

Dear Mr. Bristow,

Nanopac Innovation Ltd (the "Company" or "NNO")

Re: Periodic Disclosure Query

NSX refers to the below extract from the 2017 Annual Report ([link](#)) lodged by the Company on 29/03/2018 whereby Investments at Fair Value have been noted.

23 May 2018

Attn: Mr. Andrew Bristow

Company Secretary  
Nanopac Innovation Ltd

C/O - Highgate Corporate  
Advisors Pty Ltd  
33 Lexington Dr  
Bella Vista NSW 2153

**NANOPAC INNOVATION LIMITED AND ITS CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**7. INVESTMENTS AT FAIR VALUE**

**Company/Group-As at 31 December 2017**

Name	Country of incorporation	Fair value hierarchy level	Proportion of ownership interest	Cost USD	Fair value USD
NSX Limited	Australia	1	16.5%	550,000	3,448,499
				550,000	3,448,499

**Company/Group-As at 31 December 2016**

Name	Country of incorporation	Fair value hierarchy level	Proportion of ownership interest	Cost USD	Fair value USD
-	-	-	-	-	-
				-	-

**Statement of changes in investment at fair value through profit and loss**

	2017 USD	2016 USD
Opening balance	-	-
Acquisition	3,448,499	-
Net profit/(loss) on financial assets	-	-
At fair value through profit and loss	-	-
Closing balance	3,448,499	-

In accordance with IFRS 7: Financial Instruments: Disclosures, financial instruments recognised at fair value are required to be analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

**Valuation techniques**

The fair value of financial instruments traded in active market (such as publicly traded securities) is based on quoted market prices at the reporting date.

In light of this information please respond to the following questions.

1. Company is requested to confirm whether the information in Annual Report is accurate as the Company has made no announcements regarding the investment?
2. If the answer to the question 1 is yes, why were no announcements made by the Company regarding the investment in the entity?
3. If the answer to the question 1 is no, please provide the information supplied to the auditors directly to the exchange (this information will not be released to market). NSX notes that in the Independent Auditor's report to the members, Financial assets and fair value through profit and loss has been reported as a Key Audit Matter.
4. Did the directors of the Company read and sign off on the accuracy of the Annual Report? Directors have a duty of care and diligence under both general law and the *Corporations Act 2001* (Corporations Act).
5. Has the Company correctly recorded transactions and its financial position and performance to enable true and fair financial statements to be prepared and audited?
6. The Company is requested to provide a timeline of events in relation to the preparation of the Annual Report. It should include the details of the individuals/parties involved in preparing and authorizing the accounts.

Your response should be provided no later than 4pm on 25 May 2018. Your response will be released to the market along with a copy of this letter. If you wish to discuss the content of your response, please do not hesitate to contact me as soon as possible.

Please be reminded that the Issuer must comply with Chapter 6CA of the Corporations Act and Listing Rules Section IIA 6.4, 6.5 and 6.5A under continuous disclosure.

#### **Listing Rule 6.4**

The NSX continuous disclosure rule states:

Generally, and apart from compliance with all the specific requirements, the issuer shall keep the Exchange informed without delay, for dissemination of any information relating to the group of which it is aware that:

- is necessary to enable the Exchange and the public to appraise the financial position of the issuer and the group;
- is necessary to avoid the establishment of a false market in its securities; or
- a reasonable person would expect to have a material effect on the price or value of its securities.

Such information must be made available to the Exchange before the time at which any other public announcement of the information is made.

These provisions will be breached by an issuer who intentionally, recklessly or negligently fails to notify the Exchange of information that:

- is not generally available; and

- a reasonable person would expect, if it were generally available, to have a material effect on the price or value of its securities.

Yours sincerely,

**Ron Kaushik**  
Senior Manager- Market Surveillance