



ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

PPK Group Limited – ASX Code: PPK

Monday 24 February 2020

Appendix 4D – Financial Report Half Year Ended 31 December 2019

Please find attached our Appendix 4D and Financial Report for the Half Year Ended 31 December 2019.

Authorised by the Board of Directors. For further information contact:

Robin Levison

Executive Chairman of PPK Group Limited

On 07 3054 4500

PPK GROUP LIMITED

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APPENDIX 4D

PPK Group Limited

ABN 65003964181

Half Year Report for the
half-year ended 31 December 2019

This information is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A and should be read in conjunction with the most recent annual report

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Highlights of results for announcement to the market

	31 December 2019 \$000	31 December 2018 \$000	Change \$000	Change %
Total revenues from continuing operations	22,053	19,853	2,200	11%
Profit/(loss) from continuing operations before tax expense	(50)	905	(955)	-106%
Profit/(loss) from continuing operations before tax attributable to owners of PPK Group Limited	(50)	905	(955)	-106%
Profit/(loss) after tax attributable to owners of PPK Group Limited	(229)	905	(1,134)	-125%
Earnings per share	cents (0.3)	cents 1.4	cents (1.7)	-119%
Net tangible assets per share	cents 39.8	cents 28.4	cents 11.4	40%

DIVIDENDS

	Amount per share	Franked amount per share
2020 Interim – ordinary	1 cent	1 cent
2019 Final - ordinary	1 cent	1 cent
2019 Interim - ordinary	1 cent	1 cent

EXECUTIVE CHAIRMAN'S REPORT

Dear shareholders, it has been an extremely busy and successful 6 months for PPK Group Limited (**PPK**).

PPK has continued to build out the strategic investment in **AICIC** and resultant BNNT shareholding made on 13 November 2018 when we announced our exciting diversification from mining into a wider technology based Joint Venture Research Agreement (JVRA) with Deakin University (**Deakin**) to help commercialise Deakins patented Boron Nitride Nanotube manufacturing technology. Since that time, we have seen over 1,600 new shareholders join the company share register and have seen a significant increase in market capitalisation and daily share volume liquidity.

As a Board we are extremely pleased with the strong relationship that **PPK** has developed with **Deakin** during this period, which since the signing the initial JVRA has now progressed to agreements for the research and development of a very exciting Lithium Sulphur (Li-S) battery application and other commercialisation project opportunities. The Li-S project includes the commercialisation of the flexible battery developed by **Deakin** with the integration of BNNT into the design and manufacture of the Li-S battery.

There is a considerable amount of work that has been undertaken in the commercialisation of BNNT. **Deakin** informed the market on 16 October 2019 that each of the process elements of the production plant were completed, the plant was operational, and the focus was on establishing the range of production process settings required for BNNT purity, size and type for higher production volumes. Since then, the JVRA scientists continue to refine the process and have made the first production plant by establishing batch processing of BNNTs and as a result four new production plants will be ordered for delivery to the existing production site in Waurin Ponds. BNNT and **Deakin** continue to develop the automation of the process.

On 16 December 2019, **PPK** announced that it had completed the acquisition a 45% interest in Craig International Ballistics Pty Ltd (**CIB**) which gives PPK access to the defence sector at a time that the Australian defence budget spend is \$200 billion over the next ten years. We see the opportunity to further utilise BNNT's unique characteristics to enhance existing CIB products such as bullet resistant glass, body armour and defensive shields.

At our **PPK** Mining Equipment subsidiary (**PPKME**), we saw a very promising beginning to the new financial year (as outlined in our 2019 Annual Report). Unfortunately trade uncertainties between the US and China, and a 34% drop in coal prices this calendar year led to our coal mining customers reviewing or freezing their capital and operating expenditure budgets late in this period. The NSW bushfires also directly impacted mining operations in the Hunter Valley, Lithgow and Shoalhaven regions resulting in a reduction in expected contract work from existing customers. There has also been material progress made towards the electrification of a range of battery underground vehicles in conjunction with feedback from **PPKME** customers. Nonetheless, **PPKME** has delivered a positive EBITDA result for each month of the financial year to date.

FINANCIAL RESULTS

PPK Group incurred a loss for the period of \$0.229M (HY2018 profit of \$0.905M). Whilst the mining equipment segment showed an EBITDA profit of \$3.107M, this was offset with increased corporate costs of \$1.459M, \$0.240M for the interest charge of the earnout of the AICIC acquisition, \$0.109M for winding up the China mining business and \$0.091M to impair a loan in relation to the **AICIC** acquisition last year. While this result is clearly disappointing, it reflects the costs of diversifying PPK, commercialising BNNT and acquiring **CIB**, each of which are expected to provide new higher margin revenue streams in due course.

