**Silver Heritage Group Limited**
**Appendix 4D**
**Half-year report**

## 1. Company details

| | |
|---|---|
| Name of entity: | Silver Heritage Group Limited |
| ABN: | 74 604 188 445 |
| Reporting period: | For the half-year ended 30 June 2018 |
| Previous period: | For the half-year ended 30 June 2017 |

## 2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 30 June 2018. The adoption of these standards did not impact the financial position or performance of the Group in either the current or prior period.

| | | | | US$'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 40.2% | to | 11,277 |
| Loss from ordinary activities after tax attributable to the owners of Silver Heritage Group Limited | up | 182.1% | to | (9,938) |
| Loss for the half-year attributable to the owners of Silver Heritage Group Limited | up | 182.1% | to | (9,938) |

*Dividends*
There were no dividends paid, recommended or declared during the current financial period.

*Comments*
The loss for the Group after providing for income tax and non-controlling interest amounted to US$9,938,000 (30 June 2017: US$3,523,000).

Refer to ASX market announcement accompanying this Appendix 4D for further commentary.

## 3. Net tangible assets

| | Reporting period US Cents | Previous period US Cents |
|---|---|---|
| Net tangible assets per ordinary security | 3.94 | 5.59 |

## 4. Details of associates and joint venture entities

*Interest in joint venture*
Gaming Concepts Group Limited (Belize) - Ownership interest - 50% as at 30 June 2018 and 31 December 2017.

## 5. 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.

## 6. Attachments

*Details of attachments (if any):*

The Interim Report of Silver Heritage Group Limited for the half-year ended 30 June 2018 is attached.

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## 7. Signed

Signed ___________________________ Date: 31 August 2018

James Spenceley
Chairman

# Silver Heritage Group Limited

**ABN 74 604 188 445**

# Interim Report - 30 June 2018

# Contents

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Silver Heritage Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2018.

## Directors

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

| | |
|---|---|
| James Spenceley | Appointed on 28 May 2018 |
| Mike Bolsover | |
| Matthew Hunter | |
| Robert Benussi | |
| David Green | Resigned on 7 May 2018 |
| Richard Barker | Resigned on 21 May 2018 |

## Principal activities

The Group operates and manages casinos in Nepal and Vietnam, and leases electronic gaming equipment to casino operators in Laos. The Group has built and operates South Asia's first integrated resort, Tiger Palace Resort Bhairahawa ('Tiger Palace'), in Nepal close to the border with India's most populous state, Uttar Pradesh.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## Review of operations

The Group's half-year revenue increased by 40.2% to US$11,277,000 (half-year to 30 June 2017: US$8,041,000). The increase in revenue is largely due to Tiger Palace Resort commencing operations. Additionally, there is also incremental revenue growth at the Phoenix International Club in Bac Ninh, Vietnam.

The Group's half-year loss after providing for income tax and non-controlling interest amounted to US$9,938,000 (30 June 2017: US$3,523,000). This increase is mainly due to the additional costs and depreciation associated with Tiger Palace Resort commencing operation, and to additional interest expense no longer capitalised following the completion of construction of Tiger Palace Resort.

### Impairment of assets

The following impairments totalling US$1,179,000 have been made to the Group's assets at 30 June 2018:

- Unused Inspired Gaming Group and Betstone EGM Software licenses: US$1,179,000

These software licenses relate to EGMs that until recently were being leased to 3 licensed gaming venues in Laos. As the Group recently completed the final phase of its exit from an EGM lease arrangement, the software licenses that were until recently used by the three venues in Laos are not likely to be used in the near future and hence do not meet the definition of an asset as they are not likely to produce any positive economic value in the foreseeable future resulting in an impairment of unused EGM licenses.

### Inventory write off and provision for doubtful receivables

As the Group exits the EGM lease business in Laos, the remaining EGM spare parts inventory currently stored in the Philippines (not used to support EGMs in the existing three operational Casino venues in Nepal and Vietnam) totalling US$168,000 have been written off.

The following provisions were made in relation to doubtful receivables:

- Bromhead Holdings: US$40,000
- Rajendra Bajgain and Nabaraj Bajgain: US$403,000

Bromhead Holdings purchased some EGMs when the Group ceased operations in the Philippines. Whilst some payments were received, the balance has aged and is deemed doubtful.

The receivables from both Rajendra and Nabaraj Bajgain relate to unpaid share capital in the local Nepal entity and advances. Whilst some payments were received, the remaining amounts have aged and are deemed doubtful.

## Significant changes in the state of affairs

As a result of vesting of performance share rights in accordance with the LTI plan adopted by the Company at the time of its listing on the ASX and its remuneration strategy, the Company issued 1,493,200 ordinary shares to Mike Bolsover as follows:

- 746,600 ordinary shares on 3 January 2018 and
- 746,600 ordinary shares on 23 April 2018.

