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LITIGATION CAPITAL MANAGEMENT LIMITED

(ABN: 13 608 667 509)

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2019

Litigation Capital Management Limited ABN 13 608 667 509

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LITIGATION CAPITAL MANAGEMENT LIMITED
ACN 608 667 509

DIRECTORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDING 31 DECEMBER 2019

The Directors present their report, together with the financial statements consisting of Litigation Capital Management Limited (**LCM**) and the entities it controlled (the **LCM group**) at the end of, or during, the half year ending 31 December 2019 (**HY20**).

Directors

The following persons were directors of the company during the whole of the financial half year period and up to the date of this report:

Name	Title
Mr Jonathan Moulds	Chairman and Non-Executive Director
Mr Nick Rowles-Davies	Executive Vice-Chairman
Mr Patrick Moloney	Chief Executive Officer
Dr David King	Non-Executive Director
Mr Steven McLean	Non-Executive Director
Mr Stephen Conrad	Chief Financial Officer

Principal activities

LCM is an alternate asset manager specialising in investments relating to the global disputes market. LCM's investments include single-case disputes, portfolios of disputes and acquisitions of claims, class actions, commercial claims, claims arising out of insolvency and international arbitrations. LCM has an unparalleled record, driven by effective project selection, active project management and robust risk management. LCM is currently headquartered in Sydney with offices in London, Singapore, Brisbane and Melbourne.

Operating and financial review

Overview of the Group

LCM is a company limited by shares and was incorporated on 9 October 2015. LCM was admitted to trade on the Alternative Investment Market (**AIM**) of the London Stock Exchange on 19 December 2018 under the ticker LIT. LCM was formerly listed on the Australian Securities Exchange (**ASX**) between 13 December 2016 and 21 December 2018.

LCM's registered office and principal place of business is Suite 12.06, Level 12 The Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

Investment Activity

LCM currently operates two business models. The first is direct investments made from LCM's permanent balance sheet capital. The second is funds and/or asset management.

Under those two business models, LCM currently pursues three investment strategies. Those strategies are as follows:

Single-case funding: The first and currently largest strategy, is single-case funding. That is, the investment in a single dispute. This is a strategy that LCM has maintained since its inception (through its predecessor company) 21 years ago. Currently, the majority of LCM's investments are in single-case investments.

Corporate portfolio funding: The second strategy pursued by LCM is in corporate portfolio funding. That is, the funding of a bundle of single disputes in which LCM's capital investment is collaterally secured against the proceeds of the entire corporate portfolio. LCM is an emerging global leader in the provision of corporate portfolio financing to corporate clients.

Acquisitions of Claims: The third strategy, in its early stages of evolution, is the investment in smaller disputes (typically insolvency-based) through the acquisition or assignment of the underlying cause of action.

LCM generates its revenue from both its direct investments and also performance fees through asset management.

APAC

In LCM's historical markets of Australasia, it continues to see strong demand for its finance products, particularly in single-case funding both with respect to litigation and international arbitration. During the six-month period, 90 separate applications were considered in Asia Pacific (**APAC**) region with no increase to headcount.

Of those applications, two were for corporate portfolio facilities. Not only is the level of applications growing in number, they are also growing in quality. For the first time in LCM's history it is seeing the first applications for corporate portfolios coming from APAC. Historically, the only activity with respect to corporate portfolios was occurring in the Northern Hemisphere, most specifically the United Kingdom and North America.

Of particular note in APAC is the number and quality of applications being received through LCM's Singapore office. LCM established a permanent presence in Singapore in late 2018 and LCM has operated that office for just over 14 months. During the six-month period and continuing into 2020, both the quality and number of applications generated from LCM's Singapore office have increased.

The level of activity occurring, not only in Singapore but also in the Asian region, generally has increased to such an extent that consideration will need to be given during the next financial period to increasing LCM's team of investment managers in the Asian region. In addition to increased activities, the Singapore government has signalled that it is currently considering expanding the types of disputes to which litigation finance can be applied. Currently, and pursuant to legislation passed in 2017, litigation finance products can be used in both insolvency and international arbitration in the jurisdictions of both Singapore and Hong Kong.

Recently, the Singapore government signalled the possibility of expanding those categories to domestic arbitral disputes as well as litigious disputes adjudicated through the Singapore International Commercial Court (**SICC**). Such changes would expand the investment opportunities in relation to both single-case and corporate portfolios in the jurisdiction of Singapore. Further, LCM would expect, over time that if the changes occur in Singapore, the Hong Kong Legislative Council will follow.

Hong Kong has seen subdued activity over the past six months due to the political protests which have plagued Hong Kong and general civil unrest. LCM would expect, over time for that unrest to settle and the market and general dispute activity within the jurisdiction of Hong Kong to increase. LCM is well positioned to take advantage of that opportunity.

EMEA

In the United Kingdom and Middle East region (**EMEA**), LCM has expanded its team by two people. The first, Angela Bilbow, has been employed to focus on public relations and communications globally. Operating from LCM's London office, Angela manages global communications and the promotion of LCM's brand and public relations needs. Prior to Angela joining LCM outsourced public relations and communications to an agency. The bringing inhouse of that skillset through Angela's employment both reduces the overall cost to the Company of those activities and more importantly, provides LCM with a permanent and highly focused member of staff dealing with those activities.