PPKME's revenues increase by 11% to \$22.053M and our overall profit of \$1.725M is comparable to the previous period.

The CIB acquisition delivered a \$0.181M profit after tax for the six months since the acquisition, effective 1 July 2019, which was offset from our portion of BNNT Technology Limited losses in the period.

We have strengthened our balance sheet with working capital of \$16.428M (FY2018 \$13.235M) and had a cash surplus of \$2.586M (HY2018 \$0.151M cash deficiency) from operating activities.

The Board has approved a 1 cent per share fully franked interim dividend to be paid in April 2020.

OUTLOOK

PPK will continue to seek commercialisation opportunities for the use of BNNT and are hopeful of announcing the first sales of manufactured product in the near future. We also expect to announce new technology vertical commercialisation joint ventures with category leading industry partners in the coming months and expect to launch an updated website more reflective of the diversity of the groups business by the end of the week. In the mining equipment segment, we also expect to complete the development of a number of new products and see new revenue streams and profits from these before the end of the financial year. With the current global environment being so uncertain, your Board has elected not to give revenue or profit guidance for the 2020 Financial Year.



Robin Levison
Executive Chairman

Directors' report

Your Directors submit their report for the half-year ended 31 December 2019.

Directors

The names of the Company's Directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Robin Levison
Glenn Molloy
Graeme Webb
Dale McNamara
Anthony McDonald

Review and results of operations

A detailed review of results and operations is included in the Executive Chairman's Report on page 2 of this report.

Dividends

	Amount per share	Franked amount per share
2020 Interim – ordinary	1 cent	1 cent
2019 Final - ordinary	1 cent	1 cent
2019 Interim - ordinary	1 cent	1 cent
Ex-dividend date of interim dividend	17-Mar-20	
Record date of interim dividend	18-Mar-20	
DRP election date	19-Mar-20	
Payment date of interim dividend	30-Apr-20	

Significant changes in the state of affairs

During the period, PPK entered into a Joint Venture Research Agreement (JVRA) with Deakin University (Deakin) and BNNT Technology Limited (BNNT Tech) to advance research into a range of BNNT potential uses leading to commercialisation. Initially six application projects were identified for research into new technologies and materials including Lithium Sulphur batteries, reinforced transparent armour, thermal conductive materials, metal composites, reinforced polymers and reinforced ceramics.

The JVRA requires Deakin to provide their existing intellectual property, researchers, resources and equipment, BNNT Tech will provide BNNT for research and commercial purposes and PPK will provide management services to oversee the projects and commercialise new technology products. The business model will result in PPK owning 65% of the commercial ventures, Deakin owning 25% and BNNT Tech owning 10%.

PPK acquired a 45% interest in Craig International Ballistics Pty Ltd (CIB), Australia's leading manufacturer of soft and hard ballistic (body armour) products primarily for the security and defence sectors. This strategic investment aligns with the JVRA to develop new manufacturing processes for transparent materials such as polycarbonate, perspex, acrylic and glass to enhance ballistic resistance performance whilst reducing weight and/or thickness and reinforced transparent armour.

PPK raised \$8.500M by issuing 2.000M shares at \$4.25 per share to a range of institutional investors. The funds were to be used to assist the financing of the six application projects in the JVRA, the acquisition of CIB and for general working capital.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of the Directors.



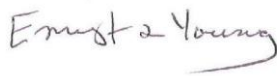
Robin Levison
Executive Chairman
24 February 2020

Auditor's Independence Declaration to the Directors of PPK Group Limited

As lead auditor for the review of PPK Group Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of PPK Group Limited and the entities it controlled during the financial period.



Ernst & Young



Brad Tozer
Partner
24 February 2020

PPK GROUP LIMITED
Interim condensed consolidated statement of profit or loss
for the six months ended 31 December 2019

