

DAWNEY & CO LTD
ABN 59 138 270 201

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

CONTENTS

Directors' Report

Auditor's Independence Declaration

Condensed Statement of Comprehensive Income

Condensed Statement of Financial Position

Condensed Statement of Changes in Equity

Condensed Statement of Cash Flows

Notes to the Condensed Financial Statements

Directors' Declaration

Independent Auditor's Report

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

The directors present their report on the company for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of each person who has been a director during the period and to the date of this report are:

Mr Mitchell David Dawney (appointed 5 October 2018)
Mr Kerry John Daly (appointed 5 October 2018)
Mr Giles Cameron Craig
Mr Steven Shane Pritchard (resigned 5 October 2018)
Mr Frederick Raymond Woollard (resigned 5 October 2018)
Mr Gordon Bradley Elkington (resigned 5 October 2018)

Review of Operations

The company incurred a net loss after tax for the half-year ended 31 December 2018 of \$208,869. The main contributors to the loss were costs relating to the recapitalization of the company, administration expenses and the unrealised mark to market impact on the securities portfolio (-\$250,000, mostly Horizon Oil [-\$218,750] – the Company's largest investment). We have added to existing holdings since the balance date and some holdings have risen slightly. The Board continues to review debt and equity investment opportunities.

As at 31 December 2018 the company held \$842,244 in cash, securities with a market value of \$1,956,802 and had no borrowings.

During the half-year ended 31 December 2018, the company completed the securities purchase and placement transactions with Mitch Dawney's related entities as announced to the market on 20 July 2018. As part of that transaction Mitch Dawney and Kerry Daly were appointed as Directors of the Company and Steven Pritchard, Gordon Elkington and Fred Woollard resigned as Directors. Giles Craig remains a director of the Company. Subsequently, Hamilton Securities Ltd was renamed Dawney & Co Ltd.

Holdings of Note at 31 December 2018:

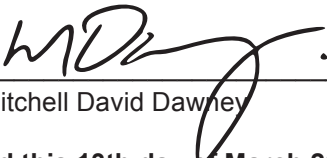
Ticker	No. Of Units/Shares	Market Value (\$)
APR.NSX	338,425	406,110
GOW.ASX	200,000	520,000
HZN.ASX	6,250,000	625,000
NGE.ASX	674,999	391,499

Auditors' Independence Declaration

The lead auditors' independence declaration in accordance with section 307C of the Corporations Act 2001, for the half-year ended 31 December 2018 is set out on page 2.

This report is signed in accordance with a resolution of the Board of Directors:

Director:


Mr Mitchell David Dawney

Dated this 13th day of March 2019

DAWNEY & CO LIMITED

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I am pleased to provide the following declaration of independence to the directors of Dawney & Co Limited.

As lead audit partner for the review of the financial statements of Dawney & Co Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



PKF



MARTIN MATTHEWS
PARTNER

13 MARCH 2019
NEWCASTLE, NSW

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31/12/2018 \$	31/12/2017 \$
Income from deposits & trust distributions	2	6,116	12,403
Capital gain (loss) on sale of assets		(962)	-
Unrealised gain (loss) on revaluation of investments		(246,834)	-
Total income from ordinary activities		<u>(241,680)</u>	<u>12,403</u>
Administration expenses		(56,704)	(51,039)
Operating loss before income tax		<u>(298,384)</u>	<u>(38,636)</u>
Income tax (expense)/benefit relating to ordinary activities		89,515	(30,584)
Loss attributable to members of the company		<u>(208,869)</u>	<u>(69,220)</u>
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		<u><u>(208,869)</u></u>	<u><u>(69,220)</u></u>
 Overall Operations			
Basic earnings per share (cents)		(2.06)	(3.24)
Diluted earnings per share (cents)		(2.06)	(3.24)

The accompanying notes form part of these financial statements.

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31/12/2018 \$	30/06/2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		842,244	261,161
Trade and other receivables		7,047	3,170
Financial assets at fair value through profit & loss		1,956,802	-
TOTAL CURRENT ASSETS		<u>2,806,093</u>	<u>264,331</u>
NON-CURRENT ASSETS			
Deferred tax assets		89,514	-
TOTAL NON-CURRENT ASSETS		<u>89,514</u>	<u>264,331</u>
TOTAL ASSETS		<u>2,895,607</u>	<u>264,331</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		22,522	33,947
TOTAL CURRENT LIABILITIES		<u>22,522</u>	<u>33,947</u>
TOTAL LIABILITIES		<u>22,522</u>	<u>33,947</u>
NET ASSETS		<u>2,873,085</u>	<u>230,384</u>
EQUITY			
Issued capital	3	3,121,524	269,955
Accumulated losses		(248,439)	(39,571)
TOTAL EQUITY		<u>2,873,085</u>	<u>230,384</u>

The accompanying notes form part of these financial statements.