Secondly, and as an opportunistic hire, LCM has employed James Foster, a highly experienced legal practitioner specialising in building and construction disputes. James brings with him over 25 years of experience in the building and construction sector and has been involved in some of the world's most challenging construction projects in major commercial hubs such as Dubai, Hong Kong, Saudi Arabia and Vietnam. Before transitioning to litigation finance, James was a partner of the international law firm Gowling WLG. James joins LCM not only as a highly experienced disputes lawyer, but also with litigation finance experience having formerly worked for another litigation financier.

The hire of James Foster presents a significant opportunity for LCM in relation to single-case funding, but more particularly as a valuable asset in considering corporate portfolio applications. Presently, LCM is receiving a large volume of applications for corporate portfolios from the global building and construction sector. Whilst those types of disputes can represent disproportionate risk as a single-case investment, when the capital investment risk is spread across a portfolio of disputes, they can be very favourable investments for LCM. James will bring a particular skillset to LCM which will assist greatly in considering those applications.

During the six-month period, 98 separate applications were received from EMEA. A number of observations should be made with respect to those applications. First, those applications are all being received and considered through LCM's London office. The volume of applications received during that six-month period demonstrates the importance of London as a global disputes centre and also a hub for the litigation finance industry. The strength of LCM's London office also fortifies LCM's view that greater opportunity for investments in disputes arises in the larger and more developed global economies.

Whilst LCM has a long history in APAC, the quality and number of applications now being received through LCM's London office is very similar to the markets where LCM has operated for over 20 years.

Secondly, of those 98 separate applications, 10 were for corporate portfolios. As anticipated, LCM is seeing a measured but steady demand for disputes finance by large, sophisticated and well-capitalised corporates. Those applications range across industry sectors such as building and construction, oil and gas, infrastructure, commodities trading, aviation, and outsourcing. By and large, those industries operate with high volume but low margins where disputes expenditure has a significant and detrimental effect on a corporation's profitability.

Those corporate portfolio applications also represent larger investment opportunities with lower capital risk. Of the 10 applications received from EMEA, the potential investment size ranged from A\$7 million through to A\$36 million. As such, portfolio finance provides LCM with an opportunity to invest greater capital at lower overall risk. LCM also anticipates that the relationships formed in providing a finance solution to corporates in respect of their disputes expenditure will create an enduring relationship far more valuable to an ongoing business than single-case investments.

Direct Investments

LCM will provide details of its current direct investments on a combined basis including single-case investments and portfolio investments. All of those investments are currently funded 100% from LCM's balance sheet. As the number of portfolio investments grow, we shall report separately with respect to the composition of the portfolio and its financial metrics. At present, it is too early in the cycle of that investment strategy to separately

report that composition. We will, however, make certain observations concerning the financial performance of the existing corporate portfolios.

The current direct investment portfolio comprises 24 separate investments, two of which comprise corporate portfolios. The mix of that investment portfolio includes class actions, international arbitrations, commercial disputes, insolvency and corporate portfolios. LCM continues to maintain an investment strategy which involves balance and diversity across industry sectors and also capital commitment. Although each of the individual investments are uncorrelated both as to economic cycles, political influence, financial markets or each other, LCM maintains a healthy balance across claim types. LCM also manages its portfolio investments so as to ensure that one particular single-case investment does not dominate its capital commitment. Through that process, LCM ensures that its risk is not concentrated in one single-case investment.

The LCM balance sheet investment portfolio has a current total estimated capital commitment of A\$96 million. Of that, LCM has funded A\$37 million. That leaves an approximate balance funding commitment to be invested progressively over the next three years of approximately A\$59 million. With the capital tools presently available to LCM it is confident that the total direct investment portfolio can be funded from existing and organically generated capital.

a) Single-Case Investments

During HY20, LCM resolved three single-case investments all of which were Australian-based projects. Combined revenue derived from those resolutions was A\$14.0 million which contributed to LCM's gross profit of approximately A\$7.1 million. Of those resolutions, cash has been received of A\$6.2 million and the remaining revenue is expected to be received before the end of the current financial year.

In addition to the final resolution of the three single-case investments, LCM achieved a partial resolution in an enforcement project generating revenue of A\$0.9 million and a contribution towards gross profit of approximately A\$0.7 million. The balance of the recovery proceedings continues in various jurisdictions. LCM remains pleased and confident with respect to the ultimate outcome of that investment.

In terms of financial metrics of the investments completed during HY20, final metrics can only be calculated upon fully received revenue. Although there have been a number of resolutions, or past resolutions, not all revenue has been received. LCM will publish the financial performance when that information is to hand but would expect the financial performance of projects to be commensurate with its past track record.

With respect to the balance of LCM's single-case investments, LCM remains confident that they will generate profitable outcomes in line with prior performance. They are all maturing well through the court or arbitral process.

b) Corporate Portfolios

As part of its current portfolio of direct investments, LCM is managing two corporate portfolios. The first is in the building and construction industry and the second is in the aviation industry. It is noteworthy that both of those particular industries operate with low margins. Although neither of the two current portfolios under management have reached a conclusion, they are both demonstrating the characteristics that LCM anticipated.

