

Appendix 4D
Half-Year Report for the period ended 31 December 2016

Results for announcement to the Market

Financial Performance

PharmAust Limited - Consolidated			
(AUD 000')	Half-year ended 31 Dec 2016	Half-year ended 31 Dec 2015	Movement %
Revenue	1,642	1,457	13%
(Loss) before tax attributable to members	(414)	(963)	(57%)
(Loss) after tax attributable to members	(414)	(963)	(57%)

Review of Operations

Refer to Directors' Report included in the attached half-year financial report.

Dividends

No Dividends were paid or declared for payment during the half-year period under review.

Earnings Per Share

	Half-year ended 31 Dec 2016	Half-year ended 31 Dec 2015
(Loss) per share (Basic & Diluted)	(0.43) cents	(0.08) cents

Net Tangible Asset Backing

	Half-year ended 31 Dec 2016	Half-year ended 31 Dec 2015
Net tangible asset backing	2.87 cents	3.04 cents

Entities Acquired and Disposed During the Period

There were no entities acquired or disposed of during the period.

Compliance Statement

The report is based on financial statements reviewed by the auditor, a copy of which is attached.

Signed in accordance with a resolution of Directors. On behalf of the Directors:



 Sam Wright
 Director

Signed at Perth this 28th day of February 2017

**PHARMAUST LIMITED
ABN 35 094 006 023
AND ITS CONTROLLED ENTITIES**

**Interim Financial Report
for the half-year ended 31 December 2016**

C O N T E N T S

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PHARMAUST LIMITED DIRECTORS' REPORT

The directors of PharmAust Limited submit the financial report of the consolidated entity for the half-year ended 31 December 2016.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Dr Roger Aston
Dr Wayne Best
Mr Robert Bishop
Mr Sam Wright

RESULTS

The operating loss for the consolidated entity for the half-year ended 31 December 2016 was \$414,472 (2015: loss of \$962,746).

PRINCIPAL ACTIVITIES

The principal continuing activities constituted by PharmAust Limited and the entities it controlled during the half year were to develop its own drug discovery intellectual property, namely two platforms for the treatment of different types of cancers in humans and animals, as well as providing highly specialised medicinal and synthetic chemistry services on a contract basis to clients.

REVIEW OF OPERATIONS

During the half year, PharmAust continued to make progress with the development of its key anti-cancer product, Monepantel (MPL) and has further continued to build the contract sales and income activities of its wholly owned subsidiary, Epicchem Pty Ltd.

PITNEY PHARMACEUTICALS PTY LTD – 100% OWNED SUBSIDIARY

Phase II Canine Clinical Trial

PharmAust reported that following the signing of a Materials Transfer Agreement with the University of Cambridge, Department of Veterinary Sciences, Dr Jane Dobson will oversee and evaluate the role of monepantel as a treatment for canine cancers.

The Phase II trial will be undertaken in canines which have failed standard of care and follows on from the Phase I trial undertaken in Sydney, Australia by Dr Angela Frimberger. The Phase I trial showed excellent safety with suppression of tumour markers and the Phase II will build on these successful earlier results.

PharmAust has a Research and Option Agreement with Novartis Animal Health and, as such, the outcome of this study will be important in understanding the commercial potential of MPL in veterinary cancer therapy.

Since receiving agreement from the University of Cambridge to begin canine cancer trials, PharmAust has continued to recruit canines to evaluate the anticancer activities of MPL. The current phase II study is exploratory and is intended to provide an indication of either tumour regression or progression-free survival in a small number of dogs in order to facilitate further phase II work. Successful demonstration of these parameters not only confirms the value of MPL in veterinary cancers but also underpins the potential use of the drug in man.

Recent recruitment both in Cambridge and in Sydney has been slower than expected as many of the dogs available for treatment, which have failed standard of care, were too progressed to be acceptable in the study. In order to access earlier stage canine patients, PharmAust has submitted an application with Dr Frimberger to the Secretary's Animal Care and Ethics Committee to examine the use of MPL as a first line therapy before chemotherapy is administered. The company will advise on details of the target cancers when this new trial is approved and can begin.

Preliminary data from canines recruited in the phase II that have already received MPL both in the UK and Australia have shown an initial slowing down of the progression of their disease. These preliminary observations are in line with the data observed from the phase I study showing suppression of p70S6K cancer marker in advanced canine patients receiving MPL. However, the advanced nature of the canine cancers in the current patient cohort has resulted in the eventual progression of the cancer and withdrawal of animals. The company will seek to build on this preliminary data.

