
AUSTCHINA HOLDINGS LIMITED
ABN 20 075 877 075

HALF-YEAR REPORT – 31 DECEMBER 2017

DIRECTORS' REPORT

Your directors present their report on the consolidated entity ("the Group") consisting of AustChina Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

The following persons were directors of AustChina Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Name	Position	Period of Directorship
Anthony Chan	Non-Executive Chairman	Appointed 22 November 2013
Nick Bolkus	Non-Executive Deputy Chairman	Appointed 22 November 2013
George Lam	Non-Executive Director	Appointed 22 November 2013
Daniel Chan	Non-Executive Director	Appointed 22 November 2013
Ron Marks	Non-Executive Director	Appointed 23 November 2013
William Ko	Non-Executive Director	Appointed 9 August 2017

REVIEW OF OPERATIONS

The loss after income tax of the Group for the half-year was \$484,423 (2016: loss \$591,349) after expensing \$Nil costs associated with the Convertible Note (2016: \$55,722) and recognising \$107,043 expense from share of loss from equity accounted investment (2016: \$91,066).

The half-year write-off of capitalised exploration expenditure recognises the continuing process undertaken by the Group to rationalise holding costs in areas where coal project development would be very long term in the current industry environment.

Exploration activities in the half-year were limited to desktop studies and management of field facilities. The lower number of coal tenements in the financial year ended June 2017 reduced the exploration tenement holding costs in the current period.

The company has focused on identifying and evaluating opportunities in the resources sector at a time where the resources sector generally is under some pressure globally.

STRATEGIC DIRECTION

Strategic Direction

The Company's key strategic focuses are:

1. Acquisition of a suitable project to provide cash flow in the short to medium term;
2. Exploration and development of existing coal projects for the creating of longer-term shareholder value;
3. Broadening the company's exposure in the energy sector;
4. Commodity trading to pursue short-to-medium term revenue opportunities; and
5. Progression of the Joint Venture with Eastern Gas Holdings Pty Ltd.

The Company has reviewed its current tenement holdings with emphasis being placed on tenements which may hold economic benefit to the company in the short to medium term. The company now retains three (3) Exploration Permits for Coal and a 50% interest in three (3) Authorities to Prospect for Petroleum following a successful farm-out to Eastern Gas Holdings Pty Ltd. The intent is to preserve cash which will allow the Company to explore other opportunities that may arise.

ACTIVITIES RELATED TO ENERGY PROJECTS

Coal

AustChina retains 3 coal exploration permits following surrenders in the previous year. The remaining coal tenements are centered on and near AustChina's Blackall Coal Project. The permits are:

EPC1625 EPC1719 EPC1993

AustChina is keeping expenditure to minimal required levels whilst reviewing ways to bring value from its Blackall Coal project. Over time AustChina has reduced the level of expenditure commitments for the EPCs as permits have come up for renewal.

Only desktop studies and limited field activities were undertaken during the period.

Statutory reporting and where relevant relinquishments of sub-blocks have been made in accordance with the conditions of the various exploration permits.

Petroleum

On 10th November 2016 AustChina announced the signing of a Memorandum of Understanding (MOU) with Eastern Gas Pty Ltd (EGPL) regarding AustChina's Petroleum and Gas Permits held by its 100% subsidiary Surat Gas Pty Ltd (Surat). EGHPL has earned a 50% interest in each of the company's three Authorities to Prospect for Petroleum (ATPs) in Queensland and is the operator for the permits. AustChina retains a 50% interest in each of the permits.

The permits are:

ATP1072 ATP1095 ATP1098

The Department of Natural Resources and Mines has formally approved the transfers of 50% interests in ATPs 1072, 1095 and 1098 to EGHPL.

EGHPL has sourced and reviewed available bore hole data. Down hole geophysics has been reprocessed where available and the lithology data interpreted to better define the potential zones of organic content within the formations as potential for hydrocarbon source rocks.

This study led to the initiation of a subsequent study on all available stratigraphic exploration holes in which core was recovered to undertake a core sampling exercise. Samples of existing core were analysed to review the three primary factors affecting oil and gas potential. The X Ray Diffraction (XRD), Total Organic Content (TOC) and Source Rock Analysis (SRA) were measured.