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued capital \$	Retained earnings / (Accumulated losses) \$	Total \$
Balance at 01/07/2017	2,303,272	60,660	2,363,932
Net loss for the period	-	(69,220)	(69,220)
Other comprehensive income (loss) for the period (net of tax)	-	-	-
Total comprehensive loss for the period	-	(69,220)	(69,220)
Return of capital to shareholders	(1,924,948)	-	(1,924,948)
Options bought back during the period	(105,489)	-	(105,489)
Balance at 31/12/2017	272,835	(8,560)	264,275
Balance at 01/07/2018	269,955	(39,570)	230,385
Net loss for the period	-	(208,869)	(208,869)
Other comprehensive income (loss) for the period (net of tax)	-	-	-
Total comprehensive loss for the period	-	(248,439)	21,516
Capital raised - reverse takeover	1,499,479	-	1,499,479
Capital raised - placement	1,352,090	-	1,352,090
Balance at 31/12/2018	3,121,524	(248,439)	2,873,085

The accompanying notes form part of these financial statements.

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31/12/2018	31/12/2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	938	12,423
Other receipts	5,178	2,011
	6,116	14,434
Administration expenses	(72,834)	(27,157)
Bank charges	(142)	(130)
Net cash provided by (used in) operating activities	(66,860)	(12,853)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the capital reduction of financial assets	6,133	-
Purchases to acquire financial assets	(710,280)	-
Net cash provided by (used in) investing activities	(704,147)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	1,352,090	-
Payment for buy-back of options	-	(109,457)
Payment of return of capital	-	(1,924,948)
Net cash provided by (used in) financing activities	1,352,090	(2,034,405)
Net increase (decrease) in cash held	581,083	(2,047,258)
Cash at beginning of period @ 30/06/2018	261,161	2,358,089
Cash at end of period	842,244	310,831

The accompanying notes form part of these financial statements.

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Condensed Financial Statements

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134: Interim Financial Reporting*, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards *IAS 34 Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and must be read in conjunction with the most recent annual report.

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The company has not applied any Australian Accounting Standards or AASB Interpretations that have been issued at balance date but are not yet operative for the half-year ended 31 December 2018 ("the inoperative standards"). The impact of the inoperative standards has been assessed and has been identified as not being material. The company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

The adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the company's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The company does not intend to adopt any of these pronouncements before their effective dates.

New and amended standards adopted by the Company

Certain new accounting standards and interpretations have been published for the 31 December 2018 reporting period by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

(i) AASB 9: *Financial Instruments* (effective 1 July 2018)

AASB 9 contains new requirements of the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost, and financial assets will only be measured at amortised cost where specific conditions are met. AASB 9 introduces new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The new expected-loss impairment model requires credit losses to be recognised when financial instruments are first recognised, and results in full lifetime expected credit losses recognised when there is a significant increase in a credit risk. The balance of financial assets scoped into AASB 9 impairment requirements are not material.

There was no impact on the Company upon adoption of AASB 9 on 1 July 2018 as the Company currently classifies financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Company does not apply hedge accounting.

(ii) AASB 15: *Revenue from Contracts with Customers* (effective 1 July 2018)

AASB 15 supersedes AASB 18 Revenue and AASB Construction Contracts. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaces the existing notion of risk and rewards.

There was no impact on the Company upon the adoption of AASB 15 on 1 July 2018 as the Company's revenue recognition of interest, dividend, investment gains/(losses) and foreign exchange gains/(losses) were unaffected as these items are excluded from the scope of AASB 15.

New standards and interpretations not yet adopted

There were no new standards, interpretations or amendments to existing accounting standards that are not mandatory for the interim reporting period ending 31 December 2018.

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31/12/2018	31/12/2017
	\$	\$
<hr/>		
NOTE 2: REVENUE		
Income from deposits	938	12,403
Trust distributions received	5,178	-
Total revenue	6,116	12,403

NOTE 3: ISSUED CAPITAL

Movements in issued capital of the company during the half year were as follows:

Shares

Date	Details	Ordinary Shares	Purchase Price	Issued Capital
			\$	\$
01/07/2018	Opening balance	2,138,831	Various	269,955
05/10/2018	Capital raised - reverse takeover	8,820,467	0.17	1,499,479
05/10/2018	Capital raised - placement	7,994,118	0.17	1,359,000
	Costs associated with capital raising	-	-	(6,910)
31/12/2018	Balance	18,953,416		3,121,524

All ordinary shares rank equally *inter se* for all purposes of participation in profits or capital of the company.

Ordinary shares confer on their holder the right to receive notices, reports and accounts and to attend and speak and vote at general meetings of the company.

