

KALINA POWER LIMITED

ABN 24 000 090 997

Half-year financial report for the half-year ended 31 December 2021

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CORPORATE DIRECTORY

Directors:	Mr Ross MacLachlan Mr Tim Horgan Mr Jeffry Myers Dr Malcolm Jacques Mr Peter Littlewood	Chief Executive Officer and current acting Chairman Executive Director Executive Director Non-executive Director Non-executive Director
Company Secretary:	Mr Kesh Thurairasa	
Registered Office:	Suite 6, 795, Glenferrie Road Hawthorn VIC 3122 Telephone: + 61 3 9236 2800 Facsimile: + 61 3 9818 3656	
Principal Place of Business:	Ground Floor Suite 6, 795 Glenferrie Road Hawthorn VIC 3122 Telephone: + 61 3 9236 2800 Facsimile: + 61 38 9818 3656	
Share Registry:	Computershare Registry Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, Vic, Australia, 3067 Telephone: 1800 564 6253	
Bankers:	Commonwealth Bank of Australia 385 Bourke Street Melbourne VIC 3000	
Auditors:	HLB Mann Judd Level 9, 575 Bourke Street Melbourne VIC 3000 Telephone: + 61 3 9606 3888 Facsimile: + 61 3 9606 3800	
Solicitors:	Gadens Lawyers Level 13, Collins Arch, 447 Collins Street Melbourne VIC 3000	
Stock Exchange:	The Company is listed on the Australian Stock Exchange. ASX code: KPO	
Other Information:	KALINA POWER LIMITED, incorporated and domiciled in Australia, is a publicly listed company limited by shares.	

Directors' report

The directors of KALiNA Power Limited present the interim financial report of the company and its subsidiaries ("the consolidated entity" or "the group") for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Mr Ross MacLachlan (Chief Executive Officer and current acting Chairman)

Mr Tim Horgan (Executive Director)

Mr Jeffrey Myers (Executive Director)

Dr Malcolm Jacques (Non-executive Director)

Mr Peter Littlewood (Non-executive Director)

Review of operations

The total loss of the consolidated entity attributable to the owners of the parent for the half year ended 31 December 2021 was \$2,352,031 (2020: net loss \$4,349,523). This equates to a basic loss per share of 0.19 cents (2020: basic loss per share of 0.43 cents).

During the period the Company raised \$9,940,000 (gross) at an issue price of 2.7 cents per share through a private placement. Funds raised are primarily being used toward the final development of the Company's Alberta projects and for ongoing working capital requirements.

The primary focus of activities during the period was the ongoing development of the Company's Flagship 64MW Primary Site, the KALiNA Energy Centre – Saddle Hills ("Saddle Hills"), located in Alberta, Canada. The Company's Canadian subsidiary, KALiNA Distributed Power Limited ("KDP") continued its engineering, contracting and regulatory approvals in an effort to position the project to achieve Full Notice to Proceed ("FNTP").

Located in Alberta, Canada the location of KPO's Saddle Hills project is of strategic significance due to the region's high electrical demand, favourable grid interconnection capacity and gas supply. Infrastructure is in place that can accommodate two 32MW combined cycle power blocks each configured with a 22MW natural gas turbine and a KALiNA Cycle® module to generate 10MW of zero-emissions power from the gas turbine's waste heat. Substantial progress during the period has positioned the project with the most of the project deliverables in place to achieve FNTP.

After responding to information requests from the Alberta Utilities Commission (AUC), KDP filed its Rule 007 regulatory application and received approval in October granting authorisation to construct and operate the Saddle Hills power plant. In support of the application, KDP filed its Environmental Protection and Enhancement Act application with Alberta Environment and Parks (AEP). During the period KDP supplied the AEP with additional requested information required for their process to authorise environmental approval. Requests for specifications directly from the gas turbine vendor have subsequently been provided and the Company is waiting on final approval.

During the period KDP received a detailed Class 2 FEED report from Enerflex which has led to a detailed review their proposal for Engineering Procurement Fabrication & Construction (EPFC). Various contracting options are continuing with Enerflex and major equipment vendors to secure terms appropriate for project financing and a framework that is deemed suitably accretive for the Company.

Advancing Saddle Hills to FNTP will provide the Company with a valuable reference point and provide further opportunities to deploy its distributed generation program, which if all brought online, would represent over 300MW of generation. Additional industrial applications for the Company's KALiNA Cycle® technology in the Oil Sands and Geothermal sectors are currently being pursued. As the global demand for clean energy continues to grow, KALiNA remains in a strong position to become a leading global waste heat-to-power company.

