



# Market Announcement

19 November 2019

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Attached for the information of the market is ASX's query letter to Zyber Holdings Ltd (ASX:ZYB) dated 12 November 2019 and ZYB's response dated 18 November 2019.

ASX's enquiries into the matters dealt with in that correspondence are ongoing.



**Executive Chairman**  
George Hatzipapas

**Non-Executive Director**  
John Tomaras  
Ted Tzovaras

**Company Secretary**  
Henry Kinstlinger

18 November 2019

Penelope Reid  
Adviser, Listings Compliance (Perth)

[ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au)

Dear Penelope

We write in response to ASX Qualified Query Letter dated 12 November 2019 (**Qualified Query Letter**).

The Company responds seriatim to the Qualified Query Letter as follows:

**1) Is ZYB able to confirm that in the Directors' Opinion the Full Year Accounts:**

- a) **comply with the relevant Accounting Standards; and**
- b) **give a true and fair view of ZYB's financial performance and position?**

ZYB confirms that in the directors' opinion, the financial statements for the period ended 30 June 2019 (a) comply with the relevant Accounting Standards and (b) give a true and fair view of ZYB's financial performance and position.

This opinion is shared by the auditor in the Independent Auditor's Report to Members.

**2) Given the Auditor has identified a material uncertainty that may cast significant doubt about ZYB's ability to continue as a going concern and ZYB has cash and cash equivalents of \$32,790 and total current liabilities of \$503,255 (which ZYB state will be offset against a related party loan receivable), on what basis do the Directors consider that ZYB is a going concern?**

The directors considered the following when considering whether the accounts could be prepared on a going concern basis:

- a) The Company has effected a significant reduction in Current Liabilities in the order of \$290,000;
- b) The balance of the amount outstanding under the related party loan will be received in cash by the Company in December;
- c) The Company is confident that it will be successful in defending proceedings against the Company (see Note 19 to the Financial Statements for the Year Ended June 2019); and
- d) The Company has commenced discussions with respect to raising funds either through equity or debt and directors are confident that these discussions will materialise.

**3) Given the Auditor has stated that the Company have been unable to provide an assessment on the recoverability of the amount of the loan as at 30 June 2019, what does ZYB propose to produce in order to satisfy the auditor's requirements?**

Whilst the Company was not able to provide the auditor with sufficient comfort regarding the recoverability of the loan, directors are confident that the balance of the loan will be paid on or before the due date. In support of this view, the directors note that \$100,000 has been repaid in cash and the balance outstanding is in the order of \$175,000.

- 4) ***What steps has ZYB taken since the release of the Full Year Accounts to obtain an unqualified opinion with regards to its future financial statements?***

The qualified opinion relates to the loan receivable balance. This is address in our response to 3) above. The directors are confident that this qualification will fall away upon settlement of the loan.

- 5) ***Referring to the excerpt included at item C above:***

***5.1 Please specify the remuneration payable to George Hatzipapas on a month by month basis that comprises the total.***

As remuneration paid is not over full months, we provide the following information:

Director Fees:	21st Feb to 15th May 2018	\$5,844.00
Executive Services:	21st Feb 2018 though to 30 June 2019 @ \$90,000 pa	\$122,411.00
Chairman:	15th May 2018 through 30 June 2019 @ \$60,000 pa	\$67,581.00
Combined:	July, August, September 2019 @ \$150,000 pa	\$37,500.00
		<b>\$233,336.00</b>

***5.2 Please provide George Hatzipapas' service agreement for his role as a director and his executive management services agreement (not for release to market).***

A service agreement is yet to be concluded. The remuneration however has been agreed by the board.

***5.3 Please provide a summary of the expenditures incurred by George Hatzipapas which ZYB is reimbursing. Please provide a full schedule to ASX (not for release to market).***

Attached.

***5.4 Please provide evidence of the \$5,000 and \$95,000 of the loan having been repaid (not for release to the market).***

Attached.

- 6) ***Does ZYB consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the ZYB's current business activities***

Yes. ZYB is continuing to develop the Zyber Secure Mobile Solutions (**Product**) with the objective of bringing to market.

**Product:** Zyber Secure Mobile Solutions in its current form is a file sharing software that aims to combat the ever-present theft of data prevalent with medium to large businesses. The current solutions that have been developed are focused on providing an alternative file-sharing solution to the likes of Dropbox. The unique difference is that Zyber focuses on installing the file sharing applications on premise so that in-house IT departments have the ability to control the flow of data rather than relying on a 3rd party to keep data safe.

Blockchain technology is a revolutionary technology with multiple use cases. Blockchain is decentralized so there is no central point of failure, unlike existing solutions within

the file sharing industry, Zyber aims to provide a solution for businesses that is unhackable. The development of a blockchain solution will create a significant point of difference that will solve one of the biggest online issues in the world; theft of data.

