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EUMERALLA
RESOURCES

ACN 148 860 299

INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2016

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DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

David Wheeler	<i>Non-Executive Chairman</i>
James William Joseph Hyndes	<i>Non-Executive Director</i>
Nicole Fernandes	<i>Non-Executive Director</i>

Review of Operations

Ausmex

On 5 December 2016, Eumeralla Resources Limited (ASX:EUM) (Eumeralla or Company) entered into a binding heads of agreement in relation to the acquisition of all of the securities in unlisted Australian public company Ausmex Mining Limited (Ausmex) (Proposed Acquisition). On 29 December 2016, the Company announced that, in accordance with the binding heads of agreement entered into by the Company and Ausmex, it had executed a formal Share Sale Agreement with Ausmex's security holders (Ausmex Vendors).

The effect of the Share Sale Agreement is that, subject to the satisfaction of certain conditions precedent, Eumeralla will acquire all the outstanding shares in Ausmex for consideration of 207,000,000 Eumeralla shares to be issued to the Ausmex Vendors.

Overview of Ausmex

Ausmex was incorporated in June 2016 with the principal objective of acquiring assets to explore for and develop a large IOGC or porphyry deposit funded by low risk gold production resources. To that end it has:

-) applied for and been granted EL 5881, a licence covering 980 sq km prospective for gold/copper in the Mount Bryan-Red Banks-World's End area near Burra in South Australia; and
-) entered into an agreement with Queensland Mining Corporation Limited (ASX:QMN) to acquire gold/ copper tenements or interests located in Queensland's Cloncurry region.

Completion of the Proposed Acquisition remains subject to various conditions precedent including shareholder approval and re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

In addition to the Proposed Acquisition, the Company is proposing to raise up to \$6,000,000 pursuant to a public offer.

Myanmar

Mawsaki Mining (EUM 70%) - Large scale exploration licence in Kayah State

As announced on 29 October 2014, Eumeralla Resources Ltd's 70% controlled Myanmar subsidiary, Mawsaki Mining Co., Ltd ('Mawsaki'), received State Government approval for its exploration permit in the State of Kayah.

Mawsaki progressed with the process towards being granted the required approvals to clear the way for consideration of the proposed exploration terms and conditions by Cabinet of Union Government of Myanmar.

This approval process is the next step following the successful negotiations over the licence area with the Office of Chief Minister, Kayah State Government, Chief Minister, Ministry of Forest and Mines, both the State Forest Department and State Land Records Department in Loikaw and Office of Township Administration, Hpa-hsaung.

The Company understands that approval by the Union Government will be the final step in the approval process and is encouraged by the smooth progress of the Myanmar National Election held on 8 November 2015 and the formation of a new Government. In addition, reforms to the Myanmar Mines Law (1994) continue to move ahead in Parliament, the final version of the laws was passed the first half of 2016. The Company has conducted successful negotiations over the licence area with government authorities and expects the exploration permit to be granted in Q1 of calendar year 2017 and continue to hear that progress is being made towards that deadline. The Company is also encouraged that the first licences started to be awarded, indicating that the process of licence issuance has commenced. Our most recent checks with the Ministry indicate that the licence processing is progressing but the Board notes the continuous delays in this approval process.

Mongolia

During the year the Company was advised it was successful in its application, with the Company successfully extending the Chuluun Khoroot Tungsten Project licence until 26 September 2019 and reducing the tenement area from 12,658 ha to 2,786 ha.

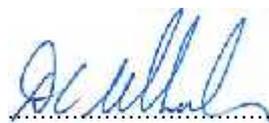
Corporate

On 12 July 2016, Mr Jack James resigned as joint company secretary. Mr Tim Slate continued in the position as company secretary.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



.....

David Wheeler

Director

17 February 2017

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Eumeralla Resources Limited for the half-year ended 31 December 2016, 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.

A handwritten signature in blue ink, appearing to read 'M R Ohm', written over a light blue horizontal line.

Perth, Western Australia
17 February 2017

M R Ohm
Partner

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	31 December 2016 \$	31 December 2015 \$
Revenue from continuing operations		
Finance income	2,646	4,143
Total income	2,646	4,143
Administrative expenses	(80,462)	(38,533)
Audit fees	(14,250)	(8,000)
Consulting fees	(58,463)	(54,338)
Corporate services	(22,750)	(50,553)
Employee benefit expenses	(72,000)	(6,731)
Impairment of exploration expenditure	(11,870)	(49,825)
Share based payment expenses	(194,183)	-
Legal fees	(28,675)	(28,254)
Other expenses	(103,172)	(93,234)
Loss before income tax	(583,179)	(325,325)
Income tax expense	-	-
Net loss for the period	(583,179)	(325,325)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign subsidiaries	71,067	(14,570)
Total comprehensive loss for the period	(512,112)	(339,895)
Basic and diluted loss per share (cents)	(0.79)	(0.69)

