

Hazer Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Hazer Group Limited
ABN: 40 144 044 600
Reporting period: For the half-year ended 31 December 2019
Previous period: For the half-year ended 31 December 2018

2. Results for announcement to the market

The company has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

				\$
Revenues from ordinary activities	up	29%	to	18,586
Loss for the period	down	35%	to	2,329,436
Loss to the owners of Hazer Group Limited	down	35%	to	2,329,436

Dividends

No dividends were paid in the period.

Comments

The loss for the company amounted to \$2,329,436 (31 December 2018: \$3,575,590).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>8.08</u>	<u>5.62</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

Hazer Group Limited
Appendix 4D
Half-year report

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

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

8. Attachments

Details of attachments (if any):

The Interim Report of Hazer Group Limited for the half-year ended 31 December 2019 is attached.

9. Signed

Signed  _____

Date: 21 February 2020

Geoff Ward
Managing Director
Brisbane

Hazer Group Limited

ABN 40 144 044 600

Interim Report - 31 December 2019

Hazer Group Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, of Hazer Group Limited (referred to hereafter as the 'company') at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Tim Goldsmith
Geoff Ward
Danielle Lee
Andrew Harris
Mike Grey

Principal activities

During the financial half-year, the principal continuing activities of the company consisted of research and development of novel graphite and hydrogen production technology.

The company has intellectual property rights to a technology which allows the production of hydrogen gas from methane (natural gas) with negligible carbon dioxide emissions and the co-production of a high purity graphite product (the 'Hazer Process').

Review of operations

The loss for the company amounted to \$2,329,436 (31 December 2018: \$3,575,590).

Losses after income tax decreased by 35% on the prior half-year due to the company incurring lower administration, consulting and research and depreciation and amortisation expenditure. Cash based operating expenses for administration and consulting and research decreased by 29% to \$897,345 (31 December 2018: \$1,265,714). Depreciation and amortisation expenditure decreased to \$22,565 (31 December 2017: \$793,238). The outstanding amortisation charge to 31 December 2018 on the Hazer Pilot Plant was included in the prior period.

The company's cash and cash equivalents were \$9,515,600 at 31 December 2019 (30 June 2019: \$6,003,068) and net assets at 31 December 2019 were \$9,802,007 (30 June 2019: \$5,834,306).

Operating cash outflows for the half-year were consistent with the prior period (31 December 2019: \$2,043,296 - 31 December 2018: \$1,966,445). Investing cash outflows were \$362,506 (31 December 2017: \$Nil). Investing cashflows in the current half-year related to the initial detailed design activities for the Hazer Commercial Demonstration Plant ("Hazer CDP").

Financing cash inflows related to the issue of shares increased to \$5,574,292 (31 December 2018: \$Nil). In the current half-year 15,473,946 shares were issued (\$0.385 issue price) raising \$5,957,507 before share issue costs.

Financing cash inflows related to the exercise of options decreased to \$360,000 (31 December 2018: \$1,541,763). In the current half-year 900,000 Series D Options (\$0.40 exercise price) were exercised raising \$360,000 before share issue costs. In the prior half-year 4,721,428 Series C Options (\$0.25 exercise price) and 788,333 Listed Options (\$0.30 exercise price) were exercised raising \$1,416,857 before share issue costs.

As an early stage company, the company's business model is highly dependent on the achievement of continued technical development success as well as future funding, customer engagement and general financial and economic factors.

Hazer Group Limited
Directors' report
31 December 2019

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial periods.

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 the following page.

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



Geoff Ward
Managing Director

21 February 2020
Brisbane

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hazer Group Limited for the half-year ended 31 December 2019, 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



TUTU PHONG
Partner

Perth, WA
Dated: 21 February 2020

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General information

The financial statements cover Hazer Group Limited. The financial statements are presented in Australian dollars, which is Hazer Group Limited's functional and presentation currency.

Hazer Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business are:

Registered office

Level 9, 99 St Georges Terrace
Perth WA 6000

Principal place of business

Level 9, 99 St Georges Terrace
Perth WA 6000

A description of the nature of the company'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 21 February 2020.