Dealing first with the building and construction portfolio, it has enjoyed a resolution of two disputes within an original seven dispute portfolio. Over a total investment period of approximately 18 months, LCM has invested total capital of approximately A\$4.3 million. In respect of the two disputes which have resolved, they have generated revenue to LCM of A\$8.6 million and provided a contribution to LCM's gross profit of A\$4.3 million. The portfolio currently contains five unresolved disputes which LCM is funding. As communicated to the market, LCM anticipated that the financial metrics of corporate portfolios would generate an approximate return on invested capital of 100%. So far, the building and construction portfolio is providing a return commensurate with that model. Finally, LCM is considering the inclusion of two additional disputes into the

existing portfolio which are subject to due diligence and underwriting considerations. LCM is pleased with the performance of its first corporate portfolio, and although it is yet to reach a conclusion, it has allowed LCM to generate healthy profits at far lower risk.

The second corporate portfolio in the aviation space is structured differently to the first. It has been now operating for nine months. That portfolio involved LCM providing a credit facility to fund the prosecution of a number of commercial disputes. Originally the facility was funding 38 disputes. The facility has been provided for a period of five years and involves a profit split of recoveries. Although it is early in the life of the facility, there has already been a resolution and recovery. Over the nine-month period since the facility was provided, LCM has invested total capital of A\$0.4 million and has received revenue of A\$0.6 million that has contributed A\$0.2 million of gross profit for the period. With respect to the aviation portfolio, consideration is also being given to including further disputes.

As distinct from single-case investments, these types of finance facilities are structured around a portfolio of disputes which provides LCM with a continuing and ongoing investment with multiple revenue events over the term. Over time it will assist LCM in smoothing its revenue line. LCM is so far pleased with the structure and performance of both its corporate portfolios.

Moving forward, LCM is at an advanced stage of undertaking due diligence and at a stage of negotiating commercial terms with respect to a number of further corporate portfolio facilities. LCM anticipates and is so far observing that the recognition and demand for this type of corporate finance facility is growing. The overall global market for this type of financing facility is exponentially larger than the entire existing financing market. LCM is strategically very well positioned to take advantage of that global market.

c) Acquisition of Claims

In May 2019, LCM commenced a pilot programme which launched our small claims acquisition and assignment strategy. The strategy was conceived as a consequence of two factors. The first was that the single-case investment strategy has its limitations in terms of claims size. The economics of providing single-case funding prevents the funding of claims under about A\$6 million to A\$7 million in damages size. That is due to the ratios between legal spend and damages. The economics of funding single-case investments at the lower end of the range are not attractive.

Secondly, changes were recently made to the insolvency laws in both Australia and the United Kingdom which permitted insolvency practitioners, for the first time, to sell or assign statutory causes of action. A combination of those observations allowed LCM to develop a strategy whereby smaller claims or disputes which traditionally did not meet its single-case investment strategy or were by necessity in the hands of an insolvency practitioner became available for acquisition or assignment. In circumstances where those claims or causes of action were acquired and assigned to LCM as principal, it would have complete control over the claim and thus the economics made the investments viable.

So far, the acquisition and assignment strategy has shown very significant potential. Since the pilot programme was commenced in May 2019, 96 separate applications have been received and considered. Those applications have largely been received from insolvency practitioners in the jurisdictions of Australia and the United Kingdom. Those applications have resulted in nine matters being signed up to date, seven are in Australia and two in the United Kingdom.

In terms of financial performance and metrics it is simply too early in the investment cycle to provide any meaningful data. LCM anticipates that over a period of time the portfolio of claims acquired or assigned will increase. LCM also expects that the investment period will be significantly shorter than our single-case investment strategy.

To some extent those estimates are provided based upon a small amount of industry information, however, an accurate picture will develop over time. The reasons why LCM expects those investments to have a shorter life

is that they are smaller claims of which LCM will enjoy complete control over the litigation process. To date, one claim resolved very early in its investments cycle and before any capital was deployed. With respect to that project, LCM received a profit of A\$40,000. That was an atypical transaction and whilst highly profitable when measured against financial metrics does not shed any light on what the overall performance of this strategy is likely to be.

In addition to the standalone performance of the acquisition and assignment strategy, there is also an added collateral benefit to LCM. Since commencing that strategy in May 2019, LCM has increased its profile amongst the insolvency professions in both the Australian and United Kingdom jurisdictions which has led to at least five separate applications for a much larger single-case investment opportunities which would not have been available to LCM had it not been operating the acquisition and assignment strategy. LCM expects that the collateral advantage will increase over time in both jurisdictions. LCM remains very positive about the prospects of running the acquisition and assignment strategy.

Asset Management

Shortly prior to commencing LCM's interim results, a first close took place of a third-party fund of USD\$150 million, the LCM Global Alternative Returns Fund. The first close of that Fund is in the amount of USD\$140 million leaving USD\$10 million of commitments to finalise. The raising of a significant pool of third-party capital is part of LCM's stated strategy to manage not only its own balance sheet capital but also third-party capital. LCM acts as a fund manager in respect of those third-party funds.

In terms of LCM's overall business, the additional capital supplied by the Fund will enable LCM to significantly increase the portfolio of investments under its management. It will allow LCM to expand its business in all geographies in which it operates. In addition, the Fund will permit LCM to invest in larger corporate portfolio transactions which have previously been beyond the capacity of LCM's stand-alone balance sheet. That will provide an important catalyst to the development of LCM's corporate portfolio strategy.