The accompanying notes form part of these financial statements

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	31 December 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents		1,031,516	342,845
Receivables		12,359	6,434
Prepayments		1,539	13,847
Total Current Assets		1,045,414	363,126
Non-current Assets			
Exploration and evaluation assets	2	1,119,292	1,119,292
Total Non-Current Assets		1,119,292	1,119,292
TOTAL ASSETS		2,164,706	1,482,418
Current Liabilities			
Trade and other payables		30,194	56,929
Total Current Liabilities		30,194	56,929
TOTAL LIABILITIES		30,194	56,929
NET ASSETS		2,134,512	1,425,489
Equity			
Issued capital	3	6,544,134	5,542,182
Reserves		342,213	51,963
Accumulated losses		(4,751,835)	(4,168,656)
TOTAL EQUITY		2,134,512	1,425,489

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Performance Rights Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	5,315,160	(3,678,220)	6,076	-	228,113	1,871,129
Loss for the period	-	(325,325)	-	-	-	(325,325)
Exchange differences on translation of foreign subsidiaries	-	-	(14,570)	-	-	(14,570)
Total comprehensive loss for the period	-	(325,325)	(14,570)	-	-	(339,895)
Share based payment expense	-	-	-	-	29,284	29,284
Reversal of share based payment expense on performance rights which have not vested	-	-	-	-	(69,646)	(69,646)
Balance at 31 December 2015	5,315,160	(4,003,545)	(8,494)	-	187,751	1,490,872
Balance at 1 July 2016	5,542,182	(4,168,656)	(5,365)	-	57,328	1,425,489
Loss for the period	-	(583,179)	-	-	-	(583,179)
Exchange differences on translation of foreign subsidiaries	-	-	71,067	-	-	71,067
Total comprehensive loss for the period	-	(583,179)	71,067	-	-	(512,112)
Share issues	1,065,759	-	-	-	-	1,065,759
Cost of capital	(63,807)	-	-	-	-	(63,807)
Option issues	-	-	-	25,000	-	25,000
Share based payment expense	-	-	-	251,511	-	251,511
Reversal of share based payment expense on performance rights which have not vested	-	-	-	-	(57,328)	(57,328)
Balance at 31 December 2016	6,544,134	(4,751,835)	65,702	276,511	-	2,134,512

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(314,115)	(328,048)
Interest received	2,646	4,143
Net cash (outflow) from operating activities	(311,469)	(323,905)
Cash flows from investing activities		
Payments for capitalised exploration expenditure	(11,870)	(49,825)
Net cash (outflow) from investing activities	(11,870)	(49,825)
Cash flows from financing activities		
Proceeds from issue of shares	1,065,759	-
Payment of share issue costs	(78,749)	-
Proceeds from issue of options	25,000	-
Net cash inflow from financing activities	1,012,010	-
Net increase (decrease) in cash held	688,671	(373,730)
Cash and cash equivalents at the beginning of the period	342,845	761,667
Cash and cash equivalents at the end of the period	1,031,516	387,937

The accompanying notes form part of these financial statements

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Eumeralla Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2016.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 2: EXPLORATION AND EVALUATION ASSETS

	Half year to 31 December 2016 \$	Year to 30 June 2016 \$
Exploration and evaluation phase – at cost		
Balance at beginning of period	1,119,292	1,119,292
Exploration expenditure incurred	11,870	77,033
Impairment	(11,870)	(77,033)
Total exploration and evaluation assets	1,119,292	1,119,292

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 3: ISSUED CAPITAL

	31 December 2016 \$	30 June 2016 \$
<i>Ordinary shares</i>		
Issued and fully paid	6,544,134	5,542,182

	Half year to 31 December 2016		Year to 30 June 2016	
	Number	\$	Number	\$
<i>Movements in ordinary shares</i>				
Balance at beginning of period	56,535,248	5,542,182	46,666,168	5,315,160
Shares issued via rights issue	42,630,359	1,065,759	9,869,080	246,727
Transaction costs on share issue	-	(63,807)	-	(19,705)
Balance at end of period	99,165,607	6,544,134	56,535,248	5,542,182

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 4: SHARE BASED PAYMENT

Share based payment transactions recognised during the period were as follows:

	6 months to 31 December 2016 \$	Year ended 30 June 2016 \$
<i>Profit and Loss</i>		
Share based payments to suppliers	144,908	-
Share based payments to KMPs	106,603	57,328
Reversal of forfeited performance rights	(57,238)	-

Profit and loss

The table below summarises options granted to suppliers and KMPs during the half-year:

2016								
Grