



**KEMAO INDUSTRIES LIMITED**

ACN 625 928 216 | NSX Code: KEM

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
30 JUNE 2021**

This Financial Report for the Half Year ended 30 June 2021 is to be read in conjunction with the Financial Report for the Year ended 31 December 2020 and any announcements made to the market during the half year ended 30 June 2021.



## Corporate Directory

### Board of Directors

Mr Long Huy Lam	Non-executive Chairman
Mr Dong Chen	Managing Director
Ms Fang Chen	Executive Director
Mr Jianping Zhou	Non-executive Director
Ms Xuekun Li	Non-executive Director

### Company Secretary

Ms Xuekun Li

### Registered Office in Australia

Office 20  
217 Hay St  
Subiaco WA6008  
Tel: +61 413 041 820  
Email: [info@kmggroup.cn](mailto:info@kmggroup.cn)  
Website: [www.kemao-tinplate.com](http://www.kemao-tinplate.com)

### Principle Business Address in China

No 5 Songwentou Road  
Yunting Town, Jiangyin City  
Jiangsu Province 214422 China  
Tel: +86 510 6882 6922  
Fax: +86 510 6882 6921

### Auditors

MGI Perth Audit Services Pty Ltd  
322 Hay St  
Subiaco WA 6008

### Share Registry

Advanced Share Registry  
110 Stirling Highway  
Nedlands WA6009  
Tel: +61 8 9389 8033  
Fax: +61 8 9262 3723

### Securities Exchange Listing

Fully Paid Shares in Kemao Industries Limited are quoted on National Stock Exchange of Australia (code: KEM).

## Financial Report for the Half Year ended 30 June 2021

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## Directors' Report

The directors of Kemao Industries Limited (**Kemao**) herewith submit the financial report of Kemao Industries and its subsidiaries ("KEM" or "the Group") for the half-year ended 30 June 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the Company during or since the end of the half year are:

- Mr Long Huy Lam (appointed Non-executive Chairman 29 March 2021)
- Mr Dong Chen (Executive Director)
- Ms Fang Chen (Executive Director)
- Mr Jianping Zhou (Non-executive Director)
- Ms Xuekun Li (appointed Non-executive Director 3 March 2021)
  
- Ms Chong Peng Leong (resigned from Non-executive Director 3 March 2021)

The above named directors held office during and since the end of the half-year.

## Review of Operations

KEM is a professional metal packaging solution provider. The Group specialises in the production and supply of tinplate and cold-rolled steel coils to the global market. KEM's production base and manufacture centre is located in the Jiangsu Province of China.

The Group reported a consolidated loss of \$2,784,000 for the half-year ended 30 June 2021 (2019: a consolidated loss of \$424,000).

Revenue for the half year ended 30 June 2021 grew by 25.9% to \$77.4 million, compared with \$61.5 million of last period. Due to strict COVID-19 containment measures, social and economic environment became normalised in China in 2021. Over the course of the pandemic lockdown, the Company saw a lot of small and medium manufactures closed down and the concentration within the industry became higher and higher. As one of the top tin-plate manufacturers with long history in China, KEM took the opportunity to increase its market share. Domestic sales increased by 37.7% to \$65.8 million. While overseas sales were down 15% to \$11.6 million, the total sales returned to almost the pre-COVID level.

Raw material prices and shipping costs continued to rise significantly during the period. The Group recorded a gross loss of \$810,000 for the first six months of 2021. In order to cope with the unexpected price movement and the ongoing uncertainties arising from Covid-19, KEM continued to strengthen its inventory control.

The Group remained focus on improving production management, minimising unnecessary expenditure and reducing waste. Apart from the non-cash impairment provision, all other operating expenditure decreased during the period.

KEM has adopted prudent capital management. The Group managed not to increase its borrowings during the challenging period. As at 30 June 2021 KEM had around \$9.3 million cash and generated \$1.2 million from its operating activities during the period. While it had negative \$5.2 million working capital as at 30 June 2021, KEM assessed its cashflow remained stable.