Hazer Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Revenue			
Interest received		18,586	14,419
Expenses			
Administration expenses		(458,651)	(595,981)
Consulting and research expenses		(438,694)	(669,733)
Employee benefits expenses		(1,009,307)	(971,839)
Share based payments		(413,906)	(558,258)
Finance costs		(4,899)	(960)
Depreciation and amortisation expense		(22,565)	(793,238)
		<u>(2,329,436)</u>	<u>(3,575,590)</u>
Loss before income tax expense		(2,329,436)	(3,575,590)
Income tax expense		-	-
		<u>(2,329,436)</u>	<u>(3,575,590)</u>
Loss after income tax expense for the half-year		(2,329,436)	(3,575,590)
Other comprehensive income for the half-year, net of tax		-	-
		<u>(2,329,436)</u>	<u>(3,575,590)</u>
Total comprehensive loss for the half-year		(2,329,436)	(3,575,590)
		Cents	Cents
Basic and diluted loss per share		(2.32)	(3.99)

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

Hazer Group Limited
Statement of financial position
As at 31 December 2019

	Note	31 Dec 2019 \$	30 Jun 2019 \$
Assets			
Current assets			
Cash and cash equivalents		9,515,600	6,003,068
Other current assets	2	<u>286,255</u>	<u>65,761</u>
Total current assets		<u>9,801,855</u>	<u>6,068,829</u>
Non-current assets			
Plant and equipment		34,826	41,965
Commercial demonstration plant	3	568,479	-
Right-of-use asset	4	<u>56,562</u>	<u>-</u>
Total non-current assets		<u>659,867</u>	<u>41,965</u>
Total assets		<u>10,461,722</u>	<u>6,110,794</u>
Liabilities			
Current liabilities			
Trade and other payables	5	520,289	187,925
Provisions		79,219	88,563
Lease liabilities	6	<u>30,406</u>	<u>-</u>
Total current liabilities		<u>629,914</u>	<u>276,488</u>
Non-current liabilities			
Lease liabilities	6	<u>29,801</u>	<u>-</u>
Total non-current liabilities		<u>29,801</u>	<u>-</u>
Total liabilities		<u>659,715</u>	<u>276,488</u>
Net assets		<u>9,802,007</u>	<u>5,834,306</u>
Equity			
Issued capital	7	24,441,271	18,541,771
Reserves	8	9,550,722	9,224,488
Accumulated losses	9	<u>(24,189,986)</u>	<u>(21,931,953)</u>
Total equity		<u>9,802,007</u>	<u>5,834,306</u>

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

Hazer Group Limited
Statement of changes in equity
For the half-year ended 31 December 2019

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	16,030,724	8,752,066	(17,898,444)	6,884,346
Loss after income tax expense for the half-year	-	-	(3,575,590)	(3,575,590)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(3,575,590)	(3,575,590)
Transactions with owners in their capacity as owners:				
Share-based payments	-	558,258	-	558,258
Shares issued pursuant to the exercise of options	1,485,096	(79,660)	-	1,405,436
Transfer expired options to accumulated losses	-	(8,918)	8,918	-
Balance at 31 December 2018	<u>17,515,820</u>	<u>9,221,746</u>	<u>(21,465,116)</u>	<u>5,272,450</u>
Balance at 1 July 2019	18,541,771	9,224,488	(21,931,953)	5,834,306
Loss after income tax expense for the half-year	-	-	(2,329,436)	(2,329,436)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(2,329,436)	(2,329,436)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	5,523,231	-	-	5,523,231
Shares issued pursuant to the exercise of options	376,269	(16,269)	-	360,000
Share-based payments	-	413,906	-	413,906
Transfer expired options to accumulated losses	-	(71,403)	71,403	-
Balance at 31 December 2019	<u>24,441,271</u>	<u>9,550,722</u>	<u>(24,189,986)</u>	<u>9,802,007</u>

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

Hazer Group Limited
Statement of cash flows
For the half-year ended 31 December 2019

	Note	31 Dec 2019	31 Dec 2018
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(2,061,160)	(1,979,904)
Interest received		18,586	14,419
Interest and other finance costs paid		(722)	(960)
		<u>(2,043,296)</u>	<u>(1,966,445)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for commercial demonstration plant		(362,506)	-
		<u>(362,506)</u>	<u>-</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue costs		5,574,292	
Proceeds from exercise of share options, net of share issue costs		360,000	1,405,436
Proceeds from exercise of share options, shares not issued		-	136,327
Repayment of lease liability		(15,958)	-
		<u>5,918,334</u>	<u>1,541,763</u>
Net cash provided by financing activities			
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial half-year		3,512,532	(424,682)
		<u>6,003,068</u>	<u>6,185,009</u>
Cash and cash equivalents at the end of the financial half-year			
		<u><u>9,515,600</u></u>	<u><u>5,760,327</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose 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 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, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board 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.