*Settlement with former partner Rajendra Bajgain*

The Group and Mr. Rajendra Bajgain have mutually agreed that the vision and objective of opening the region’s first Integrated Resort (Tiger Palace at Bhairahawa, Nepal) has now been met, and that the collaboration and partnership between the two parties in Nepal has reached its natural conclusion.

Mr. Rajendra Bajgain has now sold all his shares in Silver Heritage’s subsidiary, SHL Management Services (KTM) Pvt. Ltd. ('SMSK') which operates the casino at The Millionaire’s Club & Casino Kathmandu and operates the casino at Tiger Palace Resort, as has his brother Mr. Nabaraj Bajgain.

*Establishment of new partners in SMSK*

The settlement includes the sale of all of the interests* of Mr. Rajendra Bajgain and Mr. Nabaraj Bajgain in SMSK to Tiger Kathmandu Investment Pvt. Ltd. ('TKI'), a company incorporated in Nepal. This share purchase by TKI has been approved by the Department of Industry ('DOI') in Nepal as required by law, and TKI now owns a 10% shareholding in SMSK, with the remaining 90% owned by Silver Heritage. TKI is well known to the Group and is part of a broader group involved in hotel ownership and operations as well as general construction in Nepal.

*Mr. Rajendra Bajgain and Mr. Nabaraj Bajgain’s combined 10% shareholding in SMSK.

*Waivers on covenants*

As at the date of this report, the Company has obtained and maintains signed waivers of all of the bondholders in relation to temporary covenant suspension testing of the financial covenants contained in the Bond Instrument.

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

## Matters subsequent to the end of the financial half-year

As announced by the Company on 27 August 2018, the Company has acquired land of 11 Bigha (74,500m²) in Jhapa, Eastern Nepal for a total consideration of NPR 361,254,00 (US$3.2m) inclusive of all applicable taxes and fees. The acquisition was funded by the Company selling an equity interest of approximately 20% in the Company's subsidiary which holds the land, to the Company's local partner in Nepal, thereby reducing the Company's outstanding liabilities by more than NPR 60,000,000 (US$536,000). The Company was therefore not required to use any additional funds to complete the acquisition. The land has recently been valued at NPR 456,800,000 (US$4.1m).

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Rounding of amounts

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

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 immediately follows this 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

James Spenceley
Chairman

Mike Bolsover
Managing Director and Chief Executive Officer

31 August 2018

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# Auditor's Independence Declaration

## To the Directors of Silver Heritage Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Silver Heritage Group Limited for the half-year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 31 August 2018

## Silver Heritage Group Limited
## Statement of profit or loss and other comprehensive income
## For the half-year ended 30 June 2018

| | Note | Consolidated 30 June 2018 US$'000 | Consolidated 30 June 2017 US$'000 |
|---|---|---|---|
| **Revenue** | 4 | 11,277 | 8,041 |
| | | | |
| Share of profits of joint ventures accounted for using the equity method | | 90 | 19 |
| Interest revenue calculated using the effective interest method | | 11 | 17 |
| | | | |
| **Expenses** | | | |
| Employee benefits expense | | (4,631) | (2,860) |
| Depreciation and amortisation | | (3,140) | (1,378) |
| Impairment of assets | | (1,179) | - |
| Provision for doubtful receivables | | (443) | - |
| Restructuring expenses | | (449) | (117) |
| Resort expenses | | (899) | - |
| Legal and professional fees | | (626) | (541) |
| Gaming royalties and license fees | | (630) | (186) |
| Advertising and promotion expenses | | (1,698) | (898) |
| Occupancy expense | | (1,043) | (590) |
| Casino costs reimbursement | | (2,310) | (1,230) |
| Travel and accommodation expenses | | (488) | (299) |
| Expenses for future projects | | - | (724) |
| Other expenses | | (1,177) | (860) |
| Finance costs | | (2,633) | (1,896) |
| | | | |
| **Loss before income tax expense** | | (9,968) | (3,502) |
| | | | |
| Income tax expense | | (91) | (16) |
| | | | |
| **Loss after income tax expense for the half-year** | | (10,059) | (3,518) |
| | | | |
| **Other comprehensive income** | | | |
| | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (1,171) | 1,677 |
| | | | |
| Other comprehensive income for the half-year, net of tax | | (1,171) | 1,677 |
| | | | |
| **Total comprehensive income for the half-year** | | (11,230) | (1,841) |
| | | | |
| Loss for the half-year is attributable to: | | | |
| Non-controlling interest | | (121) | 5 |
| Owners of Silver Heritage Group Limited | | (9,938) | (3,523) |
| | | | |
| | | (10,059) | (3,518) |
| | | | |
| Total comprehensive income for the half-year is attributable to: | | | |
| Non-controlling interest | | (121) | 5 |
| Owners of Silver Heritage Group Limited | | (11,109) | (1,846) |
| | | | |
| | | (11,230) | (1,841) |
| | | | |
| | | **US Cents** | **US Cents** |
| | | | |
| Basic earnings per share | 18 | (1.70) | (1.85) |
| Diluted earnings per share | 18 | (1.70) | (1.85) |

