

## APPENDIX 4D

Half-year report for the half-year ended 31 December 2017

Name of entity	ABN Reference
<b>LANKA GRAPHITE LTD</b>	<b>28 074 976 828</b>

### 1. Results for announcement to the market

Key Information	Current Period	Corresponding Period	Movement / Change	Amount of Change
	2017	2016	%	\$
Revenues from ordinary activities	12	53	77%	(41)
Loss from ordinary activities after tax attributable to members	(792,646)	(813,194)	2.5%	20,548
Net loss for the period attributed to members	(792,646)	(813,194)	2.5%	20,548

It is not proposed to pay a dividend for the half year.

### 2. Commentary on Financial results

The company did not engage in any commercial activity during the reporting period. The operating loss of the Group has increased to \$792,646 from 2016 corresponding period (2016: \$813,194).

Additional capital raising activities were undertaken during the period which raised \$436,732 by issuing shares.

### 3. Net Tangible Asset

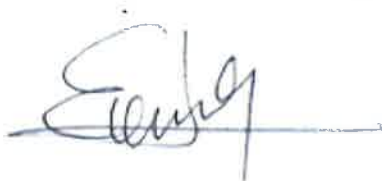
	Half-year ended 31 Dec 2017	Half-year ended 31 Dec 2016
Net tangible asset per ordinary security	\$0.015	\$0.235

### 4. Independent Auditor's Review Report

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

### 5. Attachments

The Interim Report of Lanka Graphite Limited for the half-year ended 31 December 2017 is attached.



.....  
Ms. Emily Lee  
Director  
Melbourne  
Dated: 18 March 2018

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## **Lanka Graphite Limited**

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### **Interim Report**

For the Half-Year Ended 31 December 2017

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## **DIRECTORS' REPORT**

The directors present their report together with the financial report of the consolidated entity ("the Group"), consisting of Lanka Graphite Limited ("the Company") and its subsidiaries, for the half-year ended 31 December 2017.

### **Directors**

The names of directors in office at any time during or since the end of the half-year are:

Emily Lee (appointed 11 June 2013)

Jitto Arulampalam (appointed 6 August 2015)

Alexander Robert Cowie (appointed 23 May 2014 and resigned 20 June 2017)

Alison Mary Coutts (appointed 23 May 2014 and resigned 24 November 2017)

Kangadaran Mathivannan (appointed 28 November 2017)

Barry Pang (appointed 21 February 2018)

Directors have been in office since the start of the financial half year to the date of this report unless otherwise stated.

### **Company Secretary**

Mr. Justyn Stedwell held the position of company secretary at the end of the half-year.

### **Principal activity**

Lanka Graphite Limited (ASX: LGR) is an Australian-based Graphite Exploration Company focused on exploring high purity vein graphite in Sri Lanka. The Company currently holds 12 exploration licences.

### **Dividends**

No Dividends have been paid or declared, and no dividends have been recommended by the Directors.

### **Operating results and review of operations**

#### **Operating results**

The loss of the group attributable to owners of Lanka Graphite Limited after providing for income tax amounted to \$792,646 for the six months ended 31 December 2017 (31 December 2016: Loss \$813,194).

## **Review of operations**

### ***Sri Lanka graphite project***

The company has recently been granted its first Artisanal Mining Licence (AML) at Exploration Licence EL307 which gives the company the right to commence small scale production at the applied Exploration Licence. High grade vein graphite mineralisation outcrops from the surface have been identified in this vicinity making recovery of graphite relatively simple and cost effective. Lanka Graphite anticipates that production of graphite from this targeted area is expected to start early Quarter 1 of 2018 financial year with volumes up to at least 20 tonnes per month within six months of commencement.

Lanka Graphite aims to apply for further artisanal mining licenses at its various Exploration Licences to increase production to 2000 tonnes per annum.

### ***Global Graphene Group (G3) Agreement***

The company has signed a distribution agreement with an American based company G3 for high quality graphene products to Australia and New Zealand. G3 is currently the largest graphene producer in the world with productions of up to 1,000 metric tonnes of single and multi-layer graphene.

Lanka Graphite will focus on marketing and distributing G3's product range of graphene powders, graphene dispersions, graphene pastes and graphene inks to commercial organisations for use in variety applications in paints, anti-corrosions coatings, inks, sealants, rubber, composites, plastics and related industries.

### ***Graphene Production Patent Awarded***

During the quarter, Lanka Graphite's research partner, the National Taiwan University of Science and Technology (NTUST) was granted a graphene production patent in the United States. This patent was previously been lodged and granted in Taiwan.