PHARMAUST LIMITED
DIRECTORS' REPORT continued

EPICHEM PTY LTD - 100% OWNED SUBSIDIARY

Epichem has been delivering synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries worldwide since 2003. Epichem offers a range of rare and hard to find pharmaceutical impurities, degradants and metabolites of active ingredients and excipients, particularly for OTC and generic drugs.

Epichem has been at the forefront of synthesizing new and difficult to obtain standards and many of these are exclusive to Epichem and not available elsewhere. This range is continually expanding in response to customer requests and developments in the industry. Epichem is globally competitive with clients in 32 countries and is rapidly expanding its reach.

Epichem also excels in custom synthesis and contract drug discovery, boasting a highly skilled team of scientists, most with a PhD and industry experience. This valuable investment in people allows Epichem to lead drug discovery programs, perform custom synthesis, conduct optimisation and method development for scale-up and engage in high-level problem solving.

Epichem has a long history of helping pharmaceutical companies identify trace impurities and has produced a range of pharmaceutical reference standards to aid the industry in detecting and measuring these impurities, ultimately assisting in the quality assurance and control of its clients' medicines.

Epichem's expert team of medicinal chemists is also supporting PharmAust's oncology programmes and has made a number of novel analogues of MPL. While still at the early pre-clinical research stage, if successful, this research could ultimately lead to a new drug with improved properties which is wholly owned by PharmAust.

Epichem continued to promote its products and services both within Australia and overseas with staff attending a number of conferences and tradeshows including AusBiotech in Melbourne and a Tropical Medicine Conference in Brisbane. Most notably, Epichem attended CPhI WorldWide in Barcelona, Spain, which is the world's premier trade show for the pharmaceutical industry attended by 36,000 delegates. Feedback from CPhI was excellent with a number of new customers and prospects resulting.

Epichem continues to expand operations and has secured a lease on a further 120m² of space at its current facility at Technology Park. This will enable the installation of an additional 6 fumehoods when funds become available, increasing capacity by potentially 50%.

Epichem revenues up 27.5% - best ever start to a financial year

Epichem Pty Ltd has experienced its best ever start to a financial year with revenues up 27.5% on the same period last year. Total revenues for the July – December 2016 half year were \$1.33m compared to \$1.04m for the July to December 2015 half year.

Epichem's Managing Director, Dr Wayne Best, said "We are experiencing strong demand for both our reference standards and contract medicinal chemistry services, and are well on track to achieve total revenues in excess of \$3m for FY17."

Epichem achieves ISO 9001:2015 certification

Epichem Pty Ltd was certified to the international standard for quality ISO 9001:2015 on 14 September 2016. This certification covers Epichem's Quality Management System (QMS) for the synthesis and distribution of fine chemicals, reference standards, technical services and provision of contract research and consulting.

The certification, conducted by the accreditation body ECAAS, elevates Epichem to a select group of companies who have demonstrated a commitment to quality at the highest level. The QMS ensures that robust procedures and practices are in place for all aspects of Epichem's operations and is the basis for reliably providing customers with products and services of consistently high quality.

Epichem's Managing Director, Dr Wayne Best, said "We are delighted to have been recognised by certification to ISO 9001:2015. It is a reflection of our commitment to quality, continuous improvement and customer focus." Dr Best added "Many of Epichem's clients operate in the highly regulated pharmaceutical sector and our certification will be seen as a significant development in our relationship with them."

PHARMAUST LIMITED
DIRECTORS' REPORT continued

GenScript Pre-Clinical Validation for Phase II Trial

PharmAust's contract with Genscript has now been completed, although we may still use them to assist in the determination of cancer markers in dog and human trials in the future. Following PharmAust's demonstration that combinations of chemotherapy and monepantel result in synergy with respect to anticancer activity, Genscript has confirmed that cancer-bearing mice receiving MPL respond by both tumour regression and suppression of marker p70S6K.

Annual General Meeting

The Annual General Meeting of the Shareholders of PharmAust Limited was held at Spruson & Ferguson, Level 35, St Martins Tower, 31 Market Street, Sydney, New South Wales, at 11:00 am (EDST) on Friday, 11 November 2016. All resolutions that were put were unanimously passed on a show of hands.

Rights Issue

The Company on 7 November 2016, lodged a Prospectus with ASIC and ASX, seeking to raise up to approximately \$4.6m by a non-renounceable rights offer ("Offer") of up to approximately 92m shares and 31m options on the basis of 1 new share for every 1 share held at an issue price of 5 cents per share together with 1 free option for every 3 new shares subscribed for under the Prospectus. The options have an exercise price of 12 cents and an expiry date of 30 November 2019. PharmAust successfully raised \$2.7m under the Offer.