The culmination of this series of regional technical studies, laboratory analysis and preliminary modelling by our Joint Venture Partner EGHPL has concluded the region exhibits the potential for generation of gas and other hydrocarbons.

As operator for the joint venture, EGHPL has engaged with independent consultants and field service providers to determine the most cost-efficient scope and sequencing of ground exploration for 2018.

No field work has been undertaken on the permits in the half-year.

Biogas

AustChina has a shareholding in Utilitas Group Pty Ltd (Utilitas) of just under 26%.

Utilitas is a privately-owned company focused on the emerging biogas industry in Australasia and represents a unique opportunity for AustChina as it provides an additional investment in the energy and resources sector to diversify its existing portfolio.

Utilitas and fractional investment fund manager DomaCom Australia Limited have launched Australia's first crowd-funding campaign to secure a site at Casino, northern NSW and develop a bioHub to service the energy needs of its nearby industries and community.

AustChina's 25.72%-owned Utilitas Group's Casino bioHub is progressing towards financial close. Its Bundaberg bioHub is being advanced with the assistance of funding from the Queensland Government Biofutures Acceleration Program (BAP). Utilitas will be relocating its laboratory to Bundaberg in February establishing its physical presence in regional Queensland.

Demand for new regional infrastructure such as Utilitas bioHubs that convert organic waste to energy, jobs and value is building as industry and communities experience increased pressure from electricity and gas prices and supply risks.

Policy settings are also becoming more favourable for the dispatchable, flexible power that Utilitas can produce.

Events subsequent to reporting date

Since 31 December 2017 AustChina Holdings Limited has been advanced loan funds of \$100,000 from Treasure Wheel Global Limited. The loan is unsecured and for an initial period of 12 months. The loan accrues no interest.

On 7 March 2018 AustChina Holdings Limited announced that it has signed an option deed for the sale of Surat Gas Pty Ltd.

The key terms of the Option Deed are:

1. The purchaser pays AUH an option fee of \$10,000 within one day of signing the Option Deed.
2. From the date of signing the Deed the purchaser has:
 - 21 days to exercise the option (Exercise Date), and
 - 60 days to obtain finance (Condition Date).
3. The Completion Date is 21 days after the Condition Date.
4. The consideration payable to AUH upon completion (subject to exercise of the option by the purchaser) is \$6,500,000.

It should be noted that the purchaser has an election to exercise or not exercise the option and if exercised, completion of the transaction is conditional on the purchaser obtaining finance to its satisfaction.

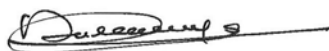
Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 is set out on page 4.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'A Chan', with a horizontal line extending to the right.

A Chan
Chairman

16 March 2018

RSM Australia Partners

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www.rsm.com.au**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of AustChina Holdings Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS**Albert Loots**

Partner – Assurance and Advisory

Brisbane, Queensland
Dated: 16 March 2018

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General information

The financial statements cover AustChina Holdings Limited as a consolidated entity ("the Group") consisting of AustChina Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

AustChina Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 16, 344 Queen Street
Brisbane QLD 4000
(07) 3229 6606

A description of the nature of the Group's operations and its principal activities are included in the directors' report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2018.



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

	Note	31 December 2017 \$	31 December 2016 \$
Interest income		286	1,201
Gain on fair value of financial instrument		11,515	-
Professional services expenses		(226,828)	(265,159)
Tenement expenditure written off/expensed	3	-	(13,740)
Finance costs		-	(28,331)
Interest costs		(795)	(27,391)
Corporate overhead expenses		(104,335)	(101,678)
Depreciation expenses		(323)	(3,345)
Directors' remuneration		(56,900)	(61,840)
Share of loss from equity accounted investment		(107,043)	(91,066)
		-----	-----
Loss before income tax		(484,423)	(591,349)
Income tax expense		-	-
		-----	-----
Net loss for the half-year		(484,423)	(591,349)
<i>Other comprehensive income</i>			
Other comprehensive income for the period, net of tax		-	-
		-----	-----
Total comprehensive loss for the half-year		(484,423)	(591,349)
		=====	=====
		Cents	Cents
Loss per share for loss from continuing operations attributable to the ordinary equity holders of AustChina Holdings Limited:			
Basic earnings per share		(0.04)	(0.06)
Diluted earnings per share		(0.04)	(0.06)
Loss per share for loss attributable to the ordinary equity holders of AustChina Holdings Limited:			
Basic earnings per share		(0.04)	(0.06)
Diluted earnings per share		(0.04)	(0.06)

