules 12.1 and 12.2.**

There is no further information GBA considers to be relevant in relation to Listing Rules 12.1 and 12.2.

Please note that this letter contains forward looking statements including statements regarding Grandbridge's intent, belief and current expectations with respect to Grandbridge's investments and operations, market conditions, expected results, and valuations. Readers are cautioned not to place undue reliance on these forward looking statements. Grandbridge does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts are subject to uncertainty and contingencies outside of Grandbridge's control.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Breeze'.

David Breeze  
Chairman



16 February 2017

Mr David Breeze  
Executive Director and Company Secretary  
Grandbridge Limited  
14 View Street  
NORTH PERTH WA 6006

By email: David@grandbridge.com.au

Dear Mr Breeze

**Grandbridge Limited (“GBA”)**

ASX Limited (“ASX”) refers to the following:

- A. Under Listing Rules 12.1 and 12.2, ASX can determine whether the continued listing of an entity is warranted, having regard to the entity’s level of operations or its financial condition.

*12.1 The level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued quotation of the entity’s securities and its continued listing.*

*12.2 An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*

**Annual Report**

- B. GBA’s 2016 annual report, released to ASX on 3 October 2016, which reported, amongst other things:

- that GBA provides consultancy and management services to a number of different entities and receives a monthly fee for these services;
- segment revenue for consulting services for the year of \$677,074; and
- total revenue of \$782,027.

**Appendices 4C**

- C. GBA’s quarterly cash flow report for the period ended 30 September 2016, released to ASX on 18 October 2016, which reported amongst other things:

- receipts from customers of \$111,000;
- net operating cash flows for the quarter of \$0;
- cash at the end of the quarter of \$51,000; and

- estimated cash outflows for the next quarter of \$115,000.

D. GBA's quarterly report for the period ended 31 December 2016, released to ASX on 31 January 2017, which reported amongst other things:

- receipts from customers of \$81,000;
- negative net operating cash flows for the quarter of \$59,000;
- cash at the end of the quarter of \$42,000; and
- estimated cash outflows for the next quarter of \$120,000.

Based on the information in the Appendices 4C, it appears that if GBA were to continue to expend cash at the rate indicated by the Appendices 4C, GBA may not have sufficient cash to continue funding its operations.

Pursuant to Listing Rule 18.7, ASX requires the Company to answer the following questions in a format suitable for release to the market:

1. Please provide details of the Company's current activities.
2. Please provide details of the revenue and expenditure for the half year ended 31 December 2016 in relation to each activity.
3. Please provide details of the Company's anticipated revenue and expenditure for each activity for the half year commencing 1 January 2017 and ending 30 June 2017.
4. Why have the Company's receipts from customers decreased from \$111,000 in the quarter ending 30 September 2017 to \$81,000 in the quarter ending 31 December 2016?
5. Please provide details of the Company's current liabilities as at the date of your response to this letter, including with each entry the following information:
  - (a) the quantum of funds owed;
  - (b) whether the liability is secured, and if so, details of the security;
  - (c) the date the liability is payable (which may be in the past); and
  - (d) whether the liability is presently payable.
6. Please state GBA's current cash balance as at the date of your response to this letter.
7. Having regard to the information provided in response to paragraphs 5 and 6 above, and in particular paragraph 5(d), please state whether GBA is able to pay all its debts as and when they become due and payable.
8. If GBA is not able to pay all its debts as and when they become due and payable, please state the date on which GBA first became aware that this was the case.

In relation to the disclosure in its Appendices 4C:

9. Does GBA expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
10. Has GBA 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?
11. Does GBA expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

In relation to all questions in this letter:

12. Please confirm that GBA is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
13. Please confirm that GBA's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of GBA with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that GBA considers may be relevant to ASX forming an opinion on whether GBA is in compliance with Listing Rules 12.1 and 12.2.

### **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 not later than **9.00 a.m. AWST on Tuesday, 21 February 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in GBA's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, GBA's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform 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 at [Hayley.Pratt@asx.com.au](mailto:Hayley.Pratt@asx.com.au) and to [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au). 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 the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.



In responding to this letter, you should have regard to GBA's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that GBA's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in GBA's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

*[Sent electronically without signature]*

Hayley Pratt  
**Adviser, Listings Compliance (Perth)**