**Current Activities:** Further development and implementation of the Product including identification of full stack developers and front-end developers. Zyber is further building a sales and integration team to manage the ability to attract clients and integrate the applications company wide.

**Estimate of time to market:** The Company envisages a program over 6-12 months.

**Market size:** The global value of Enterprise File Sharing Market is in the order of US\$10.5 billion revenue by 2023. The Industry was valued at US\$ 1.54 billion in 2017<sup>1</sup>.

- 7) ***Does ZYB consider that the financial condition of ZYB is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.***

The Directors have reviewed ZYB's financial position and performance, together with their projections of ZYB's future cash flows, and believe that the condition of the company remains adequate to satisfy ASX Listing Rule 12.2.

In making this determination, the directors have considered that ZYB will be able to meet its current operational financial needs through return of loan monies and the support referred to in 2) above.

- 8) ***If the answer to questions 6 or 7 is "No", please explain what steps ZYB has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.***

N/A

- 9) ***In relation to the Full Year Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of ZYB's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of ZYB have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ZYB and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?***

Yes. A duly signed section 295A(2) letter was received by the board. This letter covered the questions above.

- 10) ***If the answer to Question 9 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of ZYB's Corporate Governance Disclosure?***

N/A

- 11) ***What enquiries did the Board make of management to satisfy itself that the financial records of ZYB have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ZYB?***

<sup>1</sup> <https://galusaustralis.com/2019/11/71863/enterprise-file-synchronization-and-sharing-market-2018-growth-strategy-global-industry-share-future-trends-historical-analysis-competitive-landscape-and-regional-forecast-2023/>

In addition to the section 295A(2) declaration, the board engaged with the auditors on these matters and were satisfied that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ZYB.

**12) *Commenting specifically on the qualified opinion, does the board consider that ZYB has a sound system of risk management and internal control which is operating effectively?***

The Board continues to hold the view that ZYB has a sound system of risk management and internal control, which is operating effectively. The systems of risk management and internal control are appropriate to an entity of ZYB's size and nature.

The Board notes that the auditor report did not identify any deficiencies, or combination of deficiencies, in internal control, which, in their view, resulted in a reasonable possibility that a material misstatement of the company's annual or interim financial statements would not be prevented or detected on a timely basis. While we acknowledge that their audit is not a comprehensive review of internal control, we consider their findings to be consistent with the view expressed by the Board

**13) *Please confirm that ZYB is complying with the Listing Rules and, in particular, Listing Rule 3.1.***

Yes.

**14) *Please confirm that ZYB'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 ZYB with delegated authority from the board to respond to ASX on disclosure matters.***

Yes.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "George Hatzipapas".

George Hatzipapas  
Executive Chairman



12 November 2019

Mr Henry Kinstlinger  
Company Secretary  
Zyber Holdings Limited  
Suite 5, Level 12  
53 Martin Place, Sydney NSW 2000

By email: [henryk@mmrcorporate.com](mailto:henryk@mmrcorporate.com)

Dear Mr Kinstlinger

**Zyber Holdings Ltd ("ZYB"): Query Regarding Accounts**

ASX refers to:

- A. ZYB's full year accounts for the full year ended 30 June 2019 lodged with ASX Market Announcements Platform and released on 5 November 2019 ("Full Year Accounts").
- B. ASX notes that the Independent Auditor's Report attached to the Full Year Accounts ("Auditor's Report") contains a qualified opinion together with the basis for qualified opinion:

***"Qualified Opinion"***

*We have audited the financial report of Zyber Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.*

*In our opinion, except for the matter described in the Basis for Qualified Opinion section of our report, the financial report of the Group is in accordance with the Corporations Act 2001, including:*

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and*
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.*

***Basis for Qualified Opinion***

*As at 30 June 2019, the Group had a related party loan receivable balance of \$551,537. We were unable to obtain sufficient appropriate evidence on the valuation of the loan receivable balance as the directors of the Company have been unable to provide an assessment on the recoverability of the amount as at 30 June 2019. Consequently, we were unable to determine whether any adjustments to this amount were necessary.*

*We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group 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 (the Code) that are relevant to our audit of the 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 Group, would be in the same terms if given to the directors as at the time of this auditor's report.*



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*We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.*

**Material Uncertainty Related to Going Concern**

*Without further modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$843,039 and had net cash outflows from operating and investing activities of \$418,938 and \$550,000 respectively for the year ended 30 June 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not further modified in respect of this matter."*

