

BAUMART HOLDINGS LIMITED (ASX: BMH)

10 January 2025

Damian Dinelli
Principal Adviser, Listings Compliance
Australian Securities Exchange
Level 40, Central Park,
152-158 St Georges Terrace, Perth WA 6000

Response to ASX Query Letter

Dear Damian,

Baumart Holdings Limited (BMH) refers to your letter dated 6 January 2025 and provides the following responses to the questions raised therein. The responses have been prepared with reference to the ASX Listing Rules and Baumart's continuous disclosure obligations.

1. Does BMH consider the \$3,500,000 AG1 Write Down, as disclosed in the 2024 Full Year Report, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Yes, BMH considers the \$3,500,000 write-down of its investment in Australian Sunny Glass Group Limited (AG1) to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

2. If the answer to question 1 is 'no', please advise the basis for that view, and comment specifically on the following:

Not applicable, as BMH has confirmed the materiality of the information.

3. What were the 'recent developments' referred to by BMH in Note 19 of its 2024 Full Year Report which caused BMH's directors to determine the shares held in AG1 were no longer regarded as 'a long-term strategic investment'? In answering this question, please describe each 'recent development' separately.

BMH's directors determined that the shares held in AG1 were no longer regarded as a long-term strategic investment due to the following recent developments:

- a) **Operational Challenges:** AG1 announced the closure of its Sydney site on 23 April 2024, negotiating the sale of equipment and stock, fulfilling existing orders from Melbourne facility and reduce fixed costs. By 30 June 2024, significant progress on asset sales was not achieved.

- b) **Market Liquidity:** AG1 shares have not traded on the NSX since December 2020, indicating limited liquidity and marketability.
- c) **Leadership Transition:** The recent restructure of Board members and management led to a strategic review of BMH's investment portfolio under new leadership.
- d) **Lack of Contribution:** The AG1 shares have not contributed to BMH's working capital or operational objectives.

4. What date did BMH's directors first resolve that shares held in AG1 were no longer regarded as 'a long-term strategic investment'?

BMH's directors resolved on 30th August 2024, as a result of the preparation of the Full Year Report for the year ending 30 June 2024 that the shares held in AG1 were no longer regarded as a long-term strategic investment for reasons stated above.

5. Please describe each of the factors which led BMH's directors to conclude that the \$3,500,000 AG1 Write Down on the carrying value of the AG1 shares was required.

The \$3,500,000 write-down was required due to:

- a) **Impairment Indicators:** AG1's lack of progress in its asset sales and ongoing operational challenges.
- b) **Market Conditions:** Absence of trading activity in AG1 shares and no significant developments to indicate improved valuation.
- c) **Portfolio Review:** Strategic reassessment by new leadership concluded that the carrying value of the AG1 shares no longer reflected their recoverable value.

6. What was the basis for BMH's response to questions contained in ASX's May 2024 Aware & Financial Condition Query that in respect of the carrying value of the AG1 shares, BMH directors concluded the \$3,500,000 carrying value in AG1 remained appropriate?

BMH's directors believed in May 2024 that the \$3,500,000 carrying value remained appropriate based on AG1's plans to consolidate operations and improve cost-effectiveness. At that time, publicly available information supported the valuation.

7. Having regard to BMH's position in May 2024 that there was no requirement to change the \$3,500,000 carrying value of its investment in AG1, please describe each of the factors which changed subsequent to the BMH Response to ASX Query (if any), and advise when BMH first became aware of each of those changes such that BMH's directors resolved to write down the carrying value of its investment in AG1 by \$3,500,000 in its June 2024 Full Year Report?

Subsequent changes included:

- Lack of progress in AG1's restructuring plans, evident by late June 2024.
- No trading activity for AG1 shares, limiting marketability and valuation.
- Strategic review by new leadership concluded by August 2024.

BMH became aware of these factors during the finalisation of its 2024 Full Year Report.

8. On what date did BMH's directors first determine the \$3,500,000 AG1 Write Down was required?

BMH's directors first determined the \$3,500,000 write-down was required during the preparation of its 2024 Full Year Report for the year ending 30 June 2024, resolved on 30 August 2024.

9. Save for the 2024 Full Year Report, has BMH made any announcement which discloses the AG1 Write Down? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, 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.

The AG1 write-down was disclosed in BMH's 2024 Full Year Report released on 30 August 2024. No separate announcement was made earlier as the decision was finalised during the preparation of the report. BMH complied with Listing Rules 3.1 and 3.1A by disclosing the information promptly.

10. Do BMH's directors 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.

Yes, BMH's directors have reasonable grounds to believe the Company can meet its financial obligations based on:

- Net working capital of \$688,408 as at 31 December 2024.
- Ongoing efforts to recover trade and other receivables.
- Ongoing revenue diversification and financial management strategies.

As strategic measures to enhance resilience and growth, BMH has implemented a series of measures to mitigate risks associated with the AG1 write-down and to strengthen its operational and financial position, including:

- a) Development of New Revenue Streams

BMH has identified key growth opportunities to enhance its revenue base through strategic initiatives, including:

- Expansion into mining equipment solutions and contract mining services, targeting medium-sized mining companies.
- Establishing supplier agreements to meet the increasing demand for building materials in Western Australia.

b) Strengthened Cash Flow Management

BMH continues to focus on robust cash flow management practices, complemented by the exploration of equity and debt funding options to support its growth strategy and maintain financial flexibility.