This granted patent relates to a method of producing graphene via Liquid Phase Exfoliation (LPE), method in particular via the use of intercalating molecules to produce a modified graphene. Results from trials and research conducted by researchers at NTUST have shown that the graphene produced via this patent technology reduces the required amount of concentrated sulphuric acid by 90% as compared to conventional methods, and provides a manufacturing yield of up to 100%.

This was a key element in the project, which is aiming to develop a scalable production method to produce high-quality graphene using the raw vein graphite samples from Lanka Graphite.

### **Significant Events after the Balance Date**

There are no major significant events to be reported.


**Significant Changes in the state of affairs**

There have been no significant changes in the company's activities.

**Auditors Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This Directors' Report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



.....  
Ms. Emily Lee  
Director  
Melbourne

Date: 18 March 2018

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**DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF LANKA GRAPHITE LIMITED**

As lead auditor for the review of Lanka Graphite Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Lanka Graphite Limited and the entities it controlled during the period.

Richard Dean  
Partner

**BDO East Coast Partnership**

Melbourne, 18 March 2018

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Lanka Graphite Limited - Financial Statements

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER  
COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

Note	Half - Year 31/12/2017 \$	Half - Year 31/12/2016 \$
Revenue	12	53
Director's fees	(50,891)	(65,000)
Occupancy expenses	(45,799)	(36,134)
Legal and professional expenses	(88,431)	(186,670)
Regulatory and listing expenses	(39,183)	(27,810)
Advertising and promotion expenses	(6,420)	(10,784)
Travel and accommodation expenses	(54,843)	(73,578)
Depreciation and amortisation expense	(9,345)	(8,174)
Feasibility studies	-	(76,599)
Insurance	(29,100)	-
Finance expense	(258,390)	(93,783)
Accounting and audit fee	(24,098)	(29,150)
Employment expenses	(164,771)	(181,444)
Other expenses	(29,819)	(27,330)
Loss before income tax	(801,078)	(816,403)
Income tax expense	-	-
Loss after income tax	(801,078)	(816,403)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(801,078)</b>	<b>(816,403)</b>
Loss for the half year attributable to Minority Interest	(8,432)	(3,209)
Loss for the half year attributable to members of the company	(792,646)	(813,194)
	<b>(801,078)</b>	<b>(816,403)</b>
<b>Earnings per share</b>		
Basic earnings per share (cents)	6	(0.92)
Diluted earnings per share (cents)	6	(0.92)

The accompanying notes form part of these financial statements.



Lanka Graphite Limited - Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

	Notes	31-Dec-17 \$	30- June-2017 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		84,856	80,952
Other receivables		-	656
<b>TOTAL CURRENT ASSETS</b>		<b>84,856</b>	<b>81,608</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		45,091	52,609
Exploration and development cost	7	3,624,071	3,570,559
Intellectual property rights		42,735	42,735
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,711,897</b>	<b>3,665,903</b>
<b>TOTAL ASSETS</b>		<b>3,796,753</b>	<b>3,747,511</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,107,473	917,493
Borrowings	8	1,393,847	1,372,597
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,501,320</b>	<b>2,290,090</b>
<b>TOTAL LIABILITIES</b>		<b>2,501,320</b>	<b>2,290,090</b>
<b>NET ASSETS</b>		<b>1,295,433</b>	<b>1,457,421</b>
<b>EQUITY</b>			
Issued capital	9	7,356,303	6,928,751
Accumulated losses		(7,069,244)	(6,276,598)
Reserves	10	475,153	263,615
<b>EQUITY ATTRIBUTABLE TO OWNERS</b>		<b>762,212</b>	<b>915,768</b>
Non-controlling interest		533,221	541,653
<b>TOTAL EQUITY</b>		<b>1,295,433</b>	<b>1,457,421</b>

The accompanying notes form part of these financial statements.

