

15 May 2024

Scarlette de Lavaine
ASX Listings Compliance – Perth
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000
Reference: 93738

By email: scarlette.delavaine@asx.com.au; ListingsCompliancePerth@asx.com.au

Dear Scarlette,

BauMart Holdings Limited (ASX:BMH) – ASX Aware & Financial Condition Query

We refer to your letter dated 10 May 2024 and respond to your queries below using the same numbering and definitions as in your letter:

1. BMH confirms that, in the Directors' opinion, the 31 Dec 2023 Half-Year Report:
 - 1.1 complies with the relevant accounting standards; and
 - 1.2 gives a true and fair view of BMH's financial performance and position for the half year ended 31 December 2023.
2. Yes, BMH considers its financial condition is sufficient to warrant the continued quotation of its securities and continued listing as required under Listing Rule 12.2.
3. The Company provides its comments on the following points:
 - 3.1.1 The trade receivables of \$602,862 are comprised mainly of mining consumables supplied to Sierra Diamonds. The Company is aware that Sierra Diamonds and its parent company, Newfield Resources Ltd (ASX: NWF) is currently progressing a capital raising program to fund the development of its diamond project. The Company has a reasonable expectation that the trade receivable will be recovered in due course.
 - 3.1.2 The Company regards its shareholding in AG1 to be a long-term strategic investment. Based on current publicly available information of the activities of AG1, BMH considers the carrying value of its investment in AG1 at \$3,500,000 continues to be appropriate. BMH understands that AG1 is relocating its operational base in Sydney to Melbourne (where it has existing operations) aimed at improving its cost-effectiveness and responding to challenging trading conditions in NSW. In shutting down its operating facility in NSW, AG1 is working on the sale of the NSW surplus plant and equipment which ought to provide additional working capital for its operations.

- 3.1.3 As noted in the Company's half year financial report (Note 3, Going Concern), the Company remains of the view that it is operating as a going concern, for the reasons noted in that Note 3. Further comments on the Company's going concern status are set out in Item 5 below.
- 3.1.4 The current cash balance of the Company is approximately \$28,000. Since 31 March 2024, BMH has received further inflows amounting to \$39,150 from trade receivables previously provisioned as doubtful. The Company continues to vigorously monitor/pursue its outstanding trade receivables which it expects to recover in full. It currently has no full-time employees and therefore its operating overheads are relatively low. The Company is confident that the recovery of receivables in the near term will provide the necessary cashflow to sustain its operations. The Company also has access to a trade facility as noted in Item 3.1.5.
- 3.1.5 The Company is currently in discussion with its business banker at NAB in relation to renewing the \$250,000 NAB Trade Facility and reasonably expects that facility will be extended before its expiry date.
4. Not Applicable
5. Yes. The Directors are of the opinion that there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable, and therefore continue as a going concern after consideration of the following factors:
- as at 31 December 2023, the Company has a net working capital surplus of \$504,165, an available trade finance facility of \$250,000 and an overdraft facility of \$50,000;
 - the Directors are confident that the trade receivables of \$602,862 are fully recoverable (as noted in Item 3.1.1).
 - the Directors believe the Company is able to reduce operating overheads further if required until its trading activities improve; and
 - the Company has the ability to raise additional equity capital, if required, to fund its operations.
6. In relation to the trade receivables balance as at 31 December 2023, \$5,236 has been subsequently collected to date. Further, as noted in Item 3.1.4 above, the Company has received further inflows amounting to \$39,150 from previously provisioned trade receivables.
7. Yes, as noted in Item 3.1.5 above, the Company is currently in discussions with its business banker at NAB in relation to renewing the \$250,000 NAB Trade Facility and reasonably expects that facility will be renewed before its expiry date.
8. Not Applicable
9. No, BMH does not consider the following information, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities.
- 9.1 As noted in Item 3.1.2 above, BMH understands that AG1 is relocating its operational base in Sydney to Melbourne (where it has existing operations), a strategy aimed at improving its cost-effectiveness and responding to challenging trading conditions in NSW. We believe AG1 is prudently responding to trading conditions in the NSW construction industry in closing its Sydney site and relocating its operating capacity to Melbourne.