		31 December 2019	31 December 2018
		\$000	\$000
	Notes		
Continuing operations			
Total revenue	4	22,053	19,853
Cost of sales	4	(15,641)	(13,565)
Gross profit		6,412	6,288
Other operating income		12	375
Mining services expenses		(4,506)	(4,497)
Technology expenses	4	(112)	-
Corporate expenses		(1,550)	(1,146)
Finance costs	4	(429)	(115)
Share of profit/(loss) of an associate and a joint venture	4	123	-
Profit/(loss) before tax from continuing operations	4	(50)	905
Income tax expense		(70)	-
Profit/(loss) after tax from continuing operations		(120)	905
Discontinued operations			
Profit/(loss) after tax for the period from discontinued operations	6	(109)	-
Profit/(loss) for the period		(229)	905
Attributable to:			
Equity holders of the parent		(229)	905
		(229)	905
Earnings per share (in cents):			
Basic	11	(0.27)	1.42
Diluted	11	(0.27)	1.42
Earnings per share from continuing operations (in cents):			
Basic	11	(0.14)	1.42
Diluted	11	(0.14)	1.42
Earnings per share from discontinued operations (in cents)			
Basic	11	(0.13)	-
Diluted	11	(0.13)	-

The Group has applied AASB 16 Leases effective from the date of initial application, being 1 July 2019, and adopted the modified retrospective method for implementation and elected to use the transition practical expedient thus the comparatives for the previous year have not be restated.

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

PPK GROUP LIMITED**Interim condensed consolidated statement of comprehensive income
for the six months ended 31 December 2019**

	31 December 2019	31 December 2018
	\$000	\$000
Profit/(loss) for the period	(229)	905
Other comprehensive income		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax	-	-
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods, net of tax	-	-
Other comprehensive income/(loss), net of tax	-	-
Total comprehensive income/(loss), net of tax	(229)	905
Attributable to:		
Equity holders of the parent	(229)	905
	(229)	905

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

PPK GROUP LIMITED
**Interim condensed consolidated statement of financial position
as at 31st December 2019**

		31 December 2019 \$000	30 June 2019 \$000
	Notes		
Assets			
Current assets			
Cash and cash equivalents		4,373	1,047
Trade and other receivables		6,151	8,655
Contract assets		1,640	1,794
Inventories		10,507	9,251
Prepayments		420	1,000
		<u>23,091</u>	<u>21,747</u>
Non-current assets			
Property, plant and equipment		9,708	5,339
Intangible assets		2,172	1,606
Equity accounted investments		24,613	19,340
		<u>36,493</u>	<u>26,285</u>
Total assets		<u>59,584</u>	<u>48,032</u>
Liabilities and equity			
Current liabilities			
Trade and other payables		3,614	4,932
Lease and other liabilities	2c	1,701	2,256
Provisions		1,348	1,324
		<u>6,663</u>	<u>8,512</u>
Non-current liabilities			
Lease liabilities	2c	2,851	-
Provisions		283	215
Other liabilities	9	9,281	9,041
		<u>12,415</u>	<u>9,256</u>
Total liabilities		<u>19,078</u>	<u>17,768</u>
Net assets		<u>40,506</u>	<u>30,264</u>
Equity			
Issued capital	10.1	58,504	47,743
Treasury shares	10.4	(227)	(220)
Reserves		1,206	671
Accumulated losses		(18,977)	(17,930)
Equity attributable to equity holders of the parent		<u>40,506</u>	<u>30,264</u>

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

PPK GROUP LIMITED
**Interim condensed consolidated statement of cash flows
for the six months ended 31 December 2019**

		31 December 2019	31 December 2018
		\$000	\$000
OPERATING ACTIVITIES			
Cash receipts from customers		25,662	18,804
Cash payments to suppliers and employees		(23,080)	(18,961)
Interest received		4	6
Net cash flows from (used in) operating activities		<u>2,586</u>	<u>(151)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(298)	(528)
Payments for acquisition of an associate	5	(2,969)	-
Transaction costs related to acquisition		(10)	-
Proceeds from sale of property, plant and equipment		15	885
Proceeds from sale of listed shares		-	350
Payments for intangible assets		(566)	(558)
Net cash flows from (used in) investing activities		<u>(3,828)</u>	<u>149</u>
FINANCING ACTIVITIES			
Loans advanced		-	(3,600)
Proceeds from capital raising	10.2	8,500	3,185
Transaction cost related to capital raising		(451)	-
Proceeds from capital raising pending shareholders' approval		-	350
Payment of lease liabilities		(763)	-
Proceeds from borrowings		5,000	-
Financing costs		(168)	(110)
Repayment of borrowings and bank loans		(7,201)	(194)
Dividends paid		(348)	-
Net cash flows from (used in) financing activities		<u>4,569</u>	<u>(369)</u>
Net increase (decrease) in cash and cash equivalents		3,326	(371)
Cash at the beginning of the financial period		1,047	1,312
Cash at the end of the financial period		<u>4,373</u>	<u>941</u>

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

PPK GROUP LIMITED
**Interim condensed consolidated statement of changes in equity
for the six months ended 31 December 2019**

