



27 March 2023

Mr Dale Allen  
Manager, Listings Compliance  
[listingscomplianceperth@asx.com.au](mailto:listingscomplianceperth@asx.com.au)

Your Ref: 70770

Dear Mr Allen,

**Artemis Resources Limited ('ARV'): Half Year report (reviewed financial report) – Query**

We refer to your letter dated 21 March 2023 in relation to ARV's Half Year Report for the six months ended 31 December 2022 as released on ASX on 15 March 2023 ('Half Year Report'), in relation to the qualified opinion in the Independent Auditor's Report attached to the Half Year Report ('Auditor's Report') and the Basis for the qualified opinion:

*Basis for Qualified Conclusion*

*As disclosed in Note 7 to the interim financial report, the Group identified indicators of impairment on its development expenditure asset, and impaired the development expenditure asset to its recoverable value which was estimated using fair value less costs of disposal. As at the date of approval of the interim financial report, we have been unable to obtain sufficient, appropriate evidence in relation to the fair value less costs of disposal for the development expenditure asset due to the unavailability of independent valuations to support the recoverable amount. Had we been able to obtain sufficient, appropriate evidence in relation to the fair value less costs of disposal, matters might have come to our attention indicating that adjustments might have been necessary to the carrying value of the development expenditure asset in the interim financial report.*

In relation to your Request for Information, and using the numbering as set out in your letter for ease of reference, ARV responds as follows:

- 1. Is ARV able to confirm that in the Directors Opinion the Half-Year Report:**
  - (a) complies with the relevant Accounting Standards; and**
  - (b) gives a true and fair view of ARV's financial performance and position?**

ARV (the Company) confirms that in the Director's opinion the Annual Report:

- (a) complies with the Accounting Standards; and
- (b) gives a true and fair view of ARV's financial performance and position for the half ended 31 December 2022.



**2. Please explain the basis for and the factors considered by the Directors to satisfy themselves as to the fair value less costs of disposal for ARV's development expenditure asset, and accordingly, the recoverable value of the asset?**

The Company used a "value in use" method to support the carrying value of Development Expenditure of ~\$27.4 million in the 30 June 2022 Annual Report. As at the reporting date 30 September 2022, the "value in use" model supported the carrying value, and the market capitalisation of the Company of approximately \$62.5 million was above the net asset value of \$59.4 million as at 30 June 2022.

A resource upgrade at Carlow was announced on 13 October 2022, and while encouraging was below expectations. As a consequence, additional exploration work will be required to increase the resource, in turn extending the timeline to production. This delay and the added burden of escalating costs generally in Western Australia determined that the "value in use" model to support the carrying value was no longer appropriate.

A fall in the market capitalisation of the Company to \$18.7 million as at 15 March 2023, well below the net asset value of \$42.5 million as at 31 December 2022, provided a further indicator of impairment, which under the Accounting Standards required the Company to value the Fox Radio Hill Processing Plant (FRH plant) at recoverable value.

The Company has based its assessment of recoverable value based on an internal assessment by a qualified mining engineer, supported by an engineering report which focused on the condition of the equipment and potential upgrades required. An independent assessment of the value of the FRH plant is being sought and is expected to take a number of months to complete – see point 3 below.

**3. What steps has ARV taken since the release of the Half-Year Report to obtain an unmodified audit opinion with regards to its future financial statements?**

ARV has engaged with Professional Cost Consultants Australia Pty Limited (PCC Australia) to obtain an independent assessment of the value of the FRH plant. This work should be completed prior to the 30 June 2023 Annual Report being finalised. This information will be used by the Directors in conjunction with enquiries that the Company has received from proximate Western Australian mineral exploration companies to use the FRH plant as a processing facility (either on an acquisition, partnership, or toll treating basis).

- 4. Does ARV consider that the financial condition of ARV 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.**

Listing Rule 12.2 states “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”.

The Group had cash at bank of \$1,652,791, liquid investments of \$945,000 and net assets of \$42,581,234 as at 31 December 2022;

The Company has two significant exploration projects in Carlow (see ASX announcement dated 13 October 2022) and Paterson, and ownership of the only permitted processing plant (FRH plant) in the West Pilbara (albeit currently on care and maintenance and requiring additional refurbishment prior to being operational).

The Company has recently raised \$2.55 million (before costs) and has the ability to raise further capital to enable the Group to meet scheduled exploration expenditure requirements;

The Company has the ability to dispose of non-core assets and scale back certain parts of their activities that are non-essential so as to conserve cash.

On this basis, the Board is satisfied that its financial condition is sufficient to warrant the ongoing quotation of its securities in satisfaction of ASX Listing Rule 12.2.

- 5. If the answer to question 4 is “No”, please explain what steps ARV has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.**

N/A

- 6. In relation to the Half-Year Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of ARV’s Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of ARV 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 ARV 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



- 7. If the answer to Question 6 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of ARV's Corporate Governance Disclosure?**

N/A

- 8. What enquiries did the Board make of management to satisfy itself that the financial records of ARV 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 ARV?**

The carrying value of the FRH plant has previously been supported by a value in use model. The resource upgrade at Carlow announced on 13 October 2022 while encouraging was below expectations. As a consequence additional exploration work will be required to increase the resource in turn extending the timeline to production.

