

**NANOPAC INNOVATION LTD**

**ARBN 169 020 580**

29 May 2018

The Manager  
National Stock Exchange of Australia Ltd  
1 Bligh Street  
SYDNEY NSW 2000

Dear Sirs

**NANOPAC Innovation Limited ( the “Company”) – Response to Periodic Disclosure Query**

We refer to your letter of 23 May 2018. In answer to your 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?

The Information in Note 7 to the Annual Report for the year ended 31 December 2017 is in accurate in that it referred to an investment in NSX Limited. The investment is in fact in the Nanopac Innovation Limited’s existing subsidiary Nanopac (M) Sdn Bhd.

The reference to NSX Limited was an error due to confusion when drafting the note given Nanopac Innovation’s Limited’s listing on NSX.

Attached as an annexure to this letter is an amended Note 7 to the Annual Accounts.

2. If the answer to the question 1 is yes, why were no announcements made by the Company regarding the investment in the entity?

Not applicable

3. If the answer to the question1 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.

Please see information supplied to the Company’s Auditor in respect of Note 7.

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).

Yes however despite this the error was not identified. The Directors are aware of their duties to the Company.

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?

Yes

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.

The Directors arranged for the accounts to be prepared by the Group's Chief Financial Officer following the end of the 2017 financial year. Drafts were prepared and discussed with the Directors and the Company's Auditor. The accounts were reviewed and approved by the Directors on 28 March 2018. They were approved and signed off by the auditor on the same date.

The balance of the Annual Report was prepared by the Company Secretary and submitted to the Board for approval on 28 March 2018. Certain information in respect of the shareholding spread and the Top 20 shareholders was obtained by the Company Secretary from the share registry, Boardroom Limited.

The signed Annual Report was lodged on 29 March 2018.

If you have any questions in respect of the answers above please contact the writer in first instance.

Yours faithfully

A handwritten signature in black ink, appearing to read 'AB', written in a cursive style.

**Andrew Bristow**  
Secretary

**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
<b>Nanopac (M) Sdn Bhd</b>	<b>Malaysia</b>	<b>1</b>	<b>100%</b>	<b>98,851</b>	<b>3,448,499</b>
				<b>98,851</b>	<b>3,448,499</b>

**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**

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

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.