Nasdaq Listing

PharmAust continues to work towards completing preparative work for its US\$10m Nasdaq listing. It should be noted that the requirement to undertake a re-audit of our end of year accounts for 2014, 2015 and 2016 to comply with PCAOB auditing standards as well as the mandatory 60-day review period of the Nasdaq offer document (F1) by the SEC significantly delayed the process.

SUBSEQUENT EVENTS

On 30 January 2017, PharmAust announced that it has received \$406,237.05 from the Australian Taxation Office in recognition of the innovation of the Research and Development being developed by wholly owned subsidiaries, Epichem and Pitney Pharmaceuticals.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within this financial report.

This report is signed in accordance with a resolution of the Board.



Sam Wright
Director

Signed at Perth this 28th day of February 2017

PHARMAUST LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2016

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Revenue	1,097,551	799,946
Other income	544,262	657,247
Total revenue	<u>1,641,813</u>	<u>1,457,193</u>
Raw material and consumables used	(163,796)	(91,005)
Research and development expenses	(312,053)	(457,521)
Administration expenses	(505,512)	(918,397)
Employee benefits expense	(985,005)	(889,085)
Borrowing costs	(35,176)	(18,360)
Depreciation	<u>(54,743)</u>	<u>(45,571)</u>
Loss before income tax	(414,472)	(962,746)
Income tax expense	-	-
Loss for the period	<u>(414,472)</u>	<u>(962,746)</u>
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>(414,472)</u>	<u>(962,746)</u>
Basic and diluted loss per share (cents per share)	(0.43)	(0.08)

The accompanying notes form part of these financial statements

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PHARMAUST LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	Consolidated 31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		2,683,713	881,823
Trade and other receivables		124,046	94,019
Other current assets		444,501	28,130
Financial assets		-	4,250
Inventories		412,874	321,882
TOTAL CURRENT ASSETS		<u>3,665,134</u>	<u>1,330,104</u>
NON CURRENT ASSETS			
Plant and equipment	7	1,798,611	1,819,868
Intangible assets		3,107,476	3,107,476
TOTAL NON CURRENT ASSETS		<u>4,906,087</u>	<u>4,927,344</u>
TOTAL ASSETS		<u>8,571,221</u>	<u>6,257,448</u>
CURRENT LIABILITIES			
Trade and other payables		461,185	397,435
Borrowings		168,750	157,899
Provisions		167,585	180,054
TOTAL CURRENT LIABILITIES		<u>797,520</u>	<u>735,388</u>
NON CURRENT LIABILITIES			
Borrowings		393,750	450,000
Provisions		60,449	48,799
TOTAL NON CURRENT LIABILITIES		<u>454,199</u>	<u>498,799</u>
TOTAL LIABILITIES		<u>1,251,719</u>	<u>1,234,187</u>
NET ASSETS		<u>7,319,502</u>	<u>5,023,261</u>
EQUITY			
Issued capital	3	47,173,785	44,463,072
Reserves		983,492	983,492
Accumulated losses		(40,837,775)	(40,423,303)
TOTAL EQUITY		<u>7,319,502</u>	<u>5,023,261</u>

The accompanying notes form part of these financial statements

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PHARMAUST LIMITED
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2016

	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Total \$
As at 1 July 2015	44,393,484	(36,496,047)	941,629	8,839,066
Loss for the period	-	(962,746)	-	(962,746)
Total comprehensive loss for the period	-	(962,746)	-	(962,746)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued (net)	69,588	-	-	69,588
Options issued	-	-	45,507	45,507
As at 31 December 2015	44,463,072	(37,458,793)	987,136	7,991,415
	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Total \$
As at 1 July 2016	44,463,072	(40,423,303)	983,492	5,023,261
Loss for the period	-	(414,472)	-	(414,472)
Total comprehensive loss for the period	-	(414,472)	-	(414,472)
<i>Transactions with owners in their capacity as owners:</i>				
Shares issued (net)	2,710,713	-	-	2,710,713
Options issued	-	-	-	-
As at 31 December 2016	47,173,785	(40,837,775)	983,492	7,319,502

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2016

	Consolidated	
	31 December	31 December
	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	643,355	855,216
Payments to suppliers and employees	(1,988,253)	(2,271,570)
Interest received	4,766	7,744
Other income	551,263	103,469
Foreign exchange gains	280	-
Finance costs	(35,176)	(18,360)
Net cash used in operating activities	<u>(823,765)</u>	<u>(1,323,501)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(39,659)	(1,481,662)
Net cash used in investing activities	<u>(39,659)</u>	<u>(1,481,662)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issued (net)	2,710,713	1,250
Net proceed / (repayment of) from borrowings	(45,399)	709,202
Net cash provided by financing activities	<u>2,665,314</u>	<u>710,452</u>
Net movement in cash held	1,801,890	(2,094,711)
Cash at beginning of the financial period	<u>881,823</u>	<u>3,411,767</u>
Cash at end of the financial period	<u>2,683,713</u>	<u>1,317,056</u>

