

Independent auditor's report to the Shareholders of Infinio Group Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Infinio Group Limited (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the *Bases for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Bases for Disclaimer of Opinion

Valuation of non-current assets classified as held for sale

The Group is the sole legal owner of certain mining rights in respect of the Birthday Mine located in Western Australia. As at 31 March 2017, management classified its investment in these mining rights as “Non-current Assets Held for Sale” following the Board’s decision to diversify its current Mineral, Oil and Gas (“MOG”) business to an Automated Retail business (“Proposed Diversification”) as management was unable to secure financing to commence the mining operations in Birthday Mine. The Proposed Diversification was subsequently approved by the Company’s shareholders at the Extraordinary General Meeting held on 1 June 2017. As at the balance sheet date, the carrying amount of the mining rights amounted to \$1,903,000. FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* requires these mining rights which have been classified as “held for sale” in the consolidated statement of financial position to be measured at the lower of its carrying amount and fair value less costs to sell.

In the absence of information from management on the fair value of the mining rights, we are not able to obtain sufficient appropriate audit evidence to ascertain whether the mining rights are measured appropriately in accordance with FRS 105.

Independent auditor's report to the Shareholders of Infinio Group Limited (Cont'd)

Bases for Disclaimer of Opinion (Cont'd)

Recoverable amount of the cost of investment in a subsidiary

As at 31 March 2017, the carrying amount of the Company's cost of investment in subsidiaries amounting to \$1,903,000 related to its investment in Summit Light Ventures Ltd ("Summit Light"). The recoverable amount of the Company's investment in Summit Light is dependent on the measurement basis of the mining rights as described in the preceding paragraph since Summit Light is the sole legal owner of the mining rights. In the absence of information from management on the fair value of the Mining Rights, we are not able to obtain sufficient appropriate audit evidence to determine the recoverable amount of the investment in Summit Light in accordance with FRS 105.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2 to the financial statements. The Group incurred losses and total comprehensive loss for the year of \$1,246,000 and \$1,261,000 (2016 - \$4,014,000 and \$4,014,000) and reported net operating cash outflows of \$422,000 (2016 - \$1,194,000) for the financial year ended 31 March 2017; and as at that date, the Group's and the Company's current liabilities exceeded the Group's and the Company's current assets by and \$4,216,000 and \$3,963,000 (2016 - \$3,078,000 and \$2,835,000), and the Group's and Company's total liabilities exceeded the Group's and Company's total assets by \$2,313,000 and \$2,060,000 (2016: \$1,052,000 and \$809,000) respectively. These conditions, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Bases for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Independent auditor's report to the Shareholders of Infinio Group Limited (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Bases for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,
12 July 2017

2 Going concern

The Group incurred losses and total comprehensive loss for the year of \$1,246,000 and \$1,261,000 (2016 - \$4,014,000 and \$4,014,000) and reported net operating cash outflows of \$422,000 (2016 - \$1,194,000) for the financial year ended 31 March 2017; and as at that date, the Group's and the Company's current liabilities exceeded the Group's and the Company's current assets by and \$4,216,000 and \$3,963,000 (2016 - \$3,078,000 and \$2,835,000), and the Group's and Company's total liabilities exceeded the Group's and Company's total assets by \$2,313,000 and \$2,060,000 (2016: \$1,052,000 and \$809,000) respectively.

As at 31 March 2017, the Group and the Company had cash and cash equivalents of \$5,000 and \$1,000 respectively, and the available cash balances are not sufficient to settle the Group's and the Company's current outstanding liabilities amounting to \$4,265,000 and \$4,002,000 respectively, comprising mainly (i) the remaining accrued consideration payable of \$950,000 in connection with the acquisition of 100% interest in Summit Light Ventures Ltd ("Summit Light") in FY 2014, (ii) unsecured loans from shareholders and third parties and the related accrued interest of \$1,410,000, (iii) amounts due to directors/ ex-directors of \$758,000, and other creditors and accrued expenses. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements of these financial statements and that debts owing will be paid as and when they fall due as:-

- At an Extraordinary General Meeting ("EGM") held on 1 June 2017, the shareholders of the Company have approved the proposed issuance of 1% equity-linked redeemable convertible notes due 2020 in aggregate principal amount of up to S\$20 million ("RCN") to Advance Opportunities Fund I ("AOF I"). The RCN involves 4 tranches of a principal amount of \$5,000,000 each, comprising of Tranche 1 Notes, Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes (collectively the "Notes") respectively. Each Tranche 1 and Tranche 2 Notes shall further comprise 20 equal sub-tranches of \$250,000, while each Tranche 3 and Tranche 4 Notes shall comprise 10 equal sub-tranches of \$500,000 respectively. Subsequent to the conclusion of the EGM, the Company submitted a listing application for the Notes to SGX-ST and received the listing and quotation notice from SGX-ST on 28 June 2017. The subscription of the first sub-tranche of Tranche 1 Notes was completed on 7 July 2017 and the Company received proceeds of \$203,577 after deducting related expenses. Management intends to further draw down the remaining 19 sub-tranches of Tranche 1, amounting to \$4.75 million, in the next 12 months to fund the Company's working capital requirements and automated retail business.
- In addition, the shareholders have also approved the conversion of debts owing to certain non-trade creditors, amounting to \$1,554,000, into 1.29 billion new ordinary shares in the capital of the Company at \$0.0012 per share. The Company has also received the listing and quotation notice of these new ordinary shares from SGX-ST on 28 June 2017. The new ordinary shares were listed and quoted on SGX-ST on 7 July 2017. The completion of the debt conversion exercise will reduce the debt burden of the Group and the Company and eliminates the need for any cash repayments and alleviate pressures faced by the Group and the Company on its current cash flows; and
- Management has prepared a cash flow forecast for the next twelve months and is of the view that sufficient working capital will be available to the Group to discharge its liabilities as and when they fall due.

2 Going concern (Cont'd)

If the Group and the Company are unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.