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

**Silver Heritage Group Limited**
**Statement of financial position**
**As at 30 June 2018**

| | Note | Consolidated 30 June 2018 US$'000 | 31 December 2017 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 6,567 | 11,231 |
| Trade and other receivables | 6 | 4,375 | 3,275 |
| Inventories | | 327 | 617 |
| Other | | 512 | 744 |
| Total current assets | | 11,781 | 15,867 |
| **Non-current assets** | | | |
| Receivables | 7 | 38 | 496 |
| Investments accounted for using the equity method | 8 | 128 | 238 |
| Property, plant and equipment | 9 | 50,120 | 54,664 |
| Intangibles | 10 | 6,515 | 8,129 |
| Other | 11 | 272 | 797 |
| Total non-current assets | | 57,073 | 64,324 |
| **Total assets** | | 68,854 | 80,191 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 8,528 | 9,736 |
| Borrowings | 13 | 12,008 | 4,061 |
| Employee benefits | | 87 | 84 |
| Total current liabilities | | 20,623 | 13,881 |
| **Non-current liabilities** | | | |
| Payables | 14 | 1,452 | 841 |
| Borrowings | 15 | 17,136 | 24,618 |
| Total non-current liabilities | | 18,588 | 25,459 |
| **Total liabilities** | | 39,211 | 39,340 |
| **Net assets** | | 29,643 | 40,851 |
| **Equity** | | | |
| Contributed capital | 16 | 70,098 | 70,098 |
| Reserves | | 3,340 | 4,489 |
| Accumulated losses | | (43,995) | (34,057) |
| Equity attributable to the owners of Silver Heritage Group Limited | | 29,443 | 40,530 |
| Non-controlling interest | | 200 | 321 |
| **Total equity** | | 29,643 | 40,851 |

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

## Silver Heritage Group Limited
## Statement of changes in equity
## For the half-year ended 30 June 2018

| Consolidated | Contributed capital US$'000 | Reserves US$'000 | Accumulated losses US$'000 | Non-controlling interest US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2017 | 55,985 | 2,735 | (19,611) | 314 | 39,423 |
| Profit/(loss) after income tax expense for the half-year | - | - | (3,523) | 5 | (3,518) |
| Other comprehensive income for the half-year, net of tax | - | 1,677 | - | - | 1,677 |
| Total comprehensive income for the half-year | - | 1,677 | (3,523) | 5 | (1,841) |
| Balance at 30 June 2017 | 55,985 | 4,412 | (23,134) | 319 | 37,582 |

| Consolidated | Contributed capital US$'000 | Reserves US$'000 | Accumulated losses US$'000 | Non-controlling interest US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2018 | 70,098 | 4,489 | (34,057) | 321 | 40,851 |
| Loss after income tax expense for the half-year | - | - | (9,938) | (121) | (10,059) |
| Other comprehensive income for the half-year, net of tax | - | (1,171) | - | - | (1,171) |
| Total comprehensive income for the half-year | - | (1,171) | (9,938) | (121) | (11,230) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Share-based payments | - | 22 | - | - | 22 |
| Balance at 30 June 2018 | 70,098 | 3,340 | (43,995) | 200 | 29,643 |

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

| | Consolidated | |
|---|---|---|
| | 30 June 2018 US$'000 | 30 June 2017 US$'000 |
| **Cash flows from operating activities** | | |
| Receipts from customers | 11,242 | 8,555 |
| Payments to suppliers and employees (inclusive of GST) | (12,750) | (6,744) |
| | (1,508) | 1,811 |
| Payments for future project expenses | - | (724) |
| Interest received | 11 | 17 |
| Interest and other finance costs paid | (1,081) | (800) |
| Income taxes paid | (78) | (140) |
| Net cash from/(used in) operating activities | (2,656) | 164 |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | (2,638) | (8,660) |
| Dividends from joint venture | 200 | - |
| Net cash used in investing activities | (2,438) | (8,660) |
| **Cash flows from financing activities** | | |
| Repayment of bank loans | (53) | - |
| Proceeds from bank loans | 545 | - |
| Transaction cost related to issues of shares or options | - | (181) |
| Net cash from/(used in) financing activities | 492 | (181) |
| Net decrease in cash and cash equivalents | (4,602) | (8,677) |
| Cash and cash equivalents at the beginning of the financial half-year | 11,231 | 16,931 |
| Effects of exchange rate changes on cash and cash equivalents | (62) | 202 |
| Cash and cash equivalents at the end of the financial half-year | 6,567 | 8,456 |

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

## Note 1. General information

The financial statements cover Silver Heritage Group Limited ('Company' or 'parent entity') as a Group consisting of Silver Heritage Group Limited and the entities it controlled at the end of, or during, the half-year, together referred to in these financial statements as the 'Group'. The financial statements are presented in United States dollars, which is Silver Heritage Group Limited's functional and presentation currency.