The dominant cornerstone investors in the Fund are US based large and very sophisticated investors. One comprises a large University endowment fund and the other a global investment bank. Each have had very significant investment experience in the litigation finance sector. The size of their investments and their choice of LCM as a fund manager both endorses LCM's disciplined investment approach and its track record and the asset class more generally. The balance of smaller investors in the Fund are also highly experienced investors in the litigation finance sector with one investor managing a pool of capital solely devoted to investments in litigation finance.

LCM will enjoy a co-funding right with the Fund. All qualifying investment opportunities will be funded as to 75% by the Fund and 25% via LCM's balance sheet. LCM will enjoy the entire economic benefit of its 25% direct balance sheet investment and will receive a performance fee in respect of the Fund investment in recognition of its management of that pool of capital. In respect of its profit split, LCM will receive 25% of the profit over a soft return hurdle of 8% and in addition an outperformance performance fee of 35% of all profits over an IRR of 20%. Importantly, that performance fee will be payable to LCM as fund manager on the basis of a deal-by-deal waterfall.

The Fund will have a term of six years including an inception period of two years, during which investments can be made. LCM will seed the Fund with nine single-case investments which include international arbitrations, class actions, commercial disputes and investor-state treaty claims. These investments are not being seeded from LCM's existing balance sheet portfolio which LCM will continue to manage. The total initial capital commitment of the Fund will be approximately USD\$33 million representing a total commitment of the Fund on day one of approximately 22%. LCM remains confident that it will fully commit the Fund well inside the inception period.

LCM believes that the first closure of the Fund and more particular the nature of the investors in the Fund will lead to a long-term investing relationship. Each of the cornerstone investors has entrenched rights to

participate in LCM's next two funds which provides a strong base from which LCM can build out a large and global third-party funds management business

LCM believes that not only is the establishment of the Fund an important alternate source of capital for investment allowing LCM to grow its business but will be expected to provide shareholders with significant financial returns over time with reduced capital risk. LCM is excited at the prospect of establishing a funds management business to operate alongside its direct balance sheet investments.

Strategic Alliances

LCM previously announced to the markets that it had entered into a strategic alliance with an international law firm with a large disputes practice. That strategic alliance involved LCM working in a collaborative fashion with the global law firm providing innovative and solutions-based disputes funding products to the firms' clients. In return, LCM received a first right of refusal on all opportunities generated with the firms' clients. That alliance has proved to be an exceptionally valuable resource to both LCM and to the law firm. LCM, through the strategic alliance, has received some 30 individual applications from the global network. Those applications have included both single-case investments as well as corporate portfolios. Indeed, the aviation corporate portfolio was originated through that strategic alliance. An additional three single-case investments have been entered from those applications. Many more applications are the subject of due diligence and/or negotiation of commercial terms.

Considering the success of the first strategic alliance, LCM has entered into a second strategic alliance again with a global international law firm specialising in disputes. That alliance has commenced on a trial basis in Australia and in due course consideration will be given to expanding the relationship globally. Although the relationship is in its initial stages, it has already generated applications for corporate portfolio funding in the building and construction sector. LCM expects that the global alliance will be as valuable and productive as the relationship from the existing strategic alliance. LCM looks forward to a strong and collaborative relationship with those global firms.

Secondary Market

Many observers of the litigation finance sector will be aware that there have been several secondary market transactions which have occurred in recent years. Indeed, at least two of the global investment banks, have set up specific desks to deal in secondary market transactions either involving single-case investments, or larger portfolios of disputes. The largest and most public of those transactions to date have been the resale of portions of single-cases.

A further development in the sector has been the broking of large portfolios of commercial disputes by global investment banks. In addition, LCM has observed an increase in referral from other financiers such as domestic banks recognising the role of disputes finance. These dynamics are interesting as historically the exposure to disputes finance was controlled by lawyers as opposed to the investment banking community.

LCM has observed increased activity and enquiry with respect to the secondary market. Enquiries have included transactions involving portions or strips of portfolios of single cases. LCM monitors the secondary market and is giving ongoing consideration as to the efficient use of that market.

LCM's interim financial performance

The HY20 results demonstrates clear growth in LCM's business and are a reflection of investment decisions made some time prior. LCM's due diligence and underwriting process have not changed over the recent period and as such LCM's ability to generate revenue from its investments is a reflection of two dynamics.

The first is the ability to originate quality investment opportunities and the second is having the capital available to invest in those opportunities. With that in mind, LCM's financial performance during HY20 is a result of investment decisions made and capital invested both derived from the original IPO on the ASX and organically generated capital to that point. Financial year 2020 is the last year of harvesting investment revenue from a period of capital restraint. Beyond 2020, LCM will begin to see the benefits of investments made as a result of the equity raised upon admission to AIM together with the reinvestment of organically generated capital.