- 9.2 The Company understands that the sale of surplus equipment and stock in NSW is part of the relocation strategy noted above and the sale will generate additional working capital for its operations.
10. In addition to the comments made in 9 above, the Company makes the following added observations in response to this query:
- AG1's shares have not traded on NSX since December 2020 and remained unchanged at \$0.37 per share.
 - BMH's investment in AG1 is held as a strategic long-term investment, and having regard to AG1 current activities and plans, the Directors believe that there is no requirement to change the carrying value of the Company's investment in AG1.
11. The Company first became aware of AG1's relocation plans on 23 April 2024, being the date AG1 made its announcement on NSX of its plans to relocate its Sydney operations to Melbourne.
12. No announcement about AG1's plans has been made by BMH as it believes, in the context that the investment in AG1 is a long-term strategic asset, that the plans announced by AG1 will have no material impact on the price or value of BMH's securities.
13. Yes, BMH retains the view that the value ascribed of \$0.30 per share in its 31 December 2023 HY Report to the shares it holds in AG1 remains reflective of a fair value of its long-term investment. Please refer to supporting comments on this subject in Items 3.1.2, 9.1 and 9.2.
14. In relation to the "Yes" response in Item 13, the following specific comments are made:
- 14.1 The Company does not believe the NAV of AG1 at 30 June 2023 is necessarily relevant to its share price, having regard to its type of business and operations.
- 14.2 We understand AG1's suspension on NSX is in place whilst it is reviewing its capital raising plans.
- 14.3 We cannot comment on the lack of trading of AG1 shares on NSX other than to note that illiquidity is a problem for many NSX-listed companies. Further, as a long-term holder of AG1 shares, we do not regard this issue to be of particular concern.
- 14.4 We understand that AG1 is currently reviewing its capital raising plans in order to finalise its half year accounts to 31 December 2023.
- 14.5 The aspect of the closure of the Sydney site and sale of associated equipment and stock is addressed in Items 9.1 and 9.2 above.
15. Not Applicable
16. BMH has established relationships with its major clients and expects an increase in activity of its supply and procurement division. The Company continues to explore opportunities in its staple markets for the distribution of its industrial parts washers with strategies to secure new clientele and expand its current business operations. Accordingly, BMH considers its level of operations is sufficient to warrant continued quotation of its securities on ASX.

17. BMH considers that its structure and operations is appropriate for a listed entity, having regard to the following:
- following its divestment of its glass operations to AG1 (2020) and that of EcoPallets (2022), the Company has developed new businesses in the supply of mining consumables and industrial equipment;
 - these relatively new businesses are taking some time to evolve but the Company remains positive they will develop successfully;
 - the Company's key customer in the mining supplies business has paused development of its diamond project whilst working on a capital raising program (refer also Item 3.1.1). It is anticipated that, on successful completion of its capital raising program, the mining supply business will continue.
 - While the investment in AG1 is a dominant value in the Company's balance sheet as a long-term asset, the Company's current operating activities are not capital intensive and therefore has no significant carrying value on its balance sheet.
18. BMH confirms that it is complying with the Listing Rules and in particular, Listing Rule 3.1.
19. BMH's responses to the questions above have been authorised by the Board of BMH and approved in compliance with its continuous disclosure policy.

Yours sincerely

Jack Spencer-Cotton
Director

BauMart Holdings Limited



10 May 2024

Reference: 93738

Mr Amos Tan
Company Secretary
BauMart Holdings Limited

By email

Dear Mr Tan

BauMart Holdings Limited ('BMH'): ASX Aware & Financial Condition Query

ASX refers to the following:

The Half Year Report

A. BMH's Half Year Report for period ending 31 December 2023 released on MAP on 28 February 2024, which discloses:

- (i) at 31 December 2023, BMH had cash and cash equivalents of \$51,991; and
- (ii) for the half year ended 31 December 2023, BMH recorded a loss before tax of \$1,145,361;
- (iii) at Note 5, that the entire amount of BMH's Trade receivables from normal activities as at the reporting date were past due and an amount of \$930,000 had been provided for, resulting in a net receivables balance of \$602,862 as at 31 December 2023;
- (iv) at Note 11 that BMH has a Trade Facility with the National Australia Bank (base rate of 4.68% plus variable) with a limit of \$250,000 which expires on 31 May 2024 ('\$250K NAB Trade Facility');
- (v) at Note 12 shares held in Australia Sunny Glass Group Limited (NSX: AG1) are recorded at a carrying value of \$3,500,000 noting:

The Company holds 11,666,667 ordinary fully paid shares in Australia Sunny Glass Group Limited (NSX: AG1), an entity that is listed on the National Stock Exchange. The fair value of the investment at period end has been determined based on the last issue price of the same class of securities, being \$0.30 with reference to an announcement by AG1 dated 5 July 2023 relating to the issue of consideration shares.