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## Lanka Graphite Limited - Financial Statements

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Note	Issued Capital	Accumulated Losses	Reserves	Total Equity Attributable to Owners	Non- Controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>6,295,151</b>	<b>(4,572,107)</b>	<b>44,000</b>	<b>1,767,044</b>	<b>550,554</b>	<b>2,317,598</b>
Total Comprehensive loss for the half year	-	(813,194)	-	(813,194)	(3,209)	(816,403)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of Convertible notes	-	-	219,615	219,615	-	219,615
<b>Balance at 31 December 2016</b>	<b>6,295,151</b>	<b>(5,385,301)</b>	<b>263,615</b>	<b>1,173,465</b>	<b>547,345</b>	<b>1,720,810</b>
<b>Balance at 1 July 2017</b>	<b>6,928,751</b>	<b>(6,276,598)</b>	<b>263,615</b>	<b>915,768</b>	<b>541,653</b>	<b>1,457,421</b>
Total comprehensive loss for the half year	-	(792,646)	-	(792,646)	(8,432)	(801,078)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of Convertible notes	-	-	211,538	211,538	-	211,538
Issue of shares net of issue cost	427,552	-	-	427,552	-	427,552
<b>Balance at 31 December 2017</b>	<b>7,356,303</b>	<b>(7,069,244)</b>	<b>475,153</b>	<b>762,212</b>	<b>533,221</b>	<b>1,295,433</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR HALF - YEAR ENDED 31 DECEMBER 2017

	Note	31-Dec-17 \$	31-Dec-16 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(368,310)	(736,806)
Interest received		2	53
<b>TOTAL</b>		<b>(368,308)</b>	<b>(736,753)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of intellectual property rights		-	(16,955)
Purchase of plant and equipment		(1,828)	(2,179)
Exploration and evaluation expenditure		(53,512)	(39,999)
<b>TOTAL</b>		<b>(55,340)</b>	<b>(59,133)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		459,750	-
Proceeds from convertible notes		-	1,197,500
Cost of raising capital		(32,198)	-
<b>TOTAL</b>		<b>427,552</b>	<b>1,197,500</b>
Increase in cash		3,904	401,614
Cash at the beginning of financial year		80,952	390,720
<b>Cash at the end of financial year</b>		<b>84,856</b>	<b>792,334</b>

The accompanying notes form part of these financial statements.

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## Lanka Graphite Limited – Notes to the Consolidated Financial Statements

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1: NATURE OF OPERATIONS

Lanka Graphite Limited and Subsidiaries (“the Group”) principle activities are mainly focused on exploring and mining high purity vein graphite in Sri Lanka.

##### 1.2: General information and Basis of Preparation

The condensed interim consolidated financial statements (‘the interim financial statements’) of the Group are for the six (6) months ended 31 December 2017 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and *AASB134 Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

##### 1.3: Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2017.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

#### NOTE 2: GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The address of the parent company’s registered office and its principal place of business is Suite 32, Level 18,101 Collins Street, Melbourne 3000, and Victoria, Australia.

The consolidated interim financial statements for the six months ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 18<sup>th</sup> March 2018.

#### NOTE 3: GOING CONCERN

##### *Going concern*

The consolidated entity has incurred a net loss of \$801,078 and a net cash outflow from operational activities of \$368,308 and investment cash outflow of \$55,340 that includes exploration and evaluation and purchase of equipment for the six month ended 31 December 2017. It has no ongoing source of operating income and is dependent upon obtaining sufficient funding to meets its exploration expenditure budgets. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity’s ability to continue as a going concern.

## Lanka Graphite Limited – Notes to the Consolidated Financial Statements

The company is dependent on raising share capital to enable it to continue to explore and develop its areas of interest. The company has successfully placed capital in November and December 2017 raising \$459k and in February 2018 raising \$230k. The directors are currently working with their advisors on a significant fund raising to enable the commencement of Artisanal Mining and to enable the company to progress its exploration and development plans for its graphite interest in Sri Lanka. The directors are confident that the current business plans will enable them to raise additional funds as required, however the ability to achieve such fund raisings may be dependent upon market conditions beyond the control of the consolidated entity and its directors.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activities and the discharge of liabilities in the normal course of the business at the amounts stated in the financial statements.

If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The report does not include any adjustments relating to the recoverability and classification of assets carrying amounts or the amounts of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its obligations as and when they become due and payable.

### NOTE 4: SEGMENT INFORMATION

The Group has operations in Sri Lanka where it holds its graphite tenements are located. It operates through its subsidiary, Lanka Graphite Pte Ltd (Sri Lanka incorporated entity). The main activity of this company is exploration and feasibility studies. As this is the only operation of the company the directors review board reports in respect to the entire group.

### NOTE 5: INCOME TAX EXPENSE

Consistent with prior periods, the company has not recognised any deferred tax asset in respect of tax losses carried forward as the directors consider it unlikely the company will be able to satisfy the tax requirements for recoupment of these losses.