	Issued Capital	Treasury Shares	Retained Earnings	Options : Revaluation Surplus Reserve	Total Equity
	\$000	\$000	\$000	\$000	\$000
At 1 July 2019	47,743	(220)	(17,930)	321	30,263
Total comprehensive income/(loss) for the half year					
Profit/(loss) for the period	-	-	(229)	-	(229)
Total comprehensive income/(loss) for the half year	-	-	(229)	-	(229)
Transactions with owners in their capacity as owners					
Issue of share capital on private placement	8,049	-	-	-	8,049
Issue of share capital on acquisition	2,240	-	-	-	2,240
Issue of share capital on dividend reinvestment plan	472	(7)	-	-	465
Issue of performance rights	-	-	-	535	535
Dividends Paid	-	-	(818)	-	(818)
At 31 December 2019	58,504	(227)	(18,977)	856	40,506

For the six months ended 31 December 2018

At 1 July 2018	34,152	-	(18,662)	-	15,490
Adjustment from adoption of AASB 9	-	-	(356)	-	(356)
Adjusted balance at 1 July 18	34,152	-	(19,018)	-	15,134
Total comprehensive income for the half year					
Profit for the period			905		905
Total comprehensive income for the half year	-	-	905	-	905
Transactions with owners in their capacity as owners					
Share buyback	(21)	-	-	-	(21)
Shares issued	3,143	-	-	-	3,143
At 31 December 2018	37,274	-	(18,113)	-	19,161

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

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

1 Corporate information

The financial statements of PPK Group Limited ("PPK" or "the Group") for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 24 February 2020 and covers PPK Group Limited and its controlled entities as required by the Corporation Act 2001.

PPK is a for-profit company limited by shares, incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange ("ASX Code:PPK").

The principal activities of the Group are:

- commercialisation of boron nitride nanotubes (BNNT); and
- the design, manufacture, service, support and distribution of CoalTram and other underground coal mining vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables, and hire of underground coal mining equipment.

There were no other significant changes in the nature of the Group's principal activities during the period.

Refer to note 4 (Segment information) for more information about the Group's operating segments.

2 Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. This financial report also complies with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2019.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, Directors have identified and considered the following:

- During the whole period, and at all times subsequent, the Group has been able to meet its obligations as and when they fell due;
- The Group has current assets of \$23.091M of which \$10.524M is highly liquid, with net working capital of \$16.428M;
- The Group has a \$4.000M debtor financing facility available from a major bank which has not been drawn against;
- The Group had surplus cash flows from operating activities of \$2.586M;
- The Group had a capital raising of \$8.500M in the period, has a history of strong support from the majority of shareholders and has an expectation that this will continue;
- The investments in technology ventures are expected to provide profits and cashflow which PPK will be able to use going forward;
- The Group paid an interim and a final dividend of \$0.01 each per share for the 30 June 2019 financial year and have declared an interim dividend of \$0.01 per share for this financial year.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 16 *Leases*. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group. As required by AASB 134, the nature and effect of these changes are disclosed below.

AASB 16 *Leases*

AASB 16 *Leases* supersedes AASB 117 *Leases* and Interpretation 4 Determining whether an Arrangement contains a Lease sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group also applied the available practical expedients wherein it:

- Use a single discount rate to a portfolio of assets with reasonably similar characteristics
- Relied on its assessment of whether leases were onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with a lease term that ends 12 months or less and do not contain a purchase option
- Applied the low value exemptions to leases for which the underlying asset is of low value
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of the initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group separated non-lease components from lease components.

The Group, as the lessor, classified each of its leases as an operating lease as in management's judgement the leases do not transfer substantially all the risks and rewards incidental to ownership of the underlying asset.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

Basis of preparation and changes to the Group's accounting policies (continued)

The effect of adopting AASB 16 is as follows:

Impact on the statement of financial position (increase/((decrease)) as at a July 2019:

	\$000
Non-current assets	
Right-of-use assets	5,236
Total non-current assets	<u>5,236</u>
Current liabilities	
Lease liabilities	1,729
Total current liabilities	<u>1,729</u>
Non-current liabilities	
Lease liabilities	3,507
Total non-current liabilities	<u>3,507</u>
Net assets	<u>-</u>

The right-of-use assets are included in property, plant and equipment in the consolidated statement of financial position.

a) Nature of the effect of adoption of AASB 16

The Group has the following lease contracts for which the short-term or low value expedients have not been applied: two properties, six forklifts and twenty-four vehicles. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit and loss on a straight-line basis over the lease term. Any pre-paid rent and accrued rent were recognised under Prepayments or Trade and other payables.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 1 July 2019 as follows:

	\$000
Operating lease commitments as at 1 July 2019	6,126
Weighted average incremental borrowing rate as at 1 July 2019	5%
Discounted operating lease commitments at 31 December 2019	<u>5,598</u>
Commitments relating to short term leases	(243)
Commitments relating to leases of low-value assets	<u>(119)</u>
Lease liabilities as at 31 December 2019	<u>5,236</u>

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

· Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

· Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change of the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

Basis of preparation and changes to the Group's accounting policies (continued)

• Short-term lease and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short term leases of property (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

• Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain to be exercised.

The Group has the option, under the property leases, to lease the assets for an additional term of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal and reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (ie a change in business strategy). The Group did not include the renewal period as part of the lease term.

c) Amounts recognised in the statement of financial position

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period are as follows:

	Right-of-use assets			Total \$000	Lease Liabilities \$000
	Property \$000	Equipment \$000	Motor Vehicles \$000		
As at 1 July 2019	4,087	236	953	5,276	5,236
Depreciation expense	(662)	(31)	(133)	(826)	
Interest expense					119
Payments					(882)
As at 31 December 2019	3,425	205	820	4,450	4,473

As a result of applying, for the first time, AASB16 the lease liabilities are disclosed on the consolidated statement of financial position as follows:

Current liabilities

Lease liabilities 1,701

Non-current liabilities

Lease liabilities 2,851

The right-of-use assets are included in property, plant and equipment in the consolidated statement of financial position.

The Group recognised rent expense from short-term leases of \$0.243 and leases of low-value assets of \$0.119 for the six months ended 31 December 2019.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit/(taxable loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group operates in Australia only, files a consolidated tax return, has tax losses carried forward and has its consolidated tax return prepared by an independent tax agent. Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions and formed the view that the Interpretation did not have an impact on the consolidated financial statements of the Group.

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not apply IFRS 9 to its long-term interests in its associates and joint ventures.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

Basis of preparation and changes to the Group's accounting policies (continued)

• **Amendments to AASB 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control was obtained in stages.

• **Amendments to AASB 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 July 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where the Group participated in a joint operation where subsequently joint control was obtained.

• **Amendments to AASB 112 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 July 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

• **Amendments to AASB 123 Borrowing Costs**

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 July 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgements, estimates and assumptions applied in the interim condensed consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group last condensed consolidated financial statements for the year ended 30 June 2019, other than those described in respect of the application of new standards, interpretations and amendments adopted by the Group as detailed in Note 2.2. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

4 Segment information

This reporting period includes a new reportable segment being Technology which includes the joint venture in BNNT Tech, the investment in CIB and will include the future investments in other BNNT application ventures that arise. This is consistent with the principal activity of commercialising BNNT.

The Group no longer considers investing to be a reportable segment.

Reportable Segments	31 December 2019			31 December 2018		
	Technology \$000	Mining Equip't \$000	Total \$000	Investing \$000	Mining Equip't \$000	Total \$000
Segment revenue from external customers						
Sale of goods (Note A)	-	8,359	8,359	-	6,843	6,843
Rendering of services (Note B)	-	13,028	13,028	-	11,954	11,954
Rental income (Note C)	-	-	-	-	1,056	1,056
Revenue from contracts with customers	-	21,387	21,387	-	19,853	19,853
Operating lease income (Note D)	-	666	666	-	-	-
Total revenue	-	22,053	22,053	-	19,853	19,853
Segment other income						
Interest	-	-	-	6	-	6
Net gain on sale of fixed assets	-	8	8	-	125	125
Net gain on sale of FVTPL financial assets	-	-	-	240	-	240
Sundry income	-	-	-	-	4	4
Share of profit/(loss) from equity accounted associates and joint ventures	123	-	123	-	-	-
	123	8	131	246	129	375
Total revenue and other income	123	22,061	22,184	246	19,982	20,228
Segment expenses include						
Cost of sales	-	15,641	15,641	-	13,565	13,565
Employee expenses	61	1,725	1,786	-	1,721	1,721
Administration expenses	51	1,588	1,639	7	2,309	2,316
Doubtful debts	-	-	-	-	102	102
	112	18,954	19,066	7	17,697	17,704
Earnings before interest, tax, depreciation and amortisation	11	3,107	3,118	239	2,285	2,524
Depreciation and amortisation	-	1,193	1,193	-	365	365
Interest expense	240	189	429	-	115	115
Segment profit/(loss)	(229)	1,725	1,496	239	1,805	2,044
Amounts not included in segment profit/(loss) but reviewed by the Board:						
Interest Income			(4)			-
Acquisition costs			-			80
Impairment of a loan			91			-
Share based payment expense			315			-
Corporate expenses			1,144			1,059
Profit/(loss) before tax from continuing operations			(50)			905
Segment assets (Note E)	24,511	32,250	56,761	66	23,682	23,748
Unallocated	-	-	2,823	-	-	4,422
Total Assets	24,511	32,250	59,584	66	23,682	28,170
Segment liabilities (Note F)	9,281	9,797	19,078	-	7,997	7,997
Unallocated	-	-	-	-	-	1,012
Total Liabilities	9,281	9,797	19,078	-	7,997	9,009

Note A - Sale of goods are recognised at a point in time, in most cases when they leave the warehouse and control has passed to the buyer.

Note B - Rendering of services are satisfied over time, therefore, PPK recognises the revenue over time by measuring the progress towards complete satisfaction of the performance obligation.

Note C - Rental income is accounted for on a straight-line basis over the term of the rental agreement, and is included in revenue in the condensed consolidated statement of profit or loss due to its operating nature.

Note D - Operating lease income is accounted for on a straight line basis over the term of the lease agreement, and is included in revenue in the condensed consolidated statement of profit or loss due to its operating nature.

Note E - Segment assets include the Group's fair value of the assets and liabilities at the date of acquisition and the associated acquisition costs that were capitalised.

Note F - Segment liabilities includes those liabilities associated with the technology ventures as a result of the acquisition.

PPK GROUP LIMITED

Notes to the interim condensed consolidated financial statements For the six months ended 31 December 2019

5 Significant events and transactions

On 16 October 2019, PPK entered into a Joint Venture Research Agreement (JVRA) with Deakin and BNNT Tech, the joint venture company owned 50% by PPK. The JVRA has been entered into to allow for the research, development and commercialisation of both new and existing technologies and products where boron nitride nanotubes (BNNT) can be used to create and/or improve these technologies and products.

The JVRA provides for an initial six new application projects; Reinforced Transport Armour, Lithium Sulphur Batteries, Thermal Conductive Materials, Metal Composites, Reinforced Polymers and Reinforced Ceramics.

As part of the JVRA, Deakin will provide existing intellectual property, services of specialist personnel from the Institute For Frontier Materials and any other equipment including use of the university's facilities where required. BNNT Tech will provide BNNT and related technologies, products, technical skills and know-how. PPK will provide all other services to commercialise the new technologies and services, including the procurement of other specialists with experience in these respective industries.

This Joint Venture has a shareholding structure with PPK owning 65%, Deakin holding 25% and BNNT Tech holding the 10% balance. As a result, PPK will consolidate these entities in their financial statements but they were not operational at 31 December 2019.

On 16 October 2019, PPK also announced a capital raising of \$8.500M at \$4.25 per share for a placement of 2.000M shares. Funds were used to finance the investment in Craig International Ballistics Pty Ltd (CIB), to pay out the debtor facility finance from a non-bank lender, to assist with funding the application projects under the JVRA and for working capital purposes.

On 16 December 2019, the Group acquired 45% of the ordinary shares in CIB, an unlisted Australian company that is a leading manufacturer of soft and hard ballistic (body armour) products primarily for the security and defence sectors. This acquisition allows CIB to focus on the application of BNNT for Reinforced Transparent Armour by developing new manufacturing processes for transparent materials such as polycarbonate, Perspex, acrylic and glass to enhance ballistic resistance performance while reducing weight and/or thickness.

PPK issued 0.500M shares at \$4.50 per share and made a cash payment of \$2.750M for a total consideration of \$5.000M for its 45% interest in CIB. PPK will equity account its investment in CIB and recognise it in the financial statements as an investment in an associate.

The Group's share of the fair values of the identifiable assets and liabilities of CIB as at the date of acquisition, being 1 July 2019, were:

	Fair value recognised on acquisition \$'000
Assets	
Cash	39
Trade and other receivables	314
Inventories	984
Right-of-use assets	2,231
Fixed assets	1,084
	<u>4,652</u>
Liabilities	
Trade payables	574
Lease liabilities	2,519
	<u>3,093</u>
Total identifiable net assets at fair value	1,559
Intangible assets arising on acquisition (provisional)	3,441
Purchase consideration transferred	<u>5,000</u>

For the purposes of determining the Group's share of the profit or loss in the period, the acquisition has been accounted for provisionally as management is still finalising certain aspects of the purchase price accounting. In particular, management has not determined the intangible assets acquired and the fair value to be assigned to these.