	1HY 2020 A\$m	2HY 2019 A\$m	1HY 2019 A\$m	% move from prior half	% move from 1HY 2019
Revenue from litigation projects	24.1	23.0	11.7	5%	105%
Derecognition of contract asset upon recovery	(11.8)	(8.2)	(6.0)	44%	98%
Gross Profit	12.2	14.8	5.7	(17%)	113%
Due diligence costs (write off)	-	(0.1)	(0.1)		
Other income (Unrealised FX gains)	0.6	-	0.3		
Operating expenses	(5.4)	(5.2)	(3.3)	5%	66%
Exceptional items	(0.7)	(0.4)	(1.7)		
Total expenses	(6.2)	(5.6)	(4.9)		
Statutory profit before tax	6.7	9.1	1.0	(26%)	543%
EBITDA	6.7	9.1	1.0	(26%)	553%
Add: Exceptional items	0.7	0.4	1.7		
Less: Unrealised foreign exchange gains in other income	(0.5)	-	-		
Less: Non-controlling interests	(0.02)	-	-		
Adjusted profit before tax	6.9	9.6	2.7	(28%)	155%
Adjusted basic EPS (cents)	6.61	11.63	4.31	(43%)	53%

The above table provides some useful comparisons both in relation to the equivalent HY19 period and the second half of the 2019 financial year.

It is however prudent, when considering interim financial performance, to recognise that LCM's revenue trends can be somewhat lumpy and as such, financial performance during an interim period may not necessarily be indicative of full year results. Similarly, investing in disputes is not a seasonal activity. The resolution of LCM's investments may occur in one financial period or another. As Warren Buffett said in his 1996 Berkshire Hathaway Inc Chairman's Letter:

"Charlie and I would much rather earn a lumpy 15% over time than a smooth 12%".

With the above observations in mind, LCM's financial performance for HY20, when compared to HY19, is strong with gross revenue and gross profits from investments more than double.

LCM expanded significantly its operational reach into the Northern Hemisphere during the second half of the 2019 financial year. Given LCM's expansion it is important to compare HY20 operating expenses with this period. The operating expenses of LCM as a business during HY20 were A\$5.4 million compared to the second half of 2019 which were A\$5.2 million. It is noteworthy that no significant increase has occurred with respect to operating expenses on a like-for-like basis, of particular note with the growth in size of the portfolio under management.

As at 31 December 2019, LCM had invested A\$34.0 million in litigation finance projects as compared to the end of FY19 at A\$27.4 million and the end of FY18 of A\$13.9 million.

LCM ended the financial period HY20 with \$34.7 million in cash and receivables of A\$22.0 million. Such resources demonstrate LCM's ability to generate organic capital growth over a short investment period.

Significant changes in the state of affairs

LCM facilitated the first close of a third-party fund, the LCM Global Alternative Returns Fund, which has arisen since the end of the financial period. Further details of the closure of the fund is described in more detail above.

Matters subsequent to the end of the half-year

As a subsequent event to the end of the interim period, LCM facilitated a partial close of a third-party fund giving it access, as fund manager to USD\$140 million of capital. The terms and benefits to LCM are set out in greater detail above.

Furthermore, cash of A\$9.7 million has been received since the end of the interim period, being the receipt of a portion of the outstanding receivables due from investments which resolved during the financial period.

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.

Environmental Regulation

LCM's operations are not regulated by any significant regulations under any laws other than its operations in the jurisdictions of Singapore and Hong Kong. In respect of both jurisdictions, LCM is compliant with the relevant legislation and regulations which permit the provision of litigation finance within those jurisdictions

Auditor's Independence Declaration

The lead auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors.



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Patrick Moloney
Chief Executive Officer

Dated this 17th day of March 2020

DECLARATION OF INDEPENDENCE
BY G K EDWARDS
TO THE DIRECTORS OF LITIGATION CAPITAL MANAGEMENT LIMITED

As lead auditor for the review of Litigation Capital Management Limited for the half-year ended 31 December 2019, 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 Litigation Capital Management Limited and the entities it controlled during the period.



G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 17 March 2020

Litigation Capital Management Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2019

	Note	Unaudited six months ended 31 December	
		2019 \$'000	2018 \$'000
Revenue from contracts with customers			
Litigation service revenue	5	24,064	11,714
		<u>24,064</u>	<u>11,714</u>
Litigation service expense		(11,828)	(6,048)
		<u>12,236</u>	<u>5,666</u>
Gross margin			
Other income		634	301
Interest income		19	27
Expenses			
Corporate expenses		(2,096)	(1,806)
Legal and professional fees		(278)	(546)
Depreciation expense		(37)	(13)
IPO and other transaction costs		-	(233)
Employee benefits expense		(3,751)	(2,247)
Foreign exchange loss		-	(103)
		<u>(6,162)</u>	<u>(4,948)</u>
Profit before income tax expense		6,727	1,046
Income tax expense	6	(1,895)	(227)
Profit after income tax expense for the period		4,832	819
Other comprehensive income		-	-
Total comprehensive income for the period		<u><u>4,832</u></u>	<u><u>819</u></u>
Profit for the period is attributable to:			
Owners of Litigation Capital Management Limited		4,810	823
Non-controlling interest		22	(4)
		<u>4,832</u>	<u>819</u>
Total comprehensive income for the period is attributable to:			
Owners of Litigation Capital Management Limited		4,810	823
Non-controlling interest		22	(4)
		<u>4,832</u>	<u>819</u>
		Cents	Cents
Basic earnings per share	11	4.60	1.30
Diluted earnings per share	11	4.29	1.26

Refer to note 3 for detailed information on Restatement of comparatives.