The accompanying notes form part of these financial statements

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PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2016

1. BASIS OF PREPARATION

This general purpose financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by PharmAust Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below:

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of purchased inventory is determined on the basis of weighted average costs. Cost of manufactured and work in progress stock includes direct materials, direct labour, and an appropriate proportion of variable and fixed factory overhead expenditure directly related to production. These costs are assigned to all items of inventory on a standard cost basis.

New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

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PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2016

2 SEGMENT INFORMATION

The company has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and the following are the reportable segments under AASB 8.

	Corporate	Pharmaceutical	Total
	\$	\$	\$
31 December 2016			
Revenue			
External sales	-	1,097,551	1,097,551
Other external revenue	422,060	122,202	<u>544,262</u>
Total revenue per statement of comprehensive income			<u>1,641,813</u>
Results			
Segment net profit (loss) before tax	(400,536)	(13,936)	(414,472)
Interest income	3,279	1,487	4,766
Interest expense	-	(35,176)	(35,176)
Depreciation and amortisation	(2,575)	(52,167)	(54,742)
Segment assets			
Segment operating assets	3,007,485	5,563,736	8,571,221
Segment liabilities			
Segment operating liabilities	(234,689)	(1,017,030)	(1,251,719)
	Corporate	Pharmaceutical	Total
	\$	\$	\$
31 December 2015			
Revenue			
External sales	-	799,946	799,946
Other external revenue	504,309	152,938	<u>657,247</u>
Total revenue per statement of comprehensive income			<u>1,457,193</u>
Results			
Segment net profit (loss) before tax	(680,590)	(282,156)	(962,746)
Interest income	3,890	3,854	7,744
Interest expense	-	(18,360)	(18,360)
Depreciation and amortisation	(3,462)	(42,109)	(45,571)
Segment assets			
Segment operating assets	1,749,087	7,575,505	9,324,592
Segment liabilities			
Segment operating liabilities	(238,177)	(1,095,000)	(1,333,177)

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PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2016

3 ISSUED CAPITAL

	31 December 2016	30 June 2016	31 December 2016	30 June 2016
Ordinary shares on issue	Number	Number	\$	\$
Balance at beginning of period	92,503,645	1,840,006,606	44,463,072	44,393,484
Share consolidation (20 to 1)	-	(1,748,065,461)	-	-
Share issued (net)	54,191,258	562,500	2,710,713	69,588
Balance at end of period	146,694,903	92,503,645	47,173,785	44,463,072

4 DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

5 CONTINGENT LIABILITIES AND ASSETS

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

6 SUBSEQUENT EVENTS

There have been no significant events subsequent to the end of the period.

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PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2016

		CONSOLIDATED	
		31 DECEMBER	30 JUNE 2016
		2016	\$
		\$	
7.	PLANT AND EQUIPMENT		
	Cost	2,440,227	2,400,573
	Accumulated depreciation	(641,616)	(580,705)
		1,798,611	1,819,868
	Movements in Carrying Amounts:		
	Carrying amount at 1 July 2016	1,819,868	611,009
	Additions	39,659	1,499,720
	Disposal	-	(160,487)
	Depreciation expense	(60,916)	(130,374)
	Carrying amount at 31 December 2016	1,798,611	1,819,868

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**PHARMAUST LIMITED
DIRECTORS' DECLARATION**

In the opinion of the directors of Pharmaust Limited ('the company'):

1. The financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year then ended.
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 signed in accordance with a resolution of the Board of Directors.



Sam Wright
Director

Signed at Perth this 28th day of February 2017

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www.rsm.com.au**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****PHARMAUST LIMITED**

We have reviewed the accompanying half-year financial report of PharmAust Limited which comprises the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2016 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 PharmAust 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.

THE POWER OF BEING UNDERSTOOD**AUDIT | TAX | CONSULTING**

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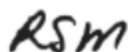
Independence

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 PharmAust 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 PharmAust 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 2016 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*.



RSM AUSTRALIA PARTNERS



D J WALL
Partner

Perth, WA
Dated: 28 February 2017

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PharmAust Limited for the half-year ended 31 December 2016, 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

RSM AUSTRALIA PARTNERS

D J Wall

D J WALL
Partner

Perth, WA
Dated: 28 February 2017

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