C. ASX further notes that the Full Year Accounts includes the following note, Note 22:

*"...On 11 October 2019, the Board of Directors resolved to:*

- Fix the gross annual remuneration for George Hatzipapas for Executive management services at \$90,000, effective 21 February 2018 and the director is also to receive \$60,000 gross per annum in his capacity as Chairman of the Company, effective 15 May 2018;*
- Fix the gross annual remuneration for each non-executive director at \$25,000 per annum. It was further resolved that the total remuneration payable to non-executive directors will be through the issue of 148,810 fully paid ordinary shares in the Company at a deemed issue price of approximately 1.4 cents per share for each month or part thereof, subject to prior shareholder approval at a meeting of shareholders, consistent with the Listing Rules. In the event shareholders do not approve the issue of shares, the amount accrued at the date of the meeting of shareholders will be paid in cash from working capital.*
- Fix the gross annual remuneration for the Company Secretary to \$60,000 per annum. It was further resolved that the total remuneration payable to the Company will be through the issue of 357,150 fully paid ordinary shares in the Company at a deemed issue price of approximately 1.4 cents per share for each month or part thereof, subject to prior shareholder approval at a meeting of shareholders, consistent with the Listing Rules. In the event shareholders do not approve the issue of shares, the amount accrued at the date of the meeting of shareholders will be paid in cash from working capital.*

*On 27 May 2019, a loan of \$550,000 was offered to Mr Hatzipapas.*

*The loan is repayable no later than 31 December 2019 and accrues interest of 3% fixed for the term of the loan. An amount of \$1,537 has been included in interest revenue for the current year in relation to this loan receivable.*

*On 10 September 2019, \$5,000 of the loan has been repaid and on 27 September 2019, \$95,000 of the loan has been repaid.*

*On 23 October 2019, the Board of Directors resolved that the related party loan be reduced by an amount of \$233,336 representing the accrued remuneration fees from 21 February 2018 to 30 September 2019. It was also resolved that the related party loan be reduced by an amount of those expenditures for reimbursements by the company and as approved by the Board of Directors. The remaining amount receivable pursuant to this resolution is \$159,507."*

- D. ZYB's Corporate Governance Statement for 2019 lodged on the ASX Market Announcements Platform on 7 November 2019 which provides confirmation that ZYB complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

*"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."*

- E. Recommendation 1.3 of the ASX Corporate Governance Principles and Recommendations which states:

*"A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment."*

- F. Listing Rule 12.1 which states:

*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.*

- G. Listing Rule 12.2 which states:

*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.*

- H. Listing Rule 19.11A which states:

*19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.*

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*



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## Request for Information

In light of the information contained in the Full Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is ZYB able to confirm that in the Directors' Opinion the Full Year Accounts:
  - (a) comply with the relevant Accounting Standards; and
  - (b) give a true and fair view of ZYB's financial performance and position?
2. Given the Auditor has identified a material uncertainty that may cast significant doubt about ZYB's ability to continue as a going concern and ZYB has cash and cash equivalents of \$32,790 and total current liabilities of \$503,255 (which ZYB state will be offset against a related party loan receivable), on what basis do the Directors consider that ZYB is a going concern?
3. Given the Auditor has stated that the Company have been unable to provide an assessment on the recoverability of the amount of the loan as at 30 June 2019, what does ZYB propose to produce in order to satisfy the auditor's requirements?
4. What steps has ZYB taken since the release of the Full Year Accounts to obtain an unqualified opinion with regards to its future financial statements?
5. Referring to the excerpt included at item C above:
  - 5.1 Please specify the remuneration payable to George Hatzipapas on a month by month basis that comprises the total.
  - 5.2 Please provide George Hatzipapas' service agreement for his role as a director and his executive management services agreement (not for release to market).
  - 5.3 Please provide a summary of the expenditures incurred by George Hatzipapas which ZYB is reimbursing. Please provide a full schedule to ASX (not for release to market).
  - 5.4 Please provide evidence of the \$5,000 and \$95,000 of the loan having been repaid (not for release to the market).
6. Does ZYB consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the ZYB's current business activities.
7. Does ZYB consider that the financial condition of ZYB is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
8. If the answer to questions 6 or 7 is "No", please explain what steps ZYB has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
9. In relation to the Full Year Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of ZYB's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of ZYB have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ZYB and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
10. If the answer to Question 9 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of ZYB's Corporate Governance Disclosure?

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11. What enquiries did the Board make of management to satisfy itself that the financial records of ZYB have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ZYB?
  12. Commenting specifically on the qualified opinion, does the board consider that ZYB has a sound system of risk management and internal control which is operating effectively?
  13. Please confirm that ZYB is complying with the Listing Rules and, in particular, Listing Rule 3.1.
  18. Please confirm that ZYB's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of ZYB with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and ZYB's response to the market. Accordingly, ZYB's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **2 pm AWST Tuesday, 19 November 2019**.

Any response should be sent to me by return email at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent to the ASX Market Announcements Office.

#### **Enquiries**

If you have any queries regarding any of the above, please contact me.

Yours sincerely

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**Penelope Reid**

Adviser, Listings Compliance (Perth)