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

Litigation Capital Management Limited
Consolidated statement of financial position
As at 31 December 2019

	Note	Unaudited 31 December 2019 \$'000	Audited 30 June 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents		34,741	49,119
Trade and other receivables	7	21,953	7,266
Contract costs	8	7,425	8,910
Other assets		592	693
Total current assets		<u>64,711</u>	<u>65,988</u>
Non-current assets			
Contract costs	8	27,019	18,476
Property, plant and equipment		215	216
Intangible assets		82	64
Total non-current assets		<u>27,316</u>	<u>18,756</u>
Total assets		<u>92,027</u>	<u>84,744</u>
Liabilities			
Current liabilities			
Trade and other payables		8,163	6,689
Employee benefits		739	986
Total current liabilities		<u>8,902</u>	<u>7,675</u>
Non-current liabilities			
Deferred tax	9	2,655	760
Employee benefits		75	70
Total non-current liabilities		<u>2,730</u>	<u>830</u>
Total liabilities		<u>11,632</u>	<u>8,505</u>
Net assets		<u>80,395</u>	<u>76,239</u>
Equity			
Issued capital		68,830	68,830
Share-based payments reserve	12	779	569
Retained earnings		10,742	6,818
Equity attributable to the owners of Litigation Capital Management Limited		<u>80,351</u>	<u>76,217</u>
Non-controlling interest		44	22
Total equity		<u>80,395</u>	<u>76,239</u>

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

Litigation Capital Management Limited
Consolidated statements of changes in equity
For the period ended 31 December 2019

	Issued capital \$'000	Retained earnings \$'000	Share-based payments reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Unaudited six months ended 31 December 2018					
Balance at 1 July 2018	24,865	239	292	26	25,422
Profit/(loss) for the period	-	823	-	(4)	819
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	823	-	(4)	819
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	43,965	-	-	-	43,965
Share-based payments	-	-	77	-	77
Balance at 31 December 2018	68,830	1,062	369	22	70,283
Unaudited six months ended 31 December 2019					
	Issued capital \$'000	Retained earnings \$'000	Share-based payments reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2019	68,830	6,818	569	22	76,239
Profit/(loss) for the period	-	4,810	-	22	4,832
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	4,810	-	22	4,832
Transactions with owners in their capacity as owners:					
Share-based payments	-	-	210	-	210
Dividends paid	-	(886)	-	-	(886)
Balance at 31 December 2019	68,830	10,742	779	44	80,395

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

Litigation Capital Management Limited
Consolidated statements of cash flows
For the period ended 31 December 2019

	Unaudited six months ended 31 December	
	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from litigation contracts - settlements, fees and reimbursements	9,201	10,995
Payments to suppliers and employees	(23,237)	(16,259)
Interest received	19	26
	<u> </u>	<u> </u>
Net cash (used in)/from operating activities	<u>(14,017)</u>	<u>(5,238)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(40)	(57)
Payments for intangibles	(12)	-
Payments for security deposits	(1)	-
	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(53)</u>	<u>(57)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	46,880
Share issue transaction costs	-	(2,768)
Dividends paid	(874)	-
Payments for fund establishment costs	(296)	-
	<u> </u>	<u> </u>
Net cash (used in)/from financing activities	<u>(1,170)</u>	<u>44,112</u>
Net increase/(decrease) in cash and cash equivalents	(15,240)	38,817
Cash and cash equivalents at the beginning of the financial period	49,119	13,787
Effects of exchange rate changes on cash and cash equivalents	862	-
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial period	<u>34,741</u>	<u>52,604</u>

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

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note 1 General information

The financial statements cover Litigation Capital Management Limited (the 'Company') as a Group consisting of Litigation Capital Management Limited and the entities it controlled at the end of, or during, the year (referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Litigation Capital Management Limited's functional and presentation currency.

Litigation Capital Management Limited was admitted onto the Alternative Investment Market ('AIM') on 19 December 2018.

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

Level 12, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 March 2020. The Directors have the power to amend and reissue the financial statements.

Note 2 Significant accounting policies

These consolidated financial statements are general purpose financial statements for the interim reporting period ended 31 December 2019 have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period.

New or amended Accounting Standards and Interpretations adopted

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.

Other than as described below, the adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note 2 Significant accounting policies (continued)

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019 using the transitional rules not to restate comparatives. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption: There was no change to carrying amounts on adoption of AASB 16 as at the transition date, in respect of the Group's operating leases over premises. The Group has elected to apply the recognition exemption for short-term leases permitting lease payments to be expensed for leases with a term of less than 12 months.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted AASB Interpretation 23 from 1 July 2019. The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes where there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately, b) the assumptions an entity makes about the examination of tax treatments by taxation authorities, c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and d) how an entity considers changes in facts and circumstances.

Impact of adoption: There was no impact on adoption of AASB Interpretation 23 as at the transition date.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Note 3 Restatement of comparatives

The Group's litigation contracts principally generate revenue on the successful management and financing of litigation projects. The Group adopted AASB 15 Contract Assets from 1 July 2018.

Previously, under AASB 15, revenue was recognised over time and limited to costs incurred. Revenue was accounted for on this basis in the half-year financial report for the period ended 31 December 2018.