Options

As at 1 July 2018 the company had on issue 32,271 B class options, each of which entitled the holder to the issue of one share upon payment of \$1.00 at any time up to 30 November 2019.

As a result of the capital reduction which occurred on 21 December 2017, the exercise price of each B class option was reduced from \$1.00 to \$0.10.

Date	Details		Purchase Price	Issued Capital
			\$	\$
01/07/2018	Opening balance	32,271	Various	(128,904)
	Movement during the half-year	-	-	-
31/12/2018	Balance	32,271		(128,904)

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31/12/2018	31/12/2017
	\$	\$
NOTE 4: EARNINGS PER SHARE		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	10,144,337	2,138,831
Weighted number of options outstanding	32,271	214,940
Weighted number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share	10,144,337	2,138,831
Basic and diluted earnings per share	\$	\$
Loss attributable to members of the company	(208,869)	(69,220)
	Cents	Cents
Basic earnings per share	(2.06)	(3.24)
Diluted earnings per share	(2.06)	(3.24)

NOTE 5: SEGMENT REPORTING

(a) Description of segments

The Board makes the strategic resource allocations for the company. The company has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for the company's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the company's performance is evaluated on an overall basis.

The company invests in debt and equity securities and other instruments for the purposes of providing shareholders with attractive investment returns over time.

(b) Segment information provided to the Board

The internal reporting provided to the Board for the company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards.

The Board considers the company's net asset backing per share after tax to be a key measure of the company's performance.

	Cents	Cents
Net asset backing per share	15.16	12.35

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31/12/2018	31/12/2017
	\$	\$
NOTE 6: RELATED PARTY TRANSACTIONS		
Transactions with related parties:		
- Fees paid to Rees Pritchard Pty Limited for accounting and company secretarial services	16,668	20,113
Steven Pritchard is interested in the above transactions as a director and a beneficial shareholder of Rees Pritchard Pty Limited.		
- Fees paid to Newcastle Capital Markets Registries Pty Limited for share registry services	5,844	4,363
Steven Pritchard is interested in the above transactions as a director and a beneficial shareholder of Newcastle Capital Markets Registries Pty Limited.		

Transactions with related parties are on normal commercial terms and conditions no less favourable than those available to other parties.

NOTE 7: DIRECTORS AND EXECUTIVES DISCLOSURE

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

Since 31 December 2018 to the date of this report there have been no events specific to the company of which the directors are aware which has had a material effect on the company or its financial position with the exception of the following:

APR.NSX:

The company's initial investment in APN Regional Property Fund (APR) was acquired as part of the transaction with Mitch Dawney related entities. Dawney & Co then acquired additional units both on market and a residual balance from Mitch Dawney entities (55,000 units at \$1.20) to make up the current holding. APR is an example of the types of investments the Board seeks out. The APN Board had long promised a liquidity event. The first target date was 30 June 2018 (this was pushed out to 31 December 2018 and then into the 2019 year). After analysis of the underlying properties, the Directors of Dawney & Co believed that the market price was not only trading at a discount to reported NTA but also at a discount to prices being achieved in private real estate transactions. Given the APN Board had committed to a liquidity event, the investment case was that one could acquire units on market at a discounted price with a "known" exit point in the near future. This "known" capital gain was accompanied by quarterly distributions to boost the total return.

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

31/12/2018
\$

31/12/2017
\$

When the Directors of Dawney & Co had not heard anything from APN about the liquidity event by December 2018, Dawney & Co agreed with EGP Capital to work together in relation to our holding in APR and on 11 December 2018, we lodged a joint substantial holder notice. On 4 February 2019 APN announced a capital raising and liquidity event with a withdrawal price of between \$1.4046 and \$1.4176 per unit. At the time of writing Dawney & Co had tendered its units into the liquidity event. Therefore proceeds on withdrawal are estimated to be \$475,352 (338,425 x \$1.4046).

NOTE 9: COMPANY DETAILS

The registered office and principal place of business of the company is:

37 Charlton Street
Ascot QLD 4007

DAWNEY & CO LTD
ABN 59 138 270 201
INTERIM FINANCIAL REPORT


DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and the notes set out on pages 3 to 12:
 - (a) comply with Accounting Standards and the Corporations Regulations; and
 - (b) give a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors in accordance with section 303(5) of the *Corporations Act 2001*.

Director:



Mr Mitchell David Dawney

Dated this 13th day of March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DAWNEY & CO LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Dawney & Co Limited (the company), which comprises the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dawney & Co Limited is not in accordance with the Corporations Act 2001 including:-

- (a) giving a true and fair view of the company's financial position as at 31 December 2018, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Dawney & Co Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Auditor's Responsibility (cont'd)

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF



MARTIN MATTHEWS
PARTNER

13 MARCH 2019
NEWCASTLE, NSW