CIB has lease contracts for various items of property, equipment and vehicles. The Group adopted the same accounting policies for CIB as disclosed in Note 2.2 a).

From the date of acquisition, CIB has contributed \$0.250M to the profit before tax from continuing operations.

6 Discontinued operations

During the financial period, the Board of Directors decided to wind up the operations in China. A local legal firm in China was appointed to liquidate PPK (Beijing) Mining Equipment Co. Ltd and the two employees were terminated as at 30 September 2019. The costs associated with this activity are classified as discontinued operations.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

7 Liabilities, commitments and other contingencies

The Group has an actual liability recorded for contingent consideration to the previous owners of AIC Investment Corporation Pty Ltd (AICIC) for:

- \$10.000M if AICIC's EBIT for the two financial years commencing subsequent to the acquisition is greater than \$10.000M. The vendor is entitled to a payment of 50% of the amount of the EBIT over the \$10.000M to a maximum payment of \$10.000M. Under AASB 3: Business Combinations the Group recognises this contingent consideration at the acquisition date in the purchase price accounting discounted to its fair value using an indicative financing rate of 4.36%. The Directors have considered a 100% probability of payout likely and an amount of \$9.281M was recorded at 31 December 2019.

In addition to the above, should:

- the value of the 8.624M shares issued on completion of the acquisition and held in escrow be less than \$6.650M, calculated based on the 5 day VWAP share price of PPK immediately prior to the release of the shares from escrow, then PPK will be obligated to pay the previous AICIC owners the difference in cash as an adjustment to the purchase price. The directors have assessed the fair value of this commitment as nil.

The Group has the following bank guarantees which are secured against cash of the same amounts:

- \$0.359M (2018: \$0.359M) for property leases; and
- \$0.100M (2018: \$0.100M) for completion of a property development.

The Group has the following guarantees and indemnities:

- an invoice finance facility of \$4.000M from a major Australian bank secured against the debtors of PPK Mining Equipment Pty Ltd, secured by a guarantee and indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and the subsidiaries of the mining division. This facility has not been drawn down;
- the lease motor vehicle fleet provider has a guarantee and indemnity from PPK Group Limited in relation to the leased motor vehicle fleet.

The Group has a contingent liability of \$0.594M being the rental arrears owing under a previous property lease. The Group signed a new five year lease to 31 July 2022 and, as a condition of this lease, the Lessor has agreed to waive its right to recover the rent arrears if the Group complies with all obligations and pays all amounts due and payable under the lease.

The Group is defending a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014 with a vendor employee for the second tranche of \$0.500M of share plus interest and costs. As advised in the 2016 Annual Report, the Group does not believe the vesting conditions were met and still maintains this position.

8 Related party disclosures

There were no related party transactions.

9 Financial liabilities

The carrying values of financial liabilities approximate their fair value. Estimated discounted cash flows were used to measure fair value.

The Group's and parent's investments and obligations expose it to market, liquidity and credit risks. The nature of the risks and the policies the Group and parent has for controlling them and any concentrations of exposure are discussed as follows:

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB13 as follows:

Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or

Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
Group December 2019				
Liabilities				
Contingent consideration	-	-	9,281	9,281
	-	-	9,281	9,281
Group June 2019				
Contingent consideration	-	-	9,041	9,041
	-	-	9,041	9,041

The assumptions used in determining the fair value of the contingent consideration are disclosed in Note 7. The movement in this amount was due to the accumulated interest of \$0.240M.

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

10 Issued capital and reserves

	31 December 2019	30 June 2019
	\$000	\$000
<i>10.1 Issued capital</i>		
85.101M (June 2019: 82.488M) ordinary shares fully paid	58,504	47,743
Movements in ordinary share capital		
Balance at 30 June 2019	47,743	34,541
New shares issued, net of transaction costs	8,049	6,028
Shares issued on acquisition, net of costs	2,240	6,633
Shares issued from dividend reinvestment plan	472	541
Balance at 31 December 2019	58,504	47,743
<i>10.2 New shares issued</i>		
	\$000	
Issued 2.000M shares for cash to fund the acquisition of CIB, JVRA application projects and working capital @ \$4.25 per share	8,500	
Less transaction costs for issued share capital	(451)	
	8,049	
	\$000	
Issued 0.500M shares for settlement of CIB @ \$4.50 per share	2,250	
Less transaction costs for issued share capital	(10)	
	2,240	
	\$000	
Issued 0.113M shares from dividend reinvestment plan @ \$4.2149	476	
Less transaction costs for issued share capital	(4)	
	472	