Subsequently in the preparation of the annual financial statements for the year ended 30 June 2019 the directors re-assessed this approach and determined that litigation services revenue should not be recognised until the successful completion of the litigation project ie, complete satisfaction of the performance obligation. On this basis, revenue is not recognised over time and instead recognised at the point in time the Group satisfies the performance obligation.

This has resulted in a reclassification between revenue and costs of \$6,787,000 for the period ended 31 December 2018.

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note 3 Restatement of comparatives (continued)

The table below reflects the restatement of comparatives for the Group's statement of profit or loss and other comprehensive income for the period ended 31 December 2018:

Statement of profit or loss and other comprehensive income

Extract	Consolidated		
	31 December 2018		31 December 2018
	\$'000 Reported	\$'000 Adjustment	\$'000 Restated
Revenue from contracts with customers			
Litigation service revenue	18,501	(6,787)	11,714
Litigation service expense	(12,834)	6,787	(6,048)
Gross margin	5,666		5,666
			-
Profit before income tax for the period	<u>1,046</u>	<u>-</u>	<u>1,046</u>
Net profit for the period	<u>819</u>	<u>-</u>	<u>819</u>

There has been no effect on the statement of financial position or statement of cash flows for the comparative period.

Reclassification

Comparatives in the statement of profit or loss and other comprehensive income has been realigned to current period presentation. There has been no effect on the net assets or profit for the period.

Note 4 Operating segments

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Directors have determined that there is one operating segment. The information reported to the CODM is the consolidated results of the Group. On this basis, the operating segment information is the same information as provided throughout the consolidated financial statements and are therefore not duplicated.

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note	5	Revenue from contracts with customers	Unaudited six months ended 31 December	
			2019	2018
			\$'000	\$'000
<i>Major service lines</i>				
		Litigation service revenue	24,064	11,714
			<u>24,064</u>	<u>11,714</u>
<i>Geographical regions</i>				
		Australia	14,878	11,714
		United Kingdom	9,186	-
			<u>24,064</u>	<u>11,714</u>
<i>Contract duration</i>				
		Less than 1 year	631	1,955
		1-4 years	19,381	9,758
		More than 4 years	4,052	-
			<u>24,064</u>	<u>11,713</u>

Note	6	Income tax expense	Unaudited six months ended 31 December	
			2019	2018
			\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>				
		Profit before income tax expense	6,727	820
		Tax at the statutory tax rate of 27.5% (2018: 27.5%)	1,850	226
		Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
		Share-based payments	58	-
		Other non-deductible expenses	-	-
		Unrealised foreign exchange	(171)	4
			<u>1,738</u>	<u>230</u>
		Adjustment to deferred tax balances as a result of change in statutory tax rate	157	(4)
		Income tax expense	<u>1,895</u>	<u>226</u>

Statutory tax rate of 27.5% is applicable to Australian entities with aggregated turnover below \$50 million for the year ended 30 June 2020.

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note	7	Current assets - trade and other receivables	Unaudited six months ended 31 December 2019 \$'000	Audited year 30 June 2019 \$'000
		Due from completion of litigation service	21,944	7,266
		Other receivables	9	-
			<u>21,953</u>	<u>7,266</u>

Amounts due from completion of litigation service relate to recoveries on litigation projects that have achieved a partial resolution or that have successfully completed.

Allowance for expected credit losses

The Group has recognised a loss of \$nil (2019: \$nil) in profit or loss in respect of the expected credit losses for the period ended 31 December 2019.

Note	8	Contract costs	Unaudited six months ended 31 December 2019 \$'000	Audited year 30 June 2019 \$'000
		Contract costs - litigation contracts	33,998	27,386
		Contract costs - incremental costs	446	-
			<u>34,444</u>	<u>27,386</u>

Reconciliation of litigation contract costs

Reconciliation of the contract costs (current and non-current) at the beginning and end of the current period and previous financial year are set out below:

Opening balance	27,386	13,914
Additions during the period	18,440	27,838
Litigation service expense - successful contracts ¹	(11,826)	(14,189)
Litigation service expense - write down ²	(2)	(177)
Closing balance	<u>33,998</u>	<u>27,386</u>

¹Contract costs amortised upon the successful resolution of the litigation contract

²Due diligence costs written off upon determining that the litigation contract would not be pursued further

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note 8 Contract costs (continued)

	Unaudited six months ended 31 December 2019 \$'000	Audited year 30 June 2019 \$'000
Current	7,425	8,910
Non-current	27,019	18,476
	<u>34,444</u>	<u>27,386</u>
Closing balance	<u>34,444</u>	<u>27,386</u>

Note 9 Deferred taxes

	Unaudited six months ended 31 December 2019 \$'000	Audited year 30 June 2019 \$'000
<i>Deferred tax asset/(liability)</i>		
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses carried forward	6,128	5,761
Property, plant and equipment		-
Employee benefits	245	316
Accrued expenses	9	7
Contract costs - litigation contracts	(10,200)	(8,216)
	<u>(3,818)</u>	<u>(2,132)</u>
Amounts recognised in equity:		
Transaction costs on share issue	1,163	1,372
Deferred tax asset/(liability)	<u>(2,655)</u>	<u>(760)</u>
Movements:		
Opening balance	(760)	1,011
Charged to profit or loss	(1,895)	(3,039)
Credited to equity	-	1,268
Closing balance	<u>(2,655)</u>	<u>(760)</u>

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note 10 Contingent liabilities

The majority of the Group's funding agreements contain a contractual indemnity from the Group to the funded party that the Group will pay adverse costs awarded to the successful party in respect of costs incurred during the period of funding, should the client's litigation be unsuccessful. The Group's position is that for the majority of litigation projects which are subject to funding, the Group enters insurance arrangements which lessen or eliminate the impact of such awards and therefore any adverse costs order exposure.