**Auditor's Independence Declaration**

The Auditor's Independence Declaration is included on page 3 and forms part of the Directors' Report for the half year ended 30 June 2021.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001*.

On behalf of the Board



**Long Huy Lam**  
**Director**

Sydney, 9 September 2021




MGI Perth Audit Services Pty Ltd  
ABN: 90 608 551 113  
Level 1, 322 Hay Street Subiaco, WA 6008  
PO Box 1554 Subiaco WA 6904  
T: (08) 9388 9744  
F: (08) 9388 9755  
E: [audit@mgiperth.com.au](mailto:audit@mgiperth.com.au)  
W: [www.mgiperth.com.au](http://www.mgiperth.com.au)

## **AUDITOR'S INDEPEDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

As lead auditor of the review of Kemao Industries Limited for the half-year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

  
**MGI Perth Audit Services Pty Ltd**



**Clayton Lawrence**  
**Director**

**9 September 2021**  
**Perth, Western Australia**

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half Year ended 30 June 2021

	2021.1.1- 2021.6.30 \$000's	2020.1.1- 2020.6.30 \$000's
Sales	77,427	61,506
Cost of sales	(78,237)	(58,831)
<b>Gross profit/(loss)</b>	<b>(810)</b>	<b>2,675</b>
<b>Other income</b>	<b>3,061</b>	<b>2,677</b>
<b>Expenditure</b>		
Administration expenses	(2,551)	(3,689)
Operating expenses	(213)	(458)
Allowance for impairment losses	(1,678)	(735)
Finance costs	(593)	(894)
<b>Total expenditure</b>	<b>(5,035)</b>	<b>(5,776)</b>
<b>Profit/(loss) before income tax</b>	<b>(2,784)</b>	<b>(424)</b>
Income tax expense	-	-
<b>Net profit/(loss) for the period</b>	<b>(2,784)</b>	<b>(424)</b>
<b>Other comprehensive income/(expense)</b>	<b>(96)</b>	<b>69</b>
<b>Total comprehensive income/(expense) for the period</b>	<b>(2,880)</b>	<b>(355)</b>
Basic and diluted profit/(loss) per share attributable to the ordinary equity holders of the Company (cents per share)	(2.76)	(0.42)

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

## Condensed Consolidated Statement of Financial Position as at 30 June 2021

	Notes	2021.6.30 \$000's	2020.12.31 \$000's
<b>Current assets</b>			
Cash and cash equivalents		9,345	7,953
Trade receivables	4	16,577	13,986
Inventories	5	20,875	18,673
Term deposits		16	-
Other receivables and prepayments		9,901	8,011
Total current assets		56,714	48,623
<b>Non-current assets</b>			
Plant and equipment	6	8,116	8,690
Right-of-use asset	7	824	807
Deferred tax assets		1,514	1,045
Total non-current assets		10,454	10,542
<b>Total assets</b>		67,168	59,165
<b>Current liabilities</b>			
Trade payables		35,534	27,131
Borrowings	8	26,363	24,454
Total current liabilities		61,897	51,585
<b>Non-current liabilities</b>			
Borrowings	8	-	994
Other payables		2,782	1,217
<b>Total Non-current liabilities</b>		2,782	2,211
<b>Total liabilities</b>		64,679	53,796
<b>Net assets</b>		2,489	5,369
<b>Equity</b>			
Contributed equity	9	17,144	17,144
Reserve		1,058	1,154
Accumulated losses		(15,713)	(12,929)
<b>Total equity</b>		2,489	5,369