Silver Heritage 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 | Principal place of business |
|---|---|
| Level 12, 225 George Street<br>Sydney, NSW 2000<br>Australia | 6/F The Phoenix, 23 Luard Road<br>Wan Chai<br>Hong Kong |

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 31 August 2018. The Directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2018 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 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 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 30 June 2018 and are not expected to have any significant impact for the financial year ending 31 December 2018.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## Note 2. Significant accounting policies (continued)

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

*AASB 9 Financial Instruments*
The Group has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The adoption of this standard did not impact the financial position or performance of the Group in either the current or prior period. The Group’s only financial assets and financial liabilities continue to be carried at amortised cost under AASB 9.

*AASB 15 Revenue from Contracts with Customers*
The Group has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Where required, credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of this standard did not impact the financial position or performance of the Group in either the current or prior period. The Group's existing accounting policies are consistent with the requirements of AASB 15 with respect to the recognition and measurement of revenue including the timing of such recognition. That is, existing accounting policies require revenue to be recognised at the time of transfer of goods and services to the customer which represents the satisfaction of the primary performance obligation. The measurement of revenue recognition is not affected by any variable consideration or financing components within customer contracts. The Group is not subject to significant credit risk and therefore recognition of expected credit losses on receivables is not material. There are no contract assets or contract liabilities to be recognised. There has been no expenditure that would qualify for capitalisation as customer acquisition or fulfilment assets.

### Revenue recognition
The Group recognises revenue as follows:

*Casino and gaming equipment revenue from own venues*
Revenue from casino and gaming equipment from own venues is recognised on an accruals basis in accordance with the contractual terms of agreement.

*Share of casino and gaming equipment revenue from third party venues*
Revenue from shared casino and gaming equipment from third party venues is recognised on an accruals basis in accordance with the contractual terms of respective leasing or revenue sharing agreements. Such revenue is calculated at an agreed percentage of net winnings from each item of gaming equipment after deducting relevant gaming tax.

## Note 2. Significant accounting policies (continued)

*Resort revenue*
Resort revenue is recognised when the service is rendered.

*Consulting fees*
Consulting fee revenue is recognised when the service is rendered.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Rental revenue - equipment gaming machines*
Rental revenue is recognised when it is received or when the right to receive payment is established.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

### Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

### Contract assets
Contract assets are recognised when the Group has satisfied the performance obligations in the contract and either has not recognised a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

### Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Impairment of financial assets*
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group’s assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

## Note 2. Significant accounting policies (continued)

### Contract liabilities

Contract liabilities are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Group has transferred the goods or services to the customer. The liability is the Group’s obligation to transfer goods or services to a customer from which it has received consideration.

### Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the loss of $9,938,000 for period ended 30 June 2018 and the net current liabilities of $8,842,000 as at 30 June 2018 which create significant uncertainty in relation to going concern.

Fundamental to continue as a going concern is the Group’s ability to raise capital as and when required. The Company is currently working on a capital raising, the details of which are still being finalised. The Company believes that once the capital raising is completed, the debt amortisation and redemption premium payments to OCP at the end of the year will not be at risk of default. The additional funds will be for working capital requirement whilst Tiger Palace Resort is still in the ramping up phase.

As described in note 15 to the financial statements, the Group is subject to financial covenants under the bonds issued on 26 August 2016 for a remaining face value of US$18,000,000. The financial covenants are tested quarterly on the basis of management accounts delivered to the bondholders within 30 days of the end of the relevant quarter. In the absence of a waiver or deferral, there would be a breach of one or more of the financial covenants at the time that the covenants are next tested, with respect to the quarters ending 31 March 2018 and 30 June 2018. As at the date of this report, the Group has obtained and maintains express waivers from all of the bondholders in relation to temporary covenant suspension testing of the financial covenants contained in the bonds. In the event of any potential default, the bondholders or the security trustee may declare all outstanding bonds, together with accrued and unpaid interest and all other amounts accrued or outstanding under the bond instrument, immediately due and payable at the redemption price. The satisfactory conclusion of discussions with the bondholders are another fundamental component of the Group’s ability to continue as a going concern.