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



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31 December 2017 \$	30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		213,968	245,853
Trade and other receivables		60,634	13,721
		<hr/>	<hr/>
Total current assets		274,602	259,574
		<hr/>	<hr/>
Non-current assets			
Plant and equipment		323	646
Exploration and evaluation assets	5	15,648,370	15,558,524
Investments accounted for using the equity method		814,084	921,127
Other assets		105,000	110,000
		<hr/>	<hr/>
Total non-current assets		16,567,777	16,590,297
		<hr/>	<hr/>
Total assets		16,842,379	16,849,871
		=====	=====
LIABILITIES			
Current liabilities			
Trade and other payables		351,146	311,795
Borrowings	7	2,614,717	800,000
		<hr/>	<hr/>
Total current liabilities		2,965,863	1,111,795
		<hr/>	<hr/>
Non-current liabilities			
Other financial liabilities	6	1,500,000	1,500,000
Borrowings	8	-	1,377,137
		<hr/>	<hr/>
Total non-current liabilities		1,500,000	2,877,137
		<hr/>	<hr/>
Total liabilities		4,465,863	3,988,932
		=====	=====
Net assets		12,376,516	12,860,939
		=====	=====
EQUITY			
Issued Capital	9	65,507,816	65,507,816
Reserves		3,528,043	3,528,043
Accumulated losses		(56,659,343)	(56,174,920)
		<hr/>	<hr/>
Total equity		12,376,516	12,860,939
		=====	=====

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

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

	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Total \$
Balance at 1 July 2016	62,974,400	(55,173,755)	3,528,043	11,328,688
Profit for the period	-	(591,349)	-	(591,349)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(591,349)	-	(591,349)
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	2,533,416	-	-	2,533,416
Sub total	2,533,416	-	-	2,533,416
Balance at 31 December 2016	65,507,816	(55,765,104)	3,528,043	13,270,755
Balance at 1 July 2017	65,507,816	(56,174,920)	3,528,043	12,860,939
Profit for the period	-	(484,423)	-	(484,423)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	(484,423)	-	(484,423)
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	-	-	-	-
Sub total	-	-	-	-
Balance at 31 December 2017	65,507,816	(56,659,343)	3,528,043	12,376,516

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



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

	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities		
Receipts in the course of operations (inclusive of goods and services tax)	33,167	48,533
Payments to suppliers (inclusive of goods and services tax)	(356,576)	(406,019)
Interest received	286	1,201
Interest paid	(795)	-
	<hr/>	<hr/>
Net cash outflow from operating activities	(323,918)	(356,285)
	<hr/>	<hr/>
Cash flows from investing activities		
Payments for exploration and evaluation assets	(110,767)	(161,545)
Payments for investments	-	(1,000,033)
Proceeds from repayment of loan to investment	-	100,000
Payments for security deposit	(2,200)	-
Refund of security deposit	5,000	47,821
	<hr/>	<hr/>
Net cash outflow from investing activities	(107,967)	(1,013,757)
	<hr/>	<hr/>
Cash flows from financing activities		
Payments for share issue costs associated with convertible note	-	(28,332)
Proceeds from current borrowings	400,000	480,000
	<hr/>	<hr/>
Net cash inflow from financing activities	400,000	451,668
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(31,885)	(918,374)
Cash and cash equivalents at the beginning of the half-year	245,853	932,756
	<hr/>	<hr/>
Cash and cash equivalents at the end of the half-year	213,968	14,382
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Note 1 Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by AustChina Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group recorded a loss of \$484,423 (2016: loss of \$591,349) after expensing \$Nil costs associated with the Convertible Note (2016: \$55,722) and recognising \$107,043 expense from share of loss from equity accounted investment (2016: \$91,066). Also, the Statement of Financial Position shows a working capital shortfall of \$2,691,261 (2016: \$416,011).

