

18 October 2019

Ms Penelope Reid  
Advisor, Listings Compliance (Perth)  
Australian Securities Exchange  
Level 40, Central Park, 152-158 St Georges Terrace  
Perth WA 6000

By email: ListingsCompliancePerth@asx.com.au

Dear Ms Reid,

**Re: Query Regarding Accounts**

We refer to your letter dated 11 October 2019 referring to Peppermint Innovation Limited's (PIL's) full year accounts ended 30 June 2019, lodged with ASX Market Announcements Platform and released on 2 September 2019 ('Full Year Accounts'), in which you ask a series of questions which are set out below, along with our responses:

1. *Is PIL able to confirm that in the Directors' Opinion the Full Year Accounts:*
  - (a) *comply with the relevant Accounting Standards; and*
  - (b) *give a true and fair view of PIL's financial performance and position?*

**Response:** Confirmed.

2. *Please explain the basis for and the factors considered by the Directors to satisfy themselves whether the going concern basis of preparation is appropriate.*

**Response:**

The Full Year Accounts have been prepared on a "going concern" basis which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

As disclosed in the Full Year Accounts, PIL incurred a net loss of \$2,142,786 (2018: \$1,743,348) and had net cash outflows from operating activities of \$1,555,464 (2018: \$1,602,695) for the year ended 30 June 2019. As at that date, PIL had net liabilities of \$1,119,645 (2018: \$5,103).

The Directors believe there are reasonable grounds to believe that PIL will continue as a going concern after consideration of the following factors:

- In accordance with the Corporations Act 2001, PIL has plans to raise further working capital through the issue of equity during the financial year ending 30 June 2020;

For personal use only

- PIL raised \$365,000 from the issue of convertible notes subsequent to year end 30 June 2019 and prior to the date of the Full Year accounts;
- PIL has raised \$487,500 from the issue of convertible notes subsequent to the date of Full Year accounts;
- PIL has an agreement to issue 80,000,000 shares at 2.5 cents per share to raise \$2,000,000 from a sophisticated investor which has now advised the funds are expected to be provided to PIL in October 2019; and
- PIL has the ability to scale down its operations in order to curtail expenditure in the event that capital raisings are delayed or insufficient cash is available to meet projected expenditure.

3. *Given the Auditor has been unable to obtain sufficient and appropriate audit evidence as to whether PIL can continue as a going concern and PIL has cash and cash equivalents of \$82,379 and total current liabilities of \$1,310,021, on what basis do the directors consider that PIL is a going concern?*

**Response:** Please see response to Question 2.

4. *What steps has PIL taken since the release of the Full Year Accounts to obtain an unqualified opinion with regards to its future financial statements?*

**Response:**

- a. PIL is in regular discussion with its sophisticated investor to understand the timing around receipt of their funds and it continues to be reassured the agreed placement of AUD\$2million will be completed in October 2019.
  - b. PIL has fully draw down its existing convertible note facility to meet its present financial obligations while awaiting receipt of the \$2million placement.
  - c. Upon receipt of the AUD\$2 million placement from its sophisticated investor, PIL expects the next stage of its business plan will be fully funded.
  - d. The next stage of PIL's business plan is expected to generate increased revenue and cash flow.
5. *What steps does PIL intend to take to obtain an unqualified audit opinion with regards to its future financial statements?*

**Response:** Please see response to Question 4.

6. *Does PIL consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the PIL's current business activities.*

For personal use only

**Response:** Yes. PIL is building a technology company which is experiencing increased revenues on a quarterly basis.

PIL is fully focused on the commercialisation and development of the Peppermint Platform – a mobile banking, payments and remittance, delivery and logistics, e-commerce and finance technology to service the Philippines market – which has been initially designed for banks, agents, associations and microfinance institutions.

7. *Does PIL consider that the financial condition of PIL is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.*

**Response:** Yes. See response to Question 6.

8. *If the answer to questions 6 or 7 is “No”, please explain what steps PIL has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.*

**Response:** Not applicable

9. *In relation to the Full Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of PIL’s Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of PIL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PIL and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?*

**Response:** Yes

10. *If the answer to Question 9 is ‘no’, why did the Board not receive the CEO and CFO declaration as described in section 4.2 of PIL’s Corporate Governance Disclosure?*

**Response:** Not applicable.

11. *What enquiries did the Board make of management to satisfy itself that the financial records of PIL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PIL?*

**Response:**

- a. Regular board meetings are held at which operational updates are presented by the CEO and budgets and management accounts are presented by the CFO. Directors regularly make

For personal use only

enquiries of the CEO and CFO if there are items which they require further explanation on.

- b. Drafts of quarterly, half-yearly and annual reports are circulated to the Board for consideration and approval. Directors regularly make enquiries of the CEO and CFO if there are items in these reports for which they require further explanation.

12. *Commenting specifically on the disclaimer of opinion, does the board consider that PIL has a sound system of risk management and internal control which is operating effectively?*

**Response:** Yes. The disclaimed audit opinion arose due to the funds from the agreement to issue 80,000,000 shares at 2.5 cents per share to raise \$2,000,000 from a sophisticated investor not being received by the date the audit opinion was signed as distinct from weakness in the system of risk management and internal control.