The Directors believe that the Group will be successful in raising the required capital and in concluding its discussions with its bondholders. As a consequence, the Directors believe that the Group will be able to continue as a going concern and, accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might not be necessary should the Group not continue as a going concern.

## Note 3. Operating segments

*Identification of reportable operating segments*

The Board of Directors together with the Executive team (who are identified as the Chief Operating Decision Makers ('CODM')) considers the business from both a geographic and business unit perspective. These operating segments are based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources. Geographically, the business operates in the primary geographic areas are in Vietnam, Nepal and Laos. The Group has four reportable business unit segments being Phoenix, TMCCK, Tiger Palace Resort ('TPR1') and Laos (Electronic Gaming Machines). The Group’s reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires localised knowledge, different skill sets and marketing strategies.

The CODM reviews segment results in the form of Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation, adjusted for impairment of assets, expenses incurred for future projects, one-off exceptional items and share-based compensation expense). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

*Intersegment transactions*

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

## Note 3. Operating segments (continued)

*Intersegment receivables, payables and loans*
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

*Operating segment information*

| Consolidated - 30 June 2018 | Laos US$'000 | Nepal TMCCK US$'000 | Nepal TPR1 US$'000 | Vietnam US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Gaming revenue | - | 2,373 | 2,027 | 5,806 | 10,206 |
| Other revenue | 152 | 3 | 772 | 122 | 1,049 |
| Total revenue | 152 | 2,376 | 2,799 | 5,928 | 11,255 |
| Total segment revenue | 152 | 2,376 | 2,799 | 5,928 | 11,255 |
| Interest revenue | | | | | 11 |
| Corporate revenue | | | | | 22 |
| **Total revenue** | | | | | 11,288 |
| | | | | | |
| **Segment profit/(loss)** | 63 | 42 | (2,795) | 2,443 | (247) |
| Corporate expenses | | | | | (1,566) |
| Share of profit from joint venture | | | | | 90 |
| Restructuring expenses | | | | | (449) |
| Share based payments | | | | | (22) |
| Provision for doubtful receivables | | | | | (443) |
| Impairment of assets | | | | | (1,179) |
| Depreciation and amortisation | | | | | (3,140) |
| Finance costs | | | | | (2,633) |
| Legal and professional fees | | | | | (379) |
| **Loss before income tax expense** | | | | | (9,968) |
| Income tax expense | | | | | (91) |
| **Loss after income tax expense** | | | | | (10,059) |

## Note 3. Operating segments (continued)

| Consolidated - 30 June 2017 | Laos US$'000 | Nepal TMCCK US$'000 | Nepal TPR1 US$'000 | Vietnam US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Gaming revenue | - | 2,411 | - | 4,984 | 7,395 |
| Other revenue | 335 | 14 | - | 244 | 593 |
| Total revenue | 335 | 2,425 | - | 5,228 | 7,988 |
| Total segment revenue | 335 | 2,425 | - | 5,228 | 7,988 |
| Interest revenue | | | | | 17 |
| Corporate revenue | | | | | 53 |
| **Total revenue** | | | | | 8,058 |
| | | | | | |
| **Segment profit** | 181 | 57 | - | 2,857 | 3,095 |
| Corporate expenses | | | | | (1,530) |
| Share of profit from joint venture | | | | | 19 |
| Restructuring expenses | | | | | (117) |
| Fund raising expenses | | | | | (575) |
| Depreciation and amortisation | | | | | (1,378) |
| Finance costs | | | | | (1,896) |
| Expenses for future projects | | | | | (724) |
| Legal and professional fees | | | | | (396) |
| **Loss before income tax expense** | | | | | (3,502) |
| Income tax expense | | | | | (16) |
| **Loss after income tax expense** | | | | | (3,518) |

All corporate assets and liabilities (including cash and cash equivalents) are not allocated to the operating segments as they are managed on an overall group basis.

The CODM reviews segment results in the form of adjusted EBITDA as such depreciation and amortisation have not been allocated to the individual operating segments.