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



## Condensed Consolidated Statement of Changes in Equity for the Half Year ended 30 June 2021

	Contributed Equity \$000's	Reserve \$000's	Accumulated Losses \$000's	Total \$000's
Balance at 1 January 2021	17,144	1,154	(12,929)	5,369
Loss for the period	-	-	(2,784)	(2,784)
Exchange differences on translating foreign controlled entities	-	(96)	-	(96)
Total comprehensive income/(expense) for the period	-	(96)	(2,784)	(2,880)
Balance at 30 June 2021	17,144	1,058	(15,713)	2,489
Balance at 1 January 2020	16,743	875	(2,647)	14,971
Loss for the period	-	-	(424)	(424)
Exchange differences on translating foreign controlled entities	-	69	-	69
Total comprehensive income/(expense) for the period	-	69	(424)	(355)
Shares issued during the period	500	-	-	500
Share issue costs	(99)	-	-	(99)
Balance at 30 June 2020	17,144	944	(3,071)	15,017

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

## Condensed Consolidated Statement of Cash Flows for the Half Year ended 30 June 2021

	2021.1.1- 2021.6.30 \$000's	2020.1.1- 2020.6.30 \$000's
<b>Cash flows from operating activities</b>		
Receipts from customers	80,306	68,634
Payments to suppliers and employees	(78,294)	(67,977)
Interest paid	(798)	(1,035)
Net cash inflow/(outflow) from operating activities	1,214	(378)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(116)	(90)
Change in term deposits	176	-
Change in bank balances for restricted use	2,202	104
Net cash inflow/(outflow) from investing activities	2,262	14
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	1,002	27,889
Repayment of borrowings	(1,002)	(30,051)
Payment for capital raising	-	(99)
Net cash inflow/(outflow) from financing activities	-	(2,261)
<b>Net increase/(decrease) in cash and cash equivalents</b>	3,476	(2,625)
Effect of foreign exchange translation	293	158
Cash and cash equivalents at the beginning of the period	5,576	8,645
<b>Cash and cash equivalents at the end of the period</b>	9,345	6,178

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

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## Notes to the Condensed Consolidated Financial Statements for the Half Year ended 30 June 2021

### 1. Significant Accounting Policies

#### (a) Statement of compliance

The half year financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations (**Standards**) issued by the Australian Accounting Standards Board (**AASB**), in particular AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

#### (b) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year consolidated financial report are consistent with those adopted and disclosed in the Group's Annual Financial Report for the Year ended 31 December 2020, except for the impact of the Standards described below. These accounting policies are consistent with the Standards and with International Financial Reporting Standards.

#### (c) Adoption of new and revised accounting standards

The Group has adopted all of the new and revised Standards issued by the AASB that are relevant to its operations and effective for the current half year.

At the date of authorisation of the Financial Statements, the Standards applicable to the Group's business listed below were in issue but not yet effective. The potential effect of the revised Standards on the Group's financial statements has not yet been determined.

- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB2017-5 Amendments to Australian Accounting Standards-Effective Date of Amendments to AASB10 and AASB128 and Editorial Corrections, effective for annual reporting periods beginning on or after 1 January 2022;

## **1. Significant Accounting Policies (Continued)**

### **(c) Adoption of new and revised accounting standards (continued)**

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, effective for annual reporting periods beginning on or after 1 January 2022;
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments, effective for annual reporting periods beginning on or after 1 January 2022;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates, effective for annual reporting periods beginning on or after 1 January 2023.

## 2. Segment Reporting

The Group identifies its operating segments based on the nature of the products and the nature of the production processes and other economic characteristics. The Group has identified a single operating segment, being the sale of electrolytic tinplate products.

The Group's revenue from external customers are categorised from two geographical regions, being mainland China and overseas.

	Sale of electrolytic tinplate products		Unallocated		Total	
	2021 000's \$	2020 000's \$	2021 000's \$	2020 000's \$	2021 000's \$	2020 000's \$
<b>Revenue</b>						
Revenue from external customers	77,427	61,506	-	-	77,427	61,506
Total segment revenue	77,427	61,506	-	-	77,427	61,506
<b>Result</b>						
Gross profit	(810)	2,675	-	-	(810)	2,675
Other income – sales of scrape	2,957	1,787	104	890	3,061	2,677
Administration costs	-	-	(2,764)	(4,147)	(2,764)	(4,147)
Impairment loss allowance on trade and other receivables	(1,678)	(735)	-	-	(1,678)	(735)
Finance costs	-	-	(593)	(894)	(593)	(894)
Profit before income tax	-	-	-	-	-	-
Income tax	-	-	-	-	-	-
Profit/(loss) for the year	469	3,727	(3,253)	(4,151)	(2,784)	(424)
<b>Segment assets</b>	55,399	48,861	11,769	10,304	67,168	59,165
<b>Other segment information</b>						
Depreciation	952	1,282	40	34	992	1,316
Additions to non-current assets	116	90	-	-	116	90