The ability of the Group to continue as a going concern is principally dependent on:

- Continued financial support of Treasure Wheel Global Limited for at least 12 months from the date of this report; and
- Ability to raise capital on the market and/or sell non-core assets.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- Treasure Wheel Global Limited has provided a letter of support undertaking to provide financial support and not call their debt, to enable AustChina Holdings Limited to continue operations, for at least 12 months from the date of this report; and
- Since 31 December 2017, AustChina Holdings Limited has received a loan of \$100,000 from Treasure Wheel Global Limited.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities should the Group be unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Note 2 Segment information

Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Board of Directors carries out the role and is therefore the Chief Operating Decision Maker. Financial information provided to the board is currently at the consolidated level.

Management currently identifies the Group as having only one reportable segment, being exploration of coal, oil and gas. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group operates solely within Australia. The Group does not have any products or services that it derives revenue from.

Note 3 Expenses

	31 December 2017 \$	31 December 2016 \$
Loss before income tax for the half-year includes the following items:		
Expenses		
Exploration Expenditure expensed	-	13,740
Share of loss from equity accounted investment	107,043	91,066
<i>Finance costs</i>		
Unwinding of issue costs financial liabilities not at fair value through profit or loss	-	28,331
Interest paid	795	27,391
Finance costs expensed	<u>795</u>	<u>55,722</u>

Note 4 Fair Value of Financial Instruments

Recurring Fair Value Measurements

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss or gain of fair value of financial instrument is recognised as revenue in profit or loss.

Due to their short-term nature, the carrying amounts of current receivables, and current payables is assumed to approximate their fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

Note 5 Non-current assets - Exploration and evaluation assets

	31 December 2017 \$	30 June 2017 \$
Exploration phase costs – at cost	<u>15,648,370</u>	<u>15,558,524</u>

The capitalised exploration assets carried forward above has been determined as follows:

Balance at the beginning of the year	15,558,524	15,389,119
Expenditure incurred during the year	89,846	242,540
Exploration abandoned	-	(73,135)
Balance at the end of the year	<u>15,648,370</u>	<u>15,558,524</u>

The ultimate recoupment of costs carried forward for exploration assets is dependent upon the successful development and commercial exploitation or alternatively sale of the interests in the tenements.

The write-off of capitalised exploration expenditure recognises the continuing process undertaken by the Group to rationalise holding costs in areas where coal project development would be very long term in the current industry environment.

Note 6 Non-current liabilities – Other financial liabilities

	31 December 2017 \$	30 June 2017 \$
Other financial liabilities	<u>1,500,000</u>	<u>1,500,000</u>

The Group has agreements with Oliver Lennox-King (Lennox-King), whereby Lennox-King has paid a net \$1.5 million to the Group and in return the Group has agreed to pay Lennox-King a royalty equal to 1% of the gross value of coal sold from certain tenements currently held by the Group, in the areas of the Moreton Energy Coal Project in the Clarence-Moreton Basin and the Tambo Coal & Gas Project in the Upper Surat Basin. The liability was initially recognised at fair value. Post initial recognition, the financial liability is accounted for in accordance with the Group policy for financial instruments set out in Note 1(n) of the 30 June 2017 Annual Report.

The royalty is only payable in the event of future production of coal.

There has been no movement in the balance of the liability. The Group has assessed that the fair value at the time of the initial transaction, which was at arm's length, remains a reasonable assessment of the fair value at 31 December 2017 as no changes in the underlying circumstances have occurred since. The fair value would be Level 3 in the fair value hierarchy.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

Note 7 Current Liabilities – Borrowings

	31 December 2017	30 June 2017
	\$	\$
Borrowings	1,200,000	800,000
Current loan	49,095	-
Convertible note	1,365,622	-
	<u>2,614,717</u>	<u>800,000</u>

During the current financial half-year Treasure Wheel Global Limited has advanced \$400,000 by way of an unsecured loan. The unsecured loan is for an initial term of 12 months and accrues no interest.