## Note 4. Revenue

| | Consolidated 30 June 2018 US$'000 | Consolidated 30 June 2017 US$'000 |
|---|---|---|
| *Sales revenue* | | |
| Casino and gaming equipment revenue from own venues | 4,400 | 2,411 |
| Share of casino and gaming equipment revenue from third party venues | 5,806 | 4,984 |
| Resort revenue | 768 | - |
| | 10,974 | 7,395 |
| | | |
| *Other revenue* | | |
| Consulting fees | 21 | 21 |
| Rental revenue - gaming equipment machines | 152 | 335 |
| Other revenue | 130 | 290 |
| | 303 | 646 |
| | | |
| Revenue | 11,277 | 8,041 |

## Note 4. Revenue (continued)

| | Consolidated 30 June 2018 US$'000 | Consolidated 30 June 2017 US$'000 |
|---|---|---|
| *Timing of revenue recognition* | | |
| Goods and services transferred at a point in time | 11,277 | 8,041 |

## Note 5. Current assets - cash and cash equivalents

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Cash on hand | 3,752 | 3,144 |
| Cash at bank | 1,603 | 6,905 |
| Cash on deposit | 1,212 | 1,182 |
| | 6,567 | 11,231 |

The cash on deposit of US$1,212,000 (31 December 2017: US$1,182,000) is held in a bank account that is jointly controlled by the Group and the Group's bondholder. These funds can only be withdrawn with the approval of the bondholder, and can only be used for the development of the Group's Tiger Palace Resort project in Bhairahawa, Nepal or other purposes at the discretion of the bondholder.

## Note 6. Current assets - trade and other receivables

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Trade receivables | 58 | 23 |
| | | |
| Other receivables | 4,357 | 3,252 |
| Less: Provision for doubtful receivables | (40) | - |
| | 4,317 | 3,252 |
| | | |
| | 4,375 | 3,275 |

The provision for doubtful receivable relates to the receivable from Bromhead Holdings. Bromhead Holdings purchased some EGMs when the Group ceased operations in the Philippines. Whilst some payments were received, the balance has aged and is deemed doubtful.

## Note 7. Non-current assets - receivables

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Other receivables | 441 | 496 |
| Less: Provision for doubtful receivables | (403) | - |
| | 38 | 496 |

The provision for doubtful receivables relates to the receivable from Rajendra Bajgain and Nabaraj Bajgain. The receivables from both Rajendra and Nabaraj Bajgain relate to unpaid share capital in the local Nepal entity and advances. Whilst some payments were received, the remaining amounts have aged and are deemed doubtful.

## Note 8. Non-current assets - investments accounted for using the equity method

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Investment in joint venture | 128 | 238 |

*Reconciliation*
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

| | 30 June 2018 US$'000 | 31 December 2017 US$'000 |
|---|---|---|
| Opening carrying amount | 238 | 199 |
| Share of profit from joint venture | 90 | 289 |
| Share of dividends paid | (200) | (250) |
| Closing carrying amount | 128 | 238 |

## Note 9. Non-current assets - property, plant and equipment

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Land - at cost | 2,078 | 2,173 |
| Building - at cost | 38,212 | 36,686 |
| Less: Accumulated depreciation | (488) | - |
| | 37,724 | 36,686 |
| Plant and equipment - at cost | 20,266 | 23,641 |
| Less: Accumulated depreciation | (9,636) | (7,524) |
| Less: Accumulated impairment | (312) | (312) |
| | 10,318 | 15,805 |
| | 50,120 | 54,664 |

## Note 9. Non-current assets - property, plant and equipment (continued)

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Land US$'000 | Building US$'000 | Plant and equipment US$'000 | Total US$'000 |
|---|---|---|---|---|
| Balance at 1 January 2018 | 2,173 | 36,686 | 15,805 | 54,664 |
| Additions | - | 867 | 1,771 | 2,638 |
| Disposals | - | - | (522) | (522) |
| Revision of estimate of Tiger One project costs | - | (3,146) | 648 | (2,498) |
| Exchange differences | (95) | (1,058) | (304) | (1,457) |
| Transfers in/(out) | - | 4,883 | (4,883) | - |
| Depreciation expense | - | (508) | (2,197) | (2,705) |
| Balance at 30 June 2018 | 2,078 | 37,724 | 10,318 | 50,120 |

## Note 10. Non-current assets - intangibles

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Software licences - at cost | 4,034 | 4,034 |
| Less: Accumulated amortisation | (83) | (56) |
| Less: Accumulated impairment | (3,258) | (2,079) |
| | 693 | 1,899 |
| Services agreement - at cost | 9,000 | 9,000 |
| Less: Accumulated amortisation | (3,490) | (3,082) |
| | 5,510 | 5,918 |
| Indefinite life intangible asset* - at cost | 611 | 611 |
| Less: Accumulated impairment | (299) | (299) |
| | 312 | 312 |
| | 6,515 | 8,129 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

| Consolidated | Software licences US$'000 | Service agreement US$'000 | Indefinite life intangible asset* US$'000 | Total US$'000 |
|---|---|---|---|---|
| Balance at 1 January 2018 | 1,899 | 5,918 | 312 | 8,129 |
| Impairment | (1,179) | - | - | (1,179) |
| Amortisation expense | (27) | (408) | - | (435) |
| Balance at 30 June 2018 | 693 | 5,510 | 312 | 6,515 |

* The indefinite life intangible asset represents the Group's acquisition of SHL Management Services (KTM) Private Limited (formerly, Happy World Pvt. Ltd.) to obtain a casino licence in Nepal.