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

AASB 16 Leases

The company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classification of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	1 July 2019
Operating lease commitments as at 1 July 2019 (AASB 117)	83,607
Operating lease commitments discounted based on the weighted average incremental borrowing rate of 13% (AASB 16)	<u>(11,619)</u>
Right-of-use assets (AASB 16)	<u>71,988</u>
Lease liabilities – current (AASB 16)	(26,357)
Lease liabilities – non-current (AASB 16)	<u>(45,631)</u>
Impact on opening accumulated losses as at 1 July 2019	<u><u>-</u></u>

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Hazer Group Limited
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31 December 2019

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over the estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

31 Dec 2019 **30 Jun 2019**
\$ \$

Note 2. Other current assets

Prepayments	53,118	8,102
Deposits and guarantees	108,510	3,604
Other receivables	-	200
GST	124,627	53,855
	286,255	65,761
	286,255	65,761

31 Dec 2019 **30 Jun 2019**
\$ \$

Note 3. Commercial demonstration plant

Commercial demonstration plant – cost	568,479	-
Commercial demonstration plant – accumulated amortisation	-	-
	568,479	-
	568,479	-

The commercial demonstration plant design is a key stage in the development and scale up of the Hazer process. Development costs directly attributable to create, produce and prepare the commercial demonstration plant for the purpose intended by management is recognised as an intangible asset when the criteria under AASB 138 are satisfied. The commercial demonstration plant has not been amortised as it is not yet ready for use.

Hazer Group Limited
Notes to the financial statements
31 December 2019

31 Dec 2019 **30 Jun 2019**
\$ **\$**

Note 4. Right-of-use asset

Office space – right-of-use	71,988	-
Office space – accumulated depreciation	(15,426)	-
	<u>56,562</u>	<u>-</u>

31 Dec 2019 **30 Jun 2019**
\$ **\$**

Note 5. Trade and other payables

Accounts payable	462,263	127,603
Other payables	58,026	60,322
	<u>520,289</u>	<u>187,925</u>

31 Dec 2019 **30 Jun 2019**
\$ **\$**

Note 6. Lease liabilities

Current lease liability	30,406	-
Non-current lease liability	29,801	-
	<u>60,207</u>	<u>-</u>

Note 7. Equity - issued capital

	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>113,634,802</u>	<u>97,260,856</u>	<u>24,441,271</u>	<u>18,541,771</u>

Movements in ordinary shares

		No of shares	Issue price	\$
Opening balance 1 July 2018		97,260,856		18,541,771
Issue of shares	8 Nov 2019	6,493,505	0.385	2,500,000
Issue of shares	5 Dec 2019	8,980,441	0.385	3,457,507
Issue of shares on exercise of series D options	31 Dec 2019	900,000	0.400	360,000
Transfer of series D options from options reserve	31 Dec 2019	-	-	16,269
Share issue transaction costs		-	-	(434,276)
Closing balance 31 December 2019		<u>113,634,802</u>		<u>24,441,271</u>

Hazer Group Limited
Notes to the financial statements
31 December 2019

31 Dec 2019 **30 Jun 2019**
\$ **\$**

Note 8. Equity - reserves

Option reserve	9,550,722	9,224,488
	<u>9,550,722</u>	<u>9,224,488</u>

Option reserve

The option reserve records items recognised as expenses on the valuation of share options.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	No of Options	Value \$
Balance at 1 July 2019	41,266,667	9,224,488
<i>New options issued during the half-year vesting over multiple periods</i>		
Series M & N	3,000,000	263,886
<i>Existing options issued in prior periods vesting over multiple periods</i>		
Series M	-	92,330
Series N	-	57,690
<i>Options exercised & lapsed during the period</i>		
Series D - exercised	(900,000)	(16,269)
Series D - lapsed	(3,950,000)	(71,403)
Series H - lapsed	(4,166,667)	-
Balance at 31 December 2019	<u>35,250,000</u>	<u>9,550,722</u>

The value of the options issued during the half-year and vesting over multiple periods and expensed to the statement of profit or loss and other comprehensive income is \$413,906.

31 Dec 2019 **30 Jun 2019**
\$ **\$**

Note 9. Equity – Accumulated losses

Accumulated losses at the beginning of the financial year	21,931,953	17,898,444
Loss after income tax expense for the year	2,329,436	4,396,377
Transfer expired options to accumulated losses	(71,403)	(362,868)
Accumulated losses at the end of the financial year	<u>24,189,986</u>	<u>21,931,953</u>

Note 10. Contingent liabilities

The company does not have any contingent liabilities at 31 December 2019.

Note 11. Segment information

The company identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is viewed by the Board of Directors.

The company is currently operating in one business segment being an administrative entity in the research sector and one geographic segment being Australia.

Note 12. Commitments

The company does not have any commitments at 31 December 2019.

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Hazer Group Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- 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 made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Geoff Ward
Managing Director

21 February 2020
Brisbane



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
HAZER GROUP LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hazer Group Limited, which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other 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.

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 company's financial position as at 31 December 2019 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 Hazer Group 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 Hazer Group 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 Hazer Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2019 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



TUTU PHONG
Partner

Perth, WA
Dated: 21 February 2020