Escalating costs in Western Australia and a declining market capitalization of the Company – from \$62.5 million in October 2022 to \$18.7 million as at the Half Year reporting date, 15 March 2023, indicated that the Company should review the carrying value of the FRH plant.

In the absence of sufficient time to enable the Company to commission and undertake an independent detailed study and valuation of the FRH plant, the Board have reviewed the internal assessment provide by management and a high level external engineering report as to the condition of the plant in support of the determination by management.

The Board have discussed with management and the Company's auditors compliance with the Accounting Standards on this matter and are satisfied that the financial statements comply with the Accounting Standards and give a true and fair view of the financial position and performance of ARV.

- 9. Commenting specifically on the qualified opinion, does the board consider that ARV has a sound system of risk management and internal control which is operating effectively?**

The Directors consider that ARV has a sound system of risk management and internal control which is operating effectively. Prior to approving the financial statements, the Board has considered the available information in relation to the carrying value of the FRH plant, provided this information to the Auditors and answered the Auditor's queries on this matter. The Board also met with and received reports from the external auditors on this matter prior to approving the financial statements, including the qualified opinion.





**10. Please confirm that ARV is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

ARV is complying with the Listing Rules and, in particular, Listing Rule 3.1.

**11. Please confirm that ARV'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 ARV with delegated authority from the board to respond to ASX on disclosure matters.**

ARV's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy and by its board.

A handwritten signature in black ink, appearing to read "Guy Robertson".

Guy Robertson  
Executive Director/CFO





21 March 2023

Reference: 70770

Mr Guy Robertson  
Company Secretary  
Artemis Resources Limited

By email: [guy.robertson@artemisresources.com.au](mailto:guy.robertson@artemisresources.com.au)

Dear Mr Robertson

**Artemis Resources Limited ('ARV'): Half-year report (reviewed financial report) - Query**

ASX refers to the following:

- A. ARV's half-year report for the half-year ended 31 December 2022 lodged with ASX Market Announcements Platform and released on 15 March 2023 ('Half-Year Report').
- B. ASX notes that the Independent Auditor's Report attached to the Half-Year Report ('Auditor's Report') contains a qualified opinion together with the Basis for qualified opinion:

*"Qualified Conclusion*

*We have reviewed the accompanying consolidated interim financial report of Artemis Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2022, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.*

*Based on our review, which is not an audit, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph below, we have not become aware of any matter that makes us believe that the half-year financial report of Artemis Resources Limited does not comply with the Corporations Act 2001 including:*

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its 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.*

*Basis for Qualified Conclusion*

*As disclosed in Note 7 to the interim financial report, the Group identified indicators of impairment on its development expenditure asset, and impaired the development expenditure asset to its recoverable value which was estimated using fair value less costs of disposal. As at the date of approval of the interim financial report, we have been unable to obtain sufficient, appropriate evidence in relation to the fair value less costs of disposal for the development expenditure asset due to the unavailability of independent valuations to support the recoverable amount. Had we been able to obtain sufficient, appropriate evidence in relation to the fair value less costs of disposal, matters might have come to our attention indicating*

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*that adjustments might have been necessary to the carrying value of the development expenditure asset in the interim financial report.*

*We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed 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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code."*

- C. ARV's Corporate Governance Statement for the financial year ended 30 June 2022 lodged on the ASX Market Announcements Platform on 30 September 2022 which provides confirmation that ARV 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."*

- D. 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.*

- E. 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).*

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- (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.*

### Request for information

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

1. Is ARV able to confirm that in the Directors' Opinion the Half-Year Report:
  - (a) complies with the relevant Accounting Standards; and
  - (b) gives a true and fair view of ARV's financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves as to the fair value less costs of disposal for ARV's development expenditure asset, and accordingly, the recoverable value of the asset?
3. What steps has ARV taken since the release of the Half-Year Report to obtain an unmodified audit opinion with regards to its future financial statements?
4. Does ARV consider that the financial condition of ARV 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.
5. If the answer to question 4 is "No", please explain what steps ARV has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
6. In relation to the Half-Year Report, did the Board receive the CFO and CEO declaration, as described in section 4.2 of ARV's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of ARV 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 ARV and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
7. If the answer to Question 6 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of ARV's Corporate Governance Disclosure?
8. What enquiries did the Board make of management to satisfy itself that the financial records of ARV 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 ARV?
9. Commenting specifically on the qualified opinion, does the board consider that ARV has a sound system of risk management and internal control which is operating effectively?
10. Please confirm that ARV is complying with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that ARV'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 ARV with delegated authority from the board to respond to ASX on disclosure matters.

### When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **2:00 PM AWST Monday, 27 March 2023**. You should note that if the information



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requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, ARV's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require ARV to request a trading halt immediately.

Your response should be sent to me by e-mail at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Trading halt**

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

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

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in ARV's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to ARV's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that ARV's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

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## Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

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**Dale Allen**  
Manager, Listings Compliance