The shares have no par value and each share is entitled to one vote at shareholder meetings. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

	31 December 2019	30 June 2019
	No. of Shares	No. of Shares
<i>10.3 Share movements</i>		
Movements in number of ordinary shares		
Balance at the beginning of the financial year	82,488,074	61,996,498
New shares issued	2,612,961	20,491,576
	85,101,035	82,488,074

10.4 Treasury share movements

	31 December 2019		30 June 2019	
	No. of Shares	\$000	No. of Shares	\$000
Opening balance of treasury shares	695,122	(220)	1,398,371	(389)
Shares purchased	-	-	66,629	(21)
Shares purchased in the Dividend Reinvestment Plan	1,649	(7)	10,651	(9)
Shares transferred to employees	-	-	(591,590)	139
Shares sold	-	-	(188,939)	60
Closing balance of treasury shares	696,771	(227)	695,122	(220)

11 Earnings per share

	31 December 2019	30 June 2019
	\$000	\$000
Cash dividends to the equity holders of the parent:		
Reconciliation of Earnings to Net Profit		
Earnings used in calculating Basis and Diluted earnings per share	(229)	895
Earnings used in calculating Basis and Diluted earnings per share from discontinued operations	(109)	-
	No. of Shares	No. of Shares
Weighted average number of ordinary shares used in calculating of Basic earnings per share	83,303,392	70,135,788
Weighted average number of potential ordinary shares outstanding during the period used in calculating Diluted earnings per share	83,646,621	70,480,666

PPK GROUP LIMITED
Notes to the interim condensed consolidated financial statements
For the six months ended 31 December 2019

12 Distributions made and proposed

	31 December	30 June
	2019	2019
	\$000	\$000
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid:		
Final dividend for 2019; 1.0 cents per share fully franked (2018: nil)	818	-
Dividends on ordinary shares declared and paid:		
Interim dividend for 2020: 1.0 cents per share fully franked (2019: 1.0 cents per share fully franked)	852	712

The 2020 interim dividends were approved at a meeting of the Board of Directors on 19 February 2020 and are to be paid on 30 April 2020.

The 2019 interim dividend was paid on 30 April 2019.

13 Events after the reporting period

Lithium-Sulphur Battery Project

On 20 January 2020, PPK, Deakin and BNNT Tech commenced the development of the Lithium-Sulphur Batteries application project to use BNNT as both an integrated protective insulation layer and a component in composites anodes which will allow faster charge rates and increased battery life, a project that Deakin has been researching for five years. This development will be being done through Li-S Energy Pty Ltd (Li-S) which PPK will have a 65% interest, Deakin will have a 25% interest and BNNT Tech will have a 10% interest in Li-S.

PPK and BNNT Tech have committed to provide funding of \$0.773M and \$0.500M to Li-S. The loans will be unsecured, for an initial thirty six month period at 4.50% per annum interest rate paid monthly.

Deakin and Li-S Energy have also entered into a Technology Licence Agreement whereby Deakin has provided a 20 year exclusive worldwide licence to commercialise the intellectual property for its flexible Lithium-Sulphur batteries, pending approval of its patent application.

Long Term Incentive Plan

On 11 February 2020, PPK issued 0.253M shares, as part of its Long Term Incentive Plan (LTI Plan), for shares that vested on 1 January 2020. The LTI Plan is for directors, executives and senior managers and was approved by shareholders at an Annual General Meeting on 27 November 2018 and for those directors that participate, their shares have been also approved by shareholders at Annual General Meetings.

Exempt Employee Share Plan

The Directors offered \$1,000 of shares in PPK Group Limited to qualifying employees of the Group. On 12 February 2020, PPK issued 0.025M share to 138 qualifying employees who accepted the offer.

Directors' declaration

The Directors of the company declare that:

- (a) The accompanying financial statements and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (i) Comply with Accounting Standards AASB 134 "Interim Financial Reporting" and IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

A handwritten signature in black ink, appearing to read 'Robin Levison', with a stylized, flowing script.

Robin Levison

Executive Chairman

24 February 2020

Independent Auditor's Review Report to the Members of PPK Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of PPK Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

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

Directors' Responsibility for the Half-Year Financial Report

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

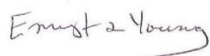
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

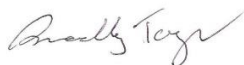
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Brad Tozer
Partner
Brisbane
24 February 2020