13. *Please confirm that PIL is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

**Response:** Confirmed.

14. *Please confirm that PIL's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of PIL with delegated authority from the board to respond to ASX on disclosure matters.*

**Response:** Confirmed the PIL Board has met and resolved to approve these responses to the ASX.

Should you have any queries regarding the above request, I would be happy to discuss them with you.

Yours faithfully,



**Anthony Kain**  
Chairman and Company Secretary

For personal use only



11 October 2019

Mr Anthony Kain  
Company Secretary  
Peppermint Innovation Limited  
Suite 20, 7 The Esplanade  
MT PLEASANT WA 6153

By email: anthony.kain@pepltd.com.au

Dear Mr Kain

**Peppermint Innovation Limited ('PIL'): Queries regarding Accounts**

ASX refers to:

- A. PIL's full year accounts for the full year ended 30 June 2019 lodged with ASX Market Announcements Platform and released on 2 September 2019 ('Full Year Accounts').
- B. ASX notes that the Independent Auditor's Report attached to the Full Year Accounts ('Auditor's Report') contains a disclaimer of opinion together with the basis for the disclaimer of opinion:

***"Disclaimer of Opinion***

*We were engaged to audit the financial report of Peppermint Innovation Limited (the Company) and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.*

*We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.*

***Basis for Disclaimer of Opinion***

***Going Concern***

*We draw attention to Note 1 in the financial statements, which indicates the Group incurred a net loss of \$2,142,786 and had net cash outflows from operating activities of \$1,555,464 for the year ended 30 June 2019. As of that date, the Group had net liabilities of \$1,119,645. The ability of the Group to continue as a going concern is contingent on a number of future events, the most significant of which is the ability of the Group to obtain additional funding to continue its activities and to pay its debts as and when they fall due. We have been unable to obtain sufficient appropriate evidence as to whether the Group will be able to obtain such funding. As a result, we have been unable to determine whether the going concern basis of preparation is appropriate, and therefore whether the assets and liabilities of the Group can be realised at the amounts stated in the financial report.*

***Carrying Amount of Liabilities***

*As at 30 June 2019, the Group includes two controlled entities, Horizon Copper Zambia Limited and Sedgwick Resources Limited, in the Republic of Zambia, which had combined total assets of \$Nil and total liabilities of \$Nil. We were unable to obtain sufficient appropriate evidence about the completeness of liabilities and contingences within those two controlled entities because the directors of the company have been unable to obtain audited financial statements for the year ended 30 June 2019. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.”*

- C. PIL’s Corporate Governance Statement for 2019 lodged on the ASX Market Announcements Platform on 30 August 2019 which provides confirmation that PIL complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

*“The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.”*

- D. Listing Rule 12.1 which states:

*12.1 The level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued quotation of the entity’s securities and its continued listing.*

- E. Listing Rule 12.2 which states:

*12.2 An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*

- F. Listing Rule 19.11A which states:

*19.11A If a listing rule requires an entity to give ASX accounts, the following rules apply.*

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.*
- (b) The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a directors’ declaration that relates to the accounts, the directors’ declaration must be given to ASX with the accounts.*

- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

### Request for Information

In light of the information contained in the Full Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is PIL able to confirm that in the Directors' Opinion the Full Year Accounts:
  - (a) comply with the relevant Accounting Standards; and
  - (b) give a true and fair view of PIL's financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that whether the going concern basis of preparation is appropriate.
3. Given the Auditor has been unable to obtain sufficient and appropriate audit evidence as to whether the PIL can continue as a going concern and PIL has cash and cash equivalents of \$82,379 and total current liabilities of \$1,310,021, on what basis do the directors consider that PIL is a going concern?
4. What steps has PIL taken since the release of the Full Year Accounts to obtain an unqualified opinion with regards to its future financial statements?
5. What steps does PIL intend to take to obtain an unqualified audit opinion with regards to its future financial statements?
6. Does PIL consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX as required under listing rule 12.1? In answering this question, please explain the basis for this conclusion. In answering this question, please comment on the nature of the PIL's current business activities.
7. Does PIL consider that the financial condition of PIL is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
8. If the answer to questions 6 or 7 is "No", please explain what steps PIL has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rules 12.1 and 12.2.
9. In relation to the Full Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of PIL's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of PIL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PIL and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
10. If the answer to Question 9 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of PIL's Corporate Governance Disclosure?
11. What enquiries did the Board make of management to satisfy itself that the financial records of PIL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of PIL?
12. Commenting specifically on the disclaimer of opinion, does the board consider that PIL has a sound system of risk management and internal control which is operating effectively?
13. Please confirm that PIL is complying with the Listing Rules and, in particular, Listing Rule 3.1.

---

18. Please confirm that PIL's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of PIL with delegated authority from the board to respond to ASX on disclosure matters.

**When and where to send your response**

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and PIL's response to the market. Accordingly, PIL's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **1 pm AWST Friday, 18 October 2019**.

Any response should be sent to me by return email at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent to the ASX Market Announcements Office.

**Enquiries**

If you have any queries regarding any of the above, please contact me.

Yours sincerely

---

**Penelope Reid**  
Adviser, Listings Compliance (Perth)

For personal use only