11. Please confirm that BMH is complying with the Listing Rules and, in particular, Listing Rule 3.1.

BMH confirms it is in compliance with the ASX Listing Rules, including Listing Rule 3.1.

12. Please confirm that BMH'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 BMH with delegated authority from the board to respond to ASX on disclosure matters.

BMH confirms that its responses to the ASX queries have been authorised and approved by its board of directors in accordance with its continuous disclosure policy.

Yours sincerely,

Nicholas Ong

Company Secretary

Baumart Holdings Limited (ASX: BMH)



6 January 2025

Reference: 99356

Mr Nicholas Ong
Company Secretary
BauMart Holdings Limited

By email

Dear Mr Ong

BauMart Holdings Limited ('BMH'): ASX Query Letter

ASX refers to the following:

- A. BMH's response to the ASX Aware & Financial Condition Query released to the ASX Market Announcements Platform ('MAP') on 16 May 2024 ('BMH Response to ASX Query'), (ASX queries bolded) stating the following in relation to BMH's investment in Australian Sunny Glass ('AG1'):

"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?"

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. If the answer to question 2 is 'yes', please explain the basis for this conclusion commenting specifically on the following:

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)

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.

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

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...*

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?

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.

- B. BMH's full-year report for the year ended 30 June 2024 lodged to MAP and released on 30 August 2024 ('2024 Full Year Report') which contains the following disclosure at note 19 in respect of a complete \$3,500,000 write down of the value of BMH's shares held in AG1:

"On 23 April 2024, AG1 announced its decision to close its Sydney site and began negotiation to sale the equipment and stock from the site. Although this closure was intended to enhance cost-effectiveness and address challenging trading conditions in NSW, there has been no substantial progress or positive updates as of the reporting date.

Given these recent developments, the Consolidated Entity no longer considers its investments in AG1 shares as a strategic investment. Although AG1 remains a listed company, its shares have not traded on the NSX since December 2020 and no off-market transactions have been published during the year. As such, the Consolidated Entity re-assessed its investment in AG1 using the discounted cashflow method and charged the change in value to the profit or loss accounts."

('AG1 Write Down')

- C. The Independent Auditor's Report attached to the 2024 Full Year Report ('Auditor's Report') that contains a paragraph regarding a material uncertainty relating to going concern:

"We draw attention to Note 4 to the financial statements, which indicates that the Group incurred a loss after tax of \$4,677,224 for the year ended 30 June 2024 and had cash and cash equivalents of \$4,352 at the reporting date. The Group had net working capital of \$482,021. As stated in Note 4, the events or conditions, along with other matters, as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter."

- 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."

- F. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"

- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.

"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 5 situations 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."*

- H. The concept of "confidentiality" detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it is no longer a secret and it ceases to be confidential information for the purposes of this rule."

- I. 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.*

- J. 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.*

- K. Listing Rule 12.5 which states:

12.5 *An entity's structure and operations must be appropriate for a listed entity.*

Request for information

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

1. Does BMH consider the \$3,500,000 AG1 Write Down, as disclosed in the 2024 Full Year Report, to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is 'no', please advise the basis for that view, and comment specifically on the following:
 - 2.1 that as at 31 December 2023, BMH's investment in AG1 represented:
 - 2.1.1 87% of BMH's net assets; and
 - 2.1.2 78% of BMH's total assets.
 - 2.2 that in relation to BMH's 30 June 2024 results, the write down of BMH's investment in AG1 represented 75% of BMH's loss before tax for the year ended 30 June 2024.
3. What were the 'recent developments' referred to by BMH in Note 19 of its 2024 Full Year Report which caused BMH's directors to determine the shares held in AG1 were no longer regarded as 'a long-term strategic investment'? In answering this question, please describe each 'recent development' separately.

4. What date did BMH's directors first resolve that shares held in AG1 were no longer regarded as 'a long-term strategic investment'?
5. Please describe each of the factors which led BMH's directors to conclude that the \$3,500,000 AG1 Write Down on the carrying value of the AG1 shares was required.
6. What was the basis for BMH's response (see below) to questions contained in ASX's May 2024 Aware & Financial Condition Query that in respect of the carrying value of the AG1 shares, BMH directors concluded the \$3,500,000 carrying value in AG1 remained appropriate?
- "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'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."*
7. Having regard BMH's position in May 2024 that there was no requirement to change the \$3,500,000 carrying value of its investment in AG1, please describe each of the factors which changed subsequent to the BMH Response to ASX Query (if any), and advise when BMH first became aware of each of those changes such that BMH's directors resolved to write down the carrying value of its investment in AG1 by \$3,500,000 in its June 2024 Full Year Report?
8. On what date did BMH's directors first determine the \$3,500,000 AG1 Write Down was required?
9. Save for the 2024 Full Year Report, has BMH made any announcement which discloses the AG1 Write Down? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, 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.
10. Do BMH's directors 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 director's conclusion.
11. Please confirm that BMH is complying with the Listing Rules and, in particular, Listing Rule 3.1.
12. Please confirm that BMH'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 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 **12:00 PM AWST Friday, 10 January 2025**. 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

ASX reserves 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