Note 11 Earnings per share

	Unaudited six months ended 31 December	
	2019	2018
	\$'000	\$'000
Profit after income tax	4,832	823
Non-controlling interest	(22)	(4)
Profit after income tax attributable to the owners of Litigation Capital Management Limited	<u>4,810</u>	<u>819</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	104,580,899	62,900,125
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	2,559,326	-
Options over ordinary shares	<u>4,951,124</u>	<u>2,000,837</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>112,091,349</u>	<u>64,900,962</u>
	Cents	Cents
Basic earnings per share	4.60	1.30
Diluted earnings per share	4.29	1.26

Dilutive potential shares which are contingently issuable are only included in the calculation of diluted earnings per share where the conditions are met.

Note 12 Share-based payments

Employee share scheme

An equity scheme has been established by the Group, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, issue shares in the Company to certain key management personnel of the Group. The shares under the scheme are issued at the exercise price by granting a limited recourse loan. The shares are restricted until the loan is repaid. These shares are recorded as treasury shares representing a deduction against issued capital. Accordingly, the underlying options have been accounted for as a share-based payments. The options are issued over a 1-3 year vesting period. Vesting conditions include satisfaction of customary continuous employment with the Group and may include a share price hurdle.

During the period the Group granted 2,002,700 (2018: 2,107,030) shares under the scheme.

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note 12 Share-based payments (continued)

Set out below are summaries of shares granted under the scheme:

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
4/12/2017	4/12/2027	\$0.60	2,000,000				2,000,000
31/08/2018	31/08/2028	\$0.77	411,972				411,972
19/11/2018	25/11/2028	\$0.47	1,595,058				1,595,058
3/12/2018	3/12/2028	\$0.89	100,000				100,000
6/03/2019	6/03/2029	£0.5200	4,347,517	181,147			4,528,664
1/11/2019	1/11/2029	£0.7394		1,432,753			1,432,753
4/11/2019	4/11/2029	£0.7394		388,800			388,800
			8,454,547	2,002,700	-	-	10,457,247

Employee share option scheme

A share option plan has been established by the Group, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

During the period the Group granted 66,137 (2018: nil) options under the scheme.

Set out below are summaries of options granted under the scheme:

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
20/09/2016	1/11/2021	\$1.00	1,500,000				1,500,000
1/11/2019	1/11/2029	£0.7730		66,137			66,137
			1,500,000	66,137	-	-	1,566,137

For the shares and options granted during the period, the valuation model inputs used in the Black-Scholes or Monte Carlo option pricing model to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date ¹
6/03/2019	6/03/2029	£0.7580	£0.5200	35.00%	1.20%	0.45%	\$0.198
1/11/2019	1/11/2029	£0.7730	£0.7394	35.00%	1.20%	0.45%	\$0.308
4/11/2019	4/11/2029	£0.7720	£0.7394	35.00%	1.20%	0.45%	\$0.140
1/11/2019	1/11/2029	£0.7730	£0.7730	35.00%	1.20%	0.45%	\$0.140
1/11/2019	1/11/2029	£0.7730	£0.7730	35.00%	1.20%	0.45%	\$0.177

The share-based payment expense during the financial period for this plan was \$210,000.

¹AUD amount. GBP equivalent £0.1050, £0.1638, £0.0744, £0.0744, £0.0940 respectively.

Litigation Capital Management Limited
Notes to the financial statements
31 December 2019

Note **13** **Events after the reporting period**

As a subsequent event to the end of the interim period, LCM announced on 10 March 2020 a partial close of a third party fund giving it access, as fund manager to US\$140 million of capital. The terms and benefits to LCM are set out in greater detail in the directors report and announcement.

Furthermore, cash of A\$9.747 million has been received since the end of the interim period, being the receipt of a portion of the outstanding receivables due from investments which resolved during the financial period.

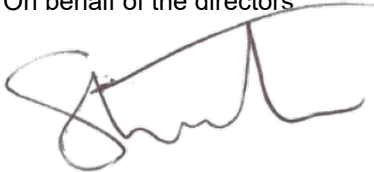
Litigation Capital Management Limited
Directors declaration
31 December 2019

In the directors' opinion:

1. the attached financial statements and notes comply with the *Corporations Act 2001* , including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting* ; and
 - b. the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the period ended on that date;
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.

Signed in accordance with a resolution of directors.

On behalf of the directors



Steven Conrad
Chief Financial Officer

Dated this 17th day of March 2020.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LITIGATION CAPITAL MANAGEMENT LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Litigation Capital Management Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and 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 2019 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 the *Corporations Regulations 2001*.

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 2019 and its financial 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 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.

A handwritten signature in blue ink, appearing to read 'G K Edwards'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'G K Edwards'.

G K Edwards
Director

Adelaide, 17 March 2020