## Note 11. Non-current assets - other

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Advanced project costs | - | 1,040 |
| Deposit for land | - | 3,130 |
| Impairment of advanced project costs and write of deposit for land | - | (4,170) |
| Deposits - other | 272 | 797 |
| | 272 | 797 |

## Note 12. Current liabilities - trade and other payables

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Trade payables | 3,139 | 2,124 |
| Accrued expenses | 2,323 | 3,233 |
| Accrued interest on bonds | 1,309 | 1,732 |
| Other payables | 1,757 | 2,647 |
| | 8,528 | 9,736 |

## Note 13. Current liabilities - borrowings

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Bank loans | 2,158 | 2,310 |
| Bonds payable | 9,850 | 1,751 |
| | 12,008 | 4,061 |

Refer to note 15 for further information on assets pledged as security and financing arrangements.

## Note 14. Non-current liabilities - payables

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Accrued interest on bonds | 1,452 | 363 |
| Other payables | - | 478 |
| | 1,452 | 841 |

## Note 15. Non-current liabilities - borrowings

| | Consolidated 30 June 2018 US$'000 | Consolidated 31 December 2017 US$'000 |
|---|---|---|
| Bank loans | 10,044 | 9,940 |
| Bonds payable | 7,092 | 14,678 |
| | 17,136 | 24,618 |

**Bank loans**
The Group has a lending facility with a consortium of Nepalese Banks of NPR 1,104,450,000 (US$10,268,000) (31 December 2017: NPR 1,110,000,000; US$10,792,000) which is used for the construction of the integrated resort at Bhairahawa, Nepal. The term of the loan is repayable in 38 quarterly instalments with the first instalment paid on 22 April 2018. Interest is paid on a quarterly basis at a variable rate, which for the period averaged 12.14% p.a. (2017: 11.58% p.a.).

The Group also has a one-year demand loan facility with two Nepalese Banks of up to NPR 280,000,000 (US$2,603,000) of which NPR 208,000,000 (US$1,193,400) (31 December 2017: NPR 150,000,000; US$1,458,000) was drawn. Interest is paid on a quarterly basis at a variable rate, which for the period averaged 12% p.a. (2017: 12% p.a.).

**Bonds payable**
As at 30 June 2018, the total fair value of bonds issued was US$16,942,000 (31 December 2017: US$16,429,000). The bonds have an interest rate of 8% p.a. payable semi-annually in arrears and are redeemable by the bondholders at any time prior to the date of maturity at a redemption price that will entitle the bondholders to an internal rate of return equal to 15% p.a. on the original principal amount of the bonds (calculated on a semi-annual basis) for the period from the date of issue to the date of redemption.

The maturity dates of the bonds are as follows:
- US$2,000,000 on or before 31 December 2018;
- US$3,000,000 on or before 31 March 2019;
- US$4,000,000 on or before 30 June 2019; and
- the balance on or before 24 August 2019.

*Waivers on covenants*
As at the date of this report, the Company has obtained and maintains signed waivers of all of the bondholders in relation to temporary covenant suspension testing of the financial covenants contained in the Bond Instrument.

The Group was not in breach of any of the financial covenants during the financial half-year ended 30 June 2018.

Under the instrument setting out the terms of the bonds, Silver Heritage Limited is required to ensure that it will maintain the following financial covenants: (i) a consolidated net debt to tangible net worth ratio below agreed levels, (ii) a consolidated net debt to the last 12 months' consolidated earnings before interest, tax, deductions and amortisation ratio below agreed levels, (iii) an interest coverage ratio above agreed levels, and (iv) a minimum aggregate cash balance above an agreed level. The financial covenants are tested quarterly on the basis of management accounts delivered to the bondholder within 30 days of the end of the relevant quarter.

Security has been granted in favour of Madison Pacific Trust Limited, the security trustee, to hold on trust for the bondholders. Security includes a debenture over certain of the Group's assets including real estate, shares, key contracts, intellectual property, plant and machinery, bank accounts and contracts of insurance.

## Note 15. Non-current liabilities - borrowings (continued)

*Total secured liabilities*
The total secured liabilities (current and non-current) are as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2018 US$'000 | 31 December 2017 US$'000 |
| Bank loans | 12,202 | 12,250 |

*Assets pledged as security*
The lenders under the bank loans have taken security over all assets that Tiger One Pvt Ltd presently owns, or will own in the future, as well as it receivables.

In addition, the subsidiaries of the Group have provided a corporate guarantee in favour of the lenders for repayment of the facility.