Corporate

The loss for the half year attributed to owners of the parent was \$2,352,031 (2020: loss \$4,349,523). Included in this loss, is an amount of \$1,514,163 relate to Alberta project development expenses. During the period the Company issued 368,148,153 ordinary shares at 2.7 cents per share raising \$9,244,076 after costs.

Subsequent events

The COVID-19 pandemic continues to create unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the Group at the reporting date. As responses by worldwide governments continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the Group's operations, its future results and financial position.

Refer to Note 1 to the interim financial report for further information regarding the impact of COVID-19 on the Group.

Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to *S.306(3) of the Corporations Act 2001*.

On behalf of the Directors



Tim Horgan
Director
Melbourne, 24 February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the interim consolidated financial report of Kalina Power Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Kalina Power Limited and the entities it controlled during the period.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

Melbourne
24 February 2022



**Michael Gummery
Partner**

Independent Auditor's Review Report to the Members of Kalina Power Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kalina Power Limited ("the Company"), which comprises the consolidated interim statement of financial position as at 31 December 2021, the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the 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 Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility for the Review of the Half Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Melbourne
24 February 2022



Michael Gummery
Partner

Directors' declaration

In accordance with a resolution of the directors of KALiNA Power Limited, the directors of the Company declare that:

1. The Financial Statements and notes as set out on pages 10 to 17 are in accordance with the *Corporations Act 2001* including:
 - a. Complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - b. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ending on that date.
2. In the directors' opinion and based on the factors outlined in Note 1 Going Concern, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Tim Horgan
Director
Melbourne, 24 February 2022

**Consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2021**

	Consolidated	
	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Continuing operations		
Revenue	-	-
Cost of sales	-	-
Gross profit/(loss)	-	-
Other revenue	319,864	151,084
Finance income	64	3,463
Employee benefits expenses	(727,021)	(761,466)
Share-based payments	(40,714)	(979,494)
Administration expenses	(170,820)	(193,793)
Depreciation and amortisation expense	(4,547)	(2,891)
Travel expenses	(22,008)	(30,106)
Engineering and professional fees	(1,425,135)	(2,147,208)
Legal fees	(224,483)	(40,366)
Patent costs	(219,647)	(333,501)
Foreign exchange gain/(loss)	(5,819)	(60,461)
Finance costs	(61,765)	(61,444)
Loss before tax	(2,582,031)	(4,456,183)
Income tax benefit/(expense)	-	-
Loss for the period	(2,582,031)	(4,456,183)
Other comprehensive income/(loss), net of income tax		
Items that may be reclassified subsequently to profit or loss		
Exchange reserve arising on translation of foreign operations	(95,462)	216,293
Other comprehensive gain for the period, net of income tax	(95,462)	216,293
Total comprehensive income/(loss) for the period	(2,677,493)	(4,239,890)
Profit/(Loss) attributed to:		
Owners of the parent	(2,352,031)	(4,349,523)
Non-controlling interests	(230,000)	(106,660)
	(2,582,031)	(4,456,183)
Total comprehensive profit/(loss) attributed to:		
Owners of the parent	(2,433,870)	(4,180,321)
Non-controlling interests	(243,623)	(59,569)
	(2,677,493)	(4,239,890)
Earnings/(loss) per share		
From continuing and discontinued operations:		
Basic (cents per share)	(0.19)	(0.43)
Diluted (cents per share)	(0.19)	(0.43)

Notes to the consolidated financial statements are included on pages 14 to 17.

**Consolidated statement of financial position
as at 31 December 2021**

		Consolidated	
		31 Dec 2021	30 Jun 2021
		\$	\$
Current assets			
Cash and cash equivalents		4,683,643	1,093,470
Financial assets	4	3,000,000	-
Trade and other receivables		142,697	121,397
Total current assets		7,826,340	1,214,867
Non-current assets			
Investments accounted for using the equity method		9,200	9,200
Property, plant and equipment		23,328	25,095
Total non-current assets		32,528	34,295
Total assets		7,858,868	1,249,162
Current liabilities			
Trade and other payables		503,682	663,625
Provisions		212,502	190,252
Total current liabilities		716,184	853,877
Non-current liabilities			
Other payables	5	2,033,454	1,900,294
Provisions		46,524	39,583
Total non-current liabilities		2,079,978	1,939,877
Total liabilities		2,796,162	2,793,754
Net assets/(liabilities)		5,062,706	(1,544,592)
Equity			
Issued capital		127,181,448	117,937,371
Reserves		7,848,087	7,889,212
Accumulated losses		(118,867,865)	(116,515,834)
Total equity attributable to equity holders of the company		16,161,670	9,310,749
Non-controlling interest		(11,098,964)	(10,855,341)
Total equity/net deficiency		5,062,706	(1,544,592)

Notes to the consolidated financial statements are included on pages 14 to 17.

**Consolidated statement of changes in equity
for the half-year ended 31 December 2021**

	Consolidated								
	Issued capital and contributed equity	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	113,804,238	3,509,070	9,800,008	(9,939,836)	(450,800)	(108,650,252)	8,072,428	(10,687,866)	(2,615,438)
Movement in foreign currency Profit/(Loss) for the period	-	169,202	-	-	-	-	169,202	47,091	216,293
Total comprehensive loss for the period	-	-	-	-	-	(4,349,523)	(4,349,523)	(106,660)	(4,456,183)
New share issue	4,953,994	169,202	-	-	-	-	(4,180,321)	(59,569)	(4,239,890)
Options Issued	(874,882)	-	4,644,048	-	-	-	4,953,994	-	4,953,994
Capital raising costs	-	-	-	-	-	-	4,644,048	-	4,644,048
Balance at 31 December 2020	117,883,350	3,678,272	14,444,056	(9,939,836)	(450,800)	(112,999,775)	12,615,267	(10,747,435)	1,867,832

	Consolidated								
	Issued capital and contributed equity	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	117,937,371	3,632,735	14,647,113	(9,939,836)	(450,800)	(116,515,834)	9,310,749	(10,855,341)	(1,544,592)
Movement in foreign currency Profit/(Loss) for the period	-	(81,839)	-	-	-	-	(81,820)	(13,623)	(95,462)
Total comprehensive loss for the period	-	-	-	-	-	(2,352,031)	(2,352,031)	(230,000)	(2,582,031)
New share issue	9,940,000	(81,839)	-	-	-	(2,352,031)	(2,433,870)	(243,623)	(2,677,493)
Options Issued	-	-	40,714	-	-	-	9,940,000	-	9,940,000
Capital raising costs	(695,923)	-	-	-	-	-	40,714	-	40,714
Balance at 31 December 2021	127,181,448	3,550,896	14,687,827	(9,939,836)	(450,800)	(118,867,865)	16,161,670	(11,098,964)	5,062,706

Notes to the consolidated financial statements are included on pages 14 to 17.

**Consolidated cash flow statement
for the half-year ended 31 December 2021**

	Consolidated	
	Half-year ended 31 Dec 2021	Half-year ended 31 Dec 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers	14,609	1,439
Payments to suppliers and employees	(2,964,589)	(3,265,430)
Other income	277,147	-
Interest received	64	3,463
Government cash assistance	-	135,200
	(2,672,769)	(3,125,328)
Net cash (used in)/generated by operating activities		
Cash flows from investing activities		
Proceeds from sale of equity investments	-	9,554
Payments for financial assets	(3,000,000)	-
Payment for fixed assets	(2,781)	(2,645)
	(3,002,781)	6,909
Net cash (used in)/generated by investing activities		
Cash flows from financing activities		
Proceeds from issue of shares and options	9,940,000	7,642,070
Proceeds from options exercised	-	3,656
Proceeds from borrowings	-	500,000
Repayment of borrowings	-	(500,000)
Capital raising costs	(674,277)	(613,462)
	9,265,723	7,032,264
Net cash (used in)/generated by financing activities		
Net increase/(decrease) in cash and cash equivalents	3,590,173	3,913,845
Cash and cash equivalents at the beginning of the period	1,093,470	440,600
Cash and cash equivalents at the end of the period	4,683,643	4,354,445

Notes to the consolidated financial statements are included on pages 14 to 17.

Notes to consolidated financial statements

1. Summary of significant accounting policies

Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of KALiNA Power Limited and its controlled entities (referred to as the "Group"). These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly these financial statements be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2021, together with any public announcements made during the following half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

COVID-19

The Covid-19 pandemic has caused a number of challenges, including restrictions on travel and meetings which would have otherwise taken place. Working together with various capital providers and engineering partners, management and its advisors have adapted to the situation and continued to be constructively engaged in moving the projects forward. Further these challenges have not had much impact in the fund raising process recently undertaken by the Company.

Whilst Covid-19 has not materially impacted the project development or funding process to date, until vaccine rollout reaches an advanced stage, there is still continued uncertainty as to the duration of and further impact of Covid-19 including (but not limited to) in relation to government, regulatory or health authority actions, work stoppages, lockdowns, quarantines, travel restrictions and the impact on the Australian, Canadian economy. If the risk of spread of Covid-19 continues, and/or the actions taken to combat Covid-19 persist, the Company's operational and financial performance could be impacted. This could also affect delivery of equipment where suppliers and their supply chains are adversely impacted by Covid-19, site specific activities related to site preparation and construction.