On 30 November 2016 Shareholders approved the issue of a convertible note to replace an unsecured loan of \$1,900,000 to Treasure Wheel Global Limited. No interest is payable on the convertible note which has a maturity date of 30 November 2018.

	31 December 2017	30 June 2017
	\$	\$
<i>Convertible Note - Current</i>		
Face value of notes issued	1,900,000	-
Other equity securities – value of conversion rights	(534,378)	-
	<u>1,365,622</u>	-
Unwinding of discount	-	-
Current liability	<u>1,365,622</u>	-

Note 8 Non-Current Liabilities – Borrowings

	31 December 2017	30 June 2017
	\$	\$
Convertible Note	-	1,377,137
	<u>-</u>	<u>1,377,137</u>

	31 December 2017	30 June 2017
	\$	\$
<i>Convertible Note – Non-Current</i>		
Face value of notes issued	-	1,900,000
Other equity securities – value of conversion rights	-	(522,863)
	<u>-</u>	<u>1,377,137</u>
Unwinding of discount	-	-
Non-current liability	<u>-</u>	<u>1,377,137</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

Note 9 Equity securities issued

	Half-year		Half-year	
	2017 Shares	2016 Shares	2017 \$	2016 \$
Issue of ordinary shares during the half-year				
Shares issued during half year	-	133,333,333	-	2,000,000
Share issue costs	-	-	-	(28,331)
Value of conversion right – Convertible Note	-	-	-	561,747
Net increase in contributed equity	-	133,333,333	-	2,533,416

There are no options on issue in AustChina Holding Limited.

Note 10 Commitments for expenditure

	31 December 2017 \$	30 June 2017 \$
Exploration commitments		
Commitments as at 31 December 2017 for payments under exploration permits for minerals and petroleum in existence at the reporting date but not recognised as liabilities are as follows:	18,627,000	18,627,000

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments are calculated on the assumption that each of the tenements will be held for its full term. However, commitments may decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

Note 11 Contingent liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period.

Note 12 Events subsequent to reporting date

Since 31 December 2017 AustChina Holdings Limited has been advanced loan funds of \$100,000 from Treasure Wheel Global Limited. The loan is unsecured and for an initial period of 12 months. The loan accrues no interest.

Note 12 Events subsequent to reporting date (continued)

On 7 March 2018 AustChina Holdings Limited announced that it has signed an option deed for the sale of Surat Gas Pty Ltd.

The key terms of the Option Deed are:

1. The purchaser pays AUH an option fee of \$10,000 within one day of signing the Option Deed.
2. From the date of signing the Deed the purchaser has:
 - 21 days to exercise the option (Exercise Date), and
 - 60 days to obtain finance (Condition Date).
3. The Completion Date is 21 days after the Condition Date.
4. The consideration payable to AUH upon completion (subject to exercise of the option by the purchaser) is \$6,500,000.

It should be noted that the purchaser has an election to exercise or not exercise the option and if exercised, completion of the transaction is conditional on the purchaser obtaining finance to its satisfaction.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that AustChina Holdings Limited 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 directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'A Chan', with a horizontal line extending to the right.

A Chan
Chairman

16 March 2018



RSM Australia Partners

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
AUSTCHINA HOLDINGS LIMITED**

We have reviewed the accompanying half-year financial report of AustChina Holdings Limited which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of AustChina Holdings Limited 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 consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AustChina Holdings Limited, 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.

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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 AustChina Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 AustChina Holdings Limited is not in accordance with the *Corporations Act 2001* including:

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a loss of \$484,423 for the half-year ended 31 December 2017 and, as at that date, the consolidated entity had a working capital shortfall of \$2,691,261. 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 on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



RSM AUSTRALIA PARTNERS



Albert Loots
Partner – Assurance and Advisory

Brisbane, Queensland
Dated: 16 March 2018

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