*Financing arrangements*
Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated | |
|---|---|---|
| | 30 June 2018 US$'000 | 31 December 2017 US$'000 |
| Total facilities | | |
| Bank loans | 12,871 | 13,514 |
| Used at the reporting date | | |
| Bank loans | 12,202 | 12,250 |
| Unused at the reporting date | | |
| Bank loans | 669 | 1,264 |

*Bank loan arrangements as at 30 June 2018*
- Bank loan facility denominated in NPR, current facility limit NPR 1,104,450,000 (US$10,268,000) (31 December 2017: NPR 1,110,000,000 (US$10,792,000))
- One-year demand loan facility of up to NPR 280,000,000 (US$2,603,000) (31 December 2017: NPR 280,000,000 (US$2,722,000))

## Note 16. Equity - contributed capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 30 June 2018 Shares | 31 December 2017 Shares | 30 June 2018 US$'000 | 31 December 2017 US$'000 |
| Ordinary shares - fully paid | 586,734,830 | 585,241,630 | 70,098 | 70,098 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | US$'000 |
|---|---|---|---|---|
| Balance | 1 January 2018 | 585,241,630 | | 70,098 |
| Issue of shares | 3 January 2018 | 746,600 | US$0.00 | - |
| Issue of shares | 23 April 2018 | 746,600 | US$0.00 | - |
| Balance | 30 June 2018 | 586,734,830 | | 70,098 |

## Note 17. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## Note 18. Earnings per share

| | Consolidated | |
|---|---|---|
| | 30 June 2018 US$'000 | 30 June 2017 US$'000 |
| Loss after income tax | (10,059) | (3,518) |
| Non-controlling interest | 121 | (5) |
| Loss after income tax attributable to the owners of Silver Heritage Group Limited | (9,938) | (3,523) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 586,264,596 | 190,285,153 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 586,264,596 | 190,285,153 |
| | **US Cents** | **US Cents** |
| Basic earnings per share | (1.70) | (1.85) |
| Diluted earnings per share | (1.70) | (1.85) |

59,808,612 (2017: 29,904,306) options are not included in the calculation of diluted earnings per share because they are anti-dilutive for the financial half-year ended 30 June 2018. These options could potentially dilute basic earnings per share in the future.

## Note 19. Events after the reporting period

As announced by the Company on 27 August 2018, the Company has acquired land of 11 Bigha (74,500m$^2$) in Jhapa, Eastern Nepal for a total consideration of NPR 361,254,00 (US$3.2m) inclusive of all applicable taxes and fees. The acquisition was funded by the Company selling an equity interest of approximately 20% in the Company's subsidiary which holds the land, to the Company's local partner in Nepal, thereby reducing the Company's outstanding liabilities by more than NPR 60,000,000 (US$536,000). The Company was therefore not required to use any additional funds to complete the acquisition. The land has recently been valued at NPR 456,800,000 (US$4.1m).

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

SILVER HERITAGE GROUP

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 Group's financial position as at 30 June 2018 and of its performance for the financial 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

| | |
|---|---|
| James Spenceley<br>Chairman | Mike Bolsover<br>Managing Director and Chief Executive Officer |

31 August 2018

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# Independent Auditor's Review Report

## To the Members of Silver Heritage Group Limited

### Report on the review of the half year financial report

#### Conclusion

We have reviewed the accompanying half year financial report of Silver Heritage Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Silver Heritage Group Limited does not give a true and fair view of the financial position of the Group as at 30 June 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

### Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $9,938,000 during the half year ended 30 June 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $8,842,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### 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 gives a true and fair view and 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 30 June 2018 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 Silver Heritage 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.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell

Partner – Audit & Assurance

Sydney, 31 August 2018

| | |
|---|---|
| Directors | James Spenceley<br>Mike Bolsover<br>Matthew Hunter<br>Robert Benussi |
| Company secretary | Kim Clark |
| Registered office | Level 12, 225 George Street<br>Sydney, NSW 2000<br>Australia<br>Telephone: +852 2110 1684<br>Fax: +852 8169 8066 |
| Principal place of business | 6/F The Phoenix<br>23 Luard Road<br>Wan Chai<br>Hong Kong |
| Share register | Boardroom Pty Limited<br>Level 12, 225 George Street<br>Sydney, NSW 2000<br>Australia<br>Telephone: +61 2 9290 9600 |
| Auditor | Grant Thornton Audit Pty Ltd<br>Level 17, 383 Kent Street<br>Sydney, NSW 1230<br>Australia |
| Stock exchange listing | Silver Heritage Group Limited (the 'Company') shares are listed on the Australian Securities Exchange (ASX code: SVH) |
| Website | www.silverheritage.com.au |