### Geographical information

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

	2021		2020		Total	
	China \$000's	Overseas \$000's	China \$000's	Overseas \$000's	2021 \$000's	2020 \$000's
Revenue	65,874	11,553	47,855	13,651	77,427	61,506
Assets	64,249	2,919	57,886	1,279	67,168	59,165

### 3. Dividends

There were no dividends paid or declared by the Company during the period.

### 4. Trade Receivables

	2021.6.30 \$000's	2020.12.31 \$000's
Trade receivables	21,097	17,102
Less: Allowance for impairment loss	(4,520)	(3,116)
	<u>16,577</u>	<u>13,986</u>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

### 5. Inventories

	2021.6.30 \$000's	2020.12.31 \$000's
Raw material	2,887	5,089
Work-in-progress	1,678	9,583
Finished goods	16,310	4,001
	<u>20,875</u>	<u>18,673</u>

### 6. Plant and Equipment

	2021.6.30 \$000's	2020.12.31 \$000's
<u>Plant and equipment</u>		
At cost	33,807	33,690
Accumulated depreciation	(25,756)	(25,075)
Total plant and equipment	<u>8,051</u>	<u>8,615</u>
<u>Furniture, fixture and fittings</u>		
At cost	64	64
Accumulated depreciation	(50)	(47)
Total furniture, fixture and fittings	<u>14</u>	<u>17</u>
<u>Motor Vehicles</u>		
At cost	123	123
Accumulated depreciation	(87)	(80)
Total motor vehicles	<u>36</u>	<u>43</u>
<u>Leasehold improvements</u>		
At cost	134	134
Accumulated depreciation	(119)	(119)
Total leasehold improvements	<u>15</u>	<u>15</u>
Total plant and equipment	<u>8,116</u>	<u>8,690</u>

## 6. Plant and Equipment (continued)

	Plant and Equipment	Furniture, Fixture and Fittings	Motor Vehicles	Leasehold Improvements	Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Balance at 2021.1.1	8,615	17	43	15	8,690
Additions	116	-	-	-	116
Depreciation	(954)	(3)	(9)	(26)	(992)
Translation difference	274	-	2	26	302
Balance at 2021.6.30	8,051	14	36	15	8,116
Balance at 2020.1.1	11,036	21	38	76	11,171
Additions	90	-	-	-	90
Depreciation	(1,281)	(4)	(7)	(24)	(1,316)
Translation difference	112	2	-	1	115
Balance at 2020.6.30	9,957	19	31	53	10,060

At 30 June 2021, certain machinery and equipment with carrying amount of \$3,506,000, were charged as securities for borrowings granted to Jiangsu Kemao New Materials Technology Co. Ltd, the Company's wholly owned subsidiary in China (31 December 2020: \$3,295,000).

At 30 June 2021, machinery and equipment with carrying amount of nil were charged as securities for borrowings granted to a company controlled by Mr Dong Chen, the Managing Director of the Company (31 December 2020: \$736,389).

## 7. Right-of-use Asset

	2021.6.30 \$000's	2020.12.31 \$000's
Carrying balance of the period	807	856
Amortisation of the period	(12)	(49)
Translation difference	29	-
Ending balance of the period	824	807

## 8. Borrowings

	2021.6.30 \$000's	2020.12.31 \$000's
Short-term borrowings	26,363	24,454
Long-term borrowings	-	994
Total borrowings	26,363	25,448

All of the borrowings are denominated in RMB. Interest charged in the current period from 4.80% to 6.90% per annum.

As at 30 June 2021, term loans are secured by:

- machinery and equipment as disclosed in Note 5;
- guaranteed by Mr Dong Chen and his associates. Mr Chen is the Managing Director and a substantial shareholder of the Company; and
- guarantee by third parties.

## 9. Equity Securities Issued

	2021.1.1- 2021.6.30 Number 000'	2020.1.1- 2020.6.30 Number 000'	2021.1.1- 2021.6.30 \$000's	2020.1.1- 2020.6.30 \$'000s
Movement of ordinary shares fully paid:				
Beginning balance	101,000	100,000	17,144	16,743
Issued during the period, net of transaction costs	-	1,000	-	500
Capital raising costs	-	-	-	(99)
Ending balance:	101,000	101,000	17,144	17,144

## 10. Related Party Transactions

- (a) The Group's main related parties are subsidiaries within the group, directors, directors' close family members and companies controlled by directors.
- (b) Loans from related parties

As at 30 June 2021 the Group had loan and other payable of \$3,580,000 owing to Mr Chuandu Chen, a close family member of Mr Dong Chen (31 December 2020: AUD\$3,437,000). The payable was unsecured, interest free and with a fixed terms of five years from May 2018.

- (c) Balances and transactions with related parties

At 30 June 2021, the Group had receivable of \$2,826,000 from Jiangyin Fumao Textile Chemical Fibre Co., Limited, a company controlled by Mr Dong Chen and his close family members (31 December 2020: \$3,102,000).



At 30 June 2021, the Group had other payable of \$62,000 to Mr Jianping Zhou (31 December 2020: \$60,000).

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred and balances with related parties:

	<b>Sales</b> <b>000's</b> <b>\$</b>	<b>Purchases</b> <b>000's</b> <b>\$</b>	<b>Advances</b> <b>to/(from)</b> <b>000's</b> <b>\$</b>
For the half-year ended 30 June 2021:			
Jiangyin Fumao Textile Chemical Fibre Co., Limited	-	-	(2,952)
Mr Dong Chen and his close family members	-	-	(93)
For the year ended 30 June 2020:			
Jiangyin Fumao Textile Chemical Fibre Co., Limited	-	-	(866)
Mr Dong Chen and his close family members	-	-	213

## 11. Subsequent Events

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, either positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government, Chinese Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Group and the results of those operations on the state of the affairs of the Group in the financial period subsequent to 30 June 2021.

## Directors' Declaration

The directors declare that:

- ✦ In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- ✦ In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Board



**Long Huy Lam**  
**Director**

Sydney, 9 September 2021

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KEMAO INDUSTRIES LIMITED**

### **Report on the Half-year Financial Report**

#### **Conclusion**

We have reviewed the half-year consolidated financial report of Kemao Industries Limited ("the Company") and its controlled entities ("the Group") which comprises the condensed consolidated statement of financial position as at 30 June 2021 condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 end of the half-year or from time to time during the half-year period.

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 consolidated financial report of Kemao Industries Limited does not comply with the Corporations Act 2001 including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

#### **Basis for Conclusion**

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### **Responsibility of the Directors for the Half-Year Financial Report**

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



MGI Perth Audit Services Pty Ltd  
ABN: 90 608 551 113  
Level 1, 322 Hay Street Subiaco, WA 6008  
PO Box 1554 Subiaco WA 6904  
T: (08) 9388 9744  
F: (08) 9388 9755  
E: [audit@mgiperth.com.au](mailto:audit@mgiperth.com.au)  
W: [www.mgiperth.com.au](http://www.mgiperth.com.au)

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KEMAO INDUSTRIES LIMITED**

### **Auditor's Responsibility for the Review of the Half-Year Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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.

A handwritten signature in black ink that reads 'MGI Perth'.

**MGI Perth Audit Services Pty Ltd**

A handwritten signature in black ink, appearing to be 'Clayton Lawrence'.

**Clayton Lawrence  
Director**

**9 September 2021  
Perth, Western Australia**