NSX is a principal market and the only one in which AG1 transacts, representing an orderly market with directly observable inputs. AG1's shares are tightly held with ~97% held by the Top 20 shareholders (refer AG1 Annual Report for the year ended 30 June 2023). The tightly held nature of AG1 shares resulted in trading volumes being impacted on NSX (the last on-market trade was on 7 December 2020 and there have been no trades since the balance date of this report).

- (vi) The independent Auditor's Review Report contains a paragraph on a material uncertainty regarding going concern:

As referred to in Note 3 to the financial statements, the financial statements have been prepared on the going concern basis. At 31 December 2023 the Consolidated Entity had cash and cash equivalents totalling \$51,991, working capital of \$504,165 and has incurred a loss before tax from continuing operations for the period of \$1,145,361. This indicates that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. The Consolidated Entity's ability to continue operations is dependent upon the Consolidated Entity's

ability to generate positive cashflows from its existing businesses, collecting receivables from customers, and/or raise further equity.

- (vii) The independent Auditor's Review Report also contains an Emphasis of Matter paragraph regarding the Carrying Value of the shares held by BMH in AG1:

We draw attention to Note 12 to the financial report, which discloses the carrying value of the investment in Australia Sunny Glass Group Limited ("AG1").

Our conclusion is not modified in respect of this matter. The Company holds 11,666,667 ordinary shares in AG1, which is listed on the National Stock Exchange of Australia ("NSX") and is valued at \$0.30 per share totalling \$3,500,000. The share price of AG1 shares has not changed since December 2020 as there have been no trades on the NSX in the AG1 shares. In order to estimate the fair value of these shares, the management have considered the share price for shares issued by AG1 during the period. After considering the share price for shares issued by AG1 during the period (at 30 cents per share), the directors and the management believe that the carrying amount reflects the fair value and is recoverable.

Australia Sunny Glass Group Limited (NSX: AG1)

- B. In relation to AG1, ASX notes the following:

- (i) AG1 shares do not appear to have traded on the NSX since December 2020;
- (ii) Trading in AG1's securities was suspended on NSX on 18 March 2024;
- (iii) AG1's securities remain suspended on NSX (as at the date of this letter);
- (iv) On 23 April 2024, AG1 announced on NSX the following in relation to its operations and financing arrangements:

"...the Company has been negotiating with a series of lenders to finalise a new finance facility. Whilst discussions continue, the Board has now resolved to close its Sydney site and are at advanced stages of negotiating the sale of equipment and stock at that facility."

- (v) AG1 failed to lodge its 31 December 2023 Half Year Financial Report with NSX;
- (vi) Based on most recent set of available financial statements (being AG1's 30 June 2023 financial statements), AG1 had:
 - (1) cash of \$215,945,
 - (2) total current liabilities of \$2,352,945,
 - (3) net assets of \$1,997,491;
 - (4) recorded a loss before tax of \$2,812,891 for the financial year ended 30 June 2023; and
 - (5) 106,492,763 ordinary shares on issue (equating to a Net Asset Value per AG1 share of \$0.0187.) ('NAV Value').

Quarterly Cash Flow Report

- C. BMH's Appendix 4C cash flow report for the quarter ending 31 March 2024, released on MAP on 26 April 2024, which disclosed the following:
- (i) At item 1.1, cash receipts from customers of \$13,000;
 - (ii) At item 1.2(b) cash outflows for product manufacturing and operating costs of \$8,000;

- (iii) At item 5.5 cash of \$4,000 at the end of the quarter;
- (iv) At item 7, \$308,000 available financing facilities available at the end of the quarter, with the \$250K NAB Trade Facility, due to expire on 31 May 2024 (refer to page 6).

The ASX Listing Rules

- D. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- E. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - *The information is generated for the internal management purposes of the entity; or*
 - *The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*
- G. Listing Rule 12.1 which states:
- "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."*
- H. Listing Rule 12.2 which states:
- "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."*
- I. Listing Rule 12.5 which states:
- "An entity's structure and operations must be appropriate for a listed entity."*
- J. Listing Rule 19.11A which states:
- "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) 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.*
- (c) 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.*
- (d) 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.*
- (e) 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).*
- (f) If there is a directors' declaration that relates to the accounts, the directors' declaration must be given to ASX with the accounts.*
- (g) 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

Having regard to the above, ASX asks BMH to respond separately to each of the following questions and requests for information:

Financial Statements & Financial Condition

1. Is BMH able to confirm that in its directors' opinion the Half Year Report:
 - 1.1 complies with the relevant Accounting Standards; and
 - 1.2 gives a true and fair view of BMH's financial performance and position?
2. Does BMH consider that its financial condition is sufficient to warrant the continued quotation of its securities and continued listing as required under Listing Rule 12.2?
3. If the answer to question 2 is 'yes', please explain the basis for this conclusion commenting specifically on the following:
 - 3.1.1 Trade and other receivables of \$602,862, all of which were past due (which represent 13.4% of BMH's total assets as at 31 December 2023);
 - 3.1.2 the Independent Auditor's Review Report containing an Emphasis of Matter as to the carrying value of BMH's shares in AG1 at \$3,500,000 as at 31 December 2023 (which represents 78% of BMH's total assets as at 31 December 2023);
 - 3.1.3 the Independent Auditor's Review Report containing a material uncertainty paragraph regarding going concern;
 - 3.1.4 'Cash and cash equivalents' of \$4,000 as at 31 March 2024; and

3.1.5 in the event the \$250K NAB Trade Facility expires, and is not renewed, it appears BMH would have less than 2 quarters of funding available.

4. If the answer to question 2 is 'no', please explain what steps BMH has taken, or proposes to take, to warrant the continued quotation of its securities and its continued listing pursuant to Listing Rule 12.2?
5. Does BMH's board consider there are reasonable grounds to believe that BMH will be able to pay its debts as and when they become due and payable? In answering this question, please explain the basis for the directors' conclusion.
6. In relation to the Trade receivables balance of \$602,862 as at 31 December 2023 (all of which were overdue), what value of this balance has subsequently been collected by BMH, up to and including the date of this letter?
7. BMH's \$250K NAB Trade Facility is due to expire on 31 May 2024. Has BMH made arrangements to renew this facility? If 'yes', please describe the stage at which the discussions with NAB have reached and when these arrangements are expected to be finalised.
8. If the answer to question 7 is 'no', please explain what steps BMH has taken, or proposes to take to seek alternate funding, in the event the \$250K NAB Trade Facility is not renewed.

Australia Sunny Glass Group Limited (NSX: AG1)

9. Does BMH consider the following information, or any part thereof, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
 - 9.1 The AG1 Sydney site closure.
 - 9.2 The AG1 sale of equipment and stock at the Sydney site.
10. If the answer to any part of question 9 is 'no', please advise the basis for that view, and comment specifically on the fact that as at 31 December 2023, shares held by BMH in AG1 represented 87% of BMH's net assets and 78% of BMH's total assets.

Please answer separately for each of the items in question 9 above.
11. What date did BMH first become aware of the information referred to in question 9 above?

Please answer separately for each of the items in question 9 above.
12. Has BMH made any announcement which discloses the information referred to in question 9? If so, please provide details. If not, please explain why this information has not been released to the market, commenting specifically on when you believe BMH was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps BMH took to ensure that the information was released promptly and without delay.
13. Does BMH consider the value ascribed (\$0.30 per share) in its 31 December 2023 HY Report to the shares it holds in AG1 remains reflective of fair value?
14. If the answer to question 13 is 'yes', please explain the basis for the directors' conclusion, commenting specifically on each of the following:
 - 14.1 30 June 2023 NAV of \$0.018 per AG1 share;
 - 14.2 AG1's continued suspension on NSX;
 - 14.3 that no AG1 shares have traded on NSX since December 2020;
 - 14.4 AG1's failure to lodge financial statements for the HY ended 31 December 2023; and
 - 14.5 the announcement of the closure of AG1's Sydney site and the sale of equipment and stock.

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15. If the answer to question 13 is 'no', what value does the board currently ascribe to its investment in AG1, and on what basis. In answering this question, please comment specifically on each of the following:
- 15.1 30 June 2023 NAV of \$0.018 per AG1 share;
 - 15.2 AG1's continued suspension on NSX;
 - 15.3 that no AG1 shares have traded on NSX since December 2020;
 - 15.4 AG1's failure to lodge financial statements for the HY ended 31 December 2023; and
 - 15.5 the announcement of the closure of AG1's Sydney site and the sale of equipment and stock.

Level of Operations and Appropriate Structure

- 16. Does BMH 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 BMH's conclusion and comment on the nature of BMH's current business activities.
- 17. Does BMH consider that its structure and operations is appropriate for a listed entity? In answering this question, please explain the basis for BMH's conclusion and please address that when combined, the shares held in AG1 by BMH together with BMH's overdue trade receivables represented approximately 92% of BMH's total assets as at 31 December 2023.
- 18. Please confirm that BMH is complying with the Listing Rules and in particular, Listing Rule 3.1.
- 19. Please confirm that BMH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BMH with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10.00 AM AWST Thursday, 16 May 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, BMH's obligation is to disclose the information 'immediately'.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in BMH's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to BMH's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that BMH's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

ASX Compliance