### NOTE 6: EARNINGS PER SHARE

	31 Dec 2017	31 Dec 2016
	\$	\$
Earnings used to calculate basic EPS	(801,078)	(816,403)
Weighted average no. of ordinary shares	86,848,418	71,180,085
Basic loss per share (cents)	(0.92)	(1.15)
Weighted average shares & options outstanding	86,848,418	71,180,085
Diluted loss per share (cents)	(0.92)	(1.15)

Potential changes related to share options are excluded from the calculation of diluted EPS because they are anti-dilutive.

## Lanka Graphite Limited – Notes to the Financial Statements (continued)

### NOTE 7: EXPLORATION AND DEVELOPMENT COST

	31 Dec 2017 \$	30 June 2017 \$
<b>Exploration and development cost</b>	<b>3,624,071</b>	<b>3,570,559</b>
	31 Dec 2017 \$	30 June 2017 \$
Balance at the beginning of the period	3,570,559	2,252,398
Fair Value of Acquisition of Miniran exploration assets	-	1,140,927
Exploration Expenditure incurred during the period	53,512	177,234
<b>Balance at the end of the period</b>	<b>3,624,071</b>	<b>3,570,559</b>

### NOTE 8: BORROWINGS

	31 Dec 2017 \$	30 June 2017 \$
Convertible notes	1,216,347	1,372,597
Short Term Loans	177,500	-
<b>Total</b>	<b>1,393,847</b>	<b>1,372,597</b>

The company issued 10 Convertible notes with a total combined face value of \$1,427,500 during the half year ended 31 December 2016. The notes matured in September 2017 and \$1,250,000 of face value notes were extended on the same terms and conditions. The remaining note holders requested repayment of the convertible notes. The notes are convertible into Lanka Graphite ordinary shares at a conversion price/share issue price of \$0.125 (at request of noteholder). The interest payable on these convertible notes is 10% per annum.

This convertible notes have been split in to debt and equity components in the statement of financial position of the group with an initial issue and at the date of extension.

### NOTE 9: ISSUED CAPITAL

	31 Dec 2017		30 June 2017	
	\$	No.	\$	No.
Fully Paid ordinary shares	7,356,303	91,956,751	6,928,751	81,740,085
	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017
	\$	No.	\$	No.
Balance at the beginning of the period	6,928,751	81,740,085	6,295,151	71,180,085
Issue of Shares at 4.5 cents each	459,750	10,216,666	-	-
Capital raising costs	(32,198)	-	-	-
Share issue on acquisition of Miniran Pty Ltd	-	-	633,600	10,560,000
<b>Balance at the end of the period</b>	<b>7,356,303</b>	<b>91,956,751</b>	<b>6,928,751</b>	<b>81,740,085</b>

## Lanka Graphite Limited – Notes to the Financial Statements (continued)

### NOTE 10: RESERVES

	Share Option Reserve	Convertible Notes Reserve	Total
Balance at 1 July 2017	44,000	219,615	263,615
Issue of convertible notes	-	211,538	211,538
Balance at 31 December 2017	<b>44,000</b>	<b>431,153</b>	<b>475,153</b>

### NOTE 11: OPTIONS

	Grant Date	Expiry Date	Exercise Price	No.
Unlisted options issued to directors	23/07/2015	23/07/2018	\$0.30	<u>5,500,000</u> <u>5,500,000</u>

On 23 July 2015, 5,500,000 share options were granted to directors and key management personnel to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 23 July 2018. The options hold no voting or dividend rights and are not transferable.

### NOTE 12: CONTINGENT LIABILITIES AND COMMITMENTS

As at the date of this report, the directors were not aware of any material contingent liabilities, assets or commitments.

### NOTE 13: EVENTS SUBSEQUENT TO BALANCE DATE

There are no major subsequent event since the balance sheet date.

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## Lanka Graphite Limited – Directors’ Declaration

### DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 13, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standard, AASB 134 ‘Interim Financial Reporting’, the *Corporation Act 2001* and other mandatory professional requirements;
  - b. give a true and fair view of the consolidated entity’s financial position as at 31 December 2017 and of its performance for the financial half year ended on that date; and
2. 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.



.....  
Ms. Emily Lee  
Director  
Melbourne

18 March 2018

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Lanka Graphite Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Lanka Graphite Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

#### 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* and 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, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134

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*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*. 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 review report.

**BDO East Coast Partnership**

A handwritten signature in black ink, appearing to read 'Richard Dean', is written over a faint BDO logo.

**Richard dean**  
**Partner**

Melbourne, 18 March 2018

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