The Group did not receive any financial assistance from the government in the half year ended 31 December 2021.

There are currently no known additional impacts on the Group.

These interim financial statements were authorised for issue by the board of directors on 24 February, 2022.

Accounting Policies

Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time during the half year to 31 December 2021. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

The key critical accounting estimates and judgements are:

Going concern

As at 31 December 2021, the Group has cash reserves of \$7,683,643 of which \$6,000,000 is held in term deposits, and an excess of current assets over current liabilities of \$7,137,291. The current half-year consolidated loss before tax was \$2,554,915.

Going concern (cont'd)

The cash flow forecast prepared by management for the 14-month period to 28 February 2023, indicates that the Group has sufficient funds to fund its operations and meet its debts as and when they fall due. Based on the above, the directors believe that the Group will be able to continue as a going concern and, accordingly, the financial statements have been prepared on that basis.

2. Segment information

The following is an analysis of the Group's revenue and results by reportable operating segments for the periods under review:

	Revenue		Segment profit/(loss)	
	Half-year ended		Half-year ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	\$	\$	\$	\$
Continuing operations				
Investments	-	-	(48,233)	(1,779,611)
Power business	-	-	(2,533,798)	(2,676,572)
Consolidated segment revenue				
Revenue for the period	-	-	-	-
Profit/(loss) for the period	-	-	(2,582,031)	(4,456,183)

Segment loss represents the loss incurred by each segment with the allocation of interest revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
Investments	7,513,938	1,144,574
Power business	344,930	104,588
Total segment assets	7,858,868	1,249,162
Unallocated assets	-	-
Total assets	7,858,868	1,249,162

3. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			31 Dec 2021 %	31 Dec 2020 %
Associates				
Exergy Inc	USA	Investment	46.0	46.0
			Consolidated	
			31 Dec 2021	30 Jun 2021
			\$	\$
Reconciliation of movement in investment accounted for using the equity method:				
			9,200	9,200
			9,200	9,200

Dividends received from associates

No dividends were received during the half year (31 December 2020: Nil) from the associates.

4. Current assets

	31 Dec 2021	30 June 2021
Financial assets (i)	3,000,000	-
	3,000,000	-

(i) Relates to cash held on call deposits with maturity terms greater than 3 months.

5. Non-current liabilities

	31 Dec 2021	30 June 2021
Other payables (i)	2,033,454	1,900,294
	2,033,454	1,900,294

(i) Relates to amounts owing to key outside shareholders of New Energy Asia (NEA), on account of expenses incurred and payable under the loan agreement only when NEA has adequate funds to meet one years working capital requirements after payment of this amount. Interest accrues at 10% per annum.

6. Contributed equity

	31 Dec 2021	30 June 2021
	No .Shares	No. Shares
Ordinary Shares		
Fully paid		
Movement during the half year		
Opening Balance	1,143,629,832	819,200,174
Exercise of options	-	1,687,500
Issue of shares	368,148,153	322,742,158
	1,511,777,985	1,143,629,832

During the half year the company issued 368,148,153 ordinary shares and nil options were exercised.

7. Dividends

No dividends have been paid or declared since the start of the interim period.

8. Contingent liability

The Company supported its subsidiary New Energy Asia by way of financial guarantees of certain liabilities amounting to approximately RMB5,500,000 including in part those related to the building of the Sinopec Hainan plant. The Company has been advised that the Bank of East Asia has obtained a judgement against Shanghai Shenghe New Energy Resources Science & Technology Co Ltd (SSNE) the Kalina Cycle licensee for China, Macau, Taiwan and Hong Kong, through proceedings in China for repayment of the Loan. The Company is not a party to these proceedings. It has been agreed with SSNE that the Bank of East Asia loan will be repaid from the payments anticipated to be made by Sinopec. If there are delays in this payment being made to Bank of East Asia the Company may be required to respond to potential proceedings. The directors believe they have grounds to defend possible claims under the guarantees provided and will contest any claim made.

There are no other known contingencies as at 31 December 2021.

9. Subsequent events

The COVID-19 pandemic continues to create unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the Group at the reporting date. As responses by worldwide governments continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the Group's operations, its future results and financial position.

Refer to Note 1 to the interim financial report for further information regarding the impact of COVID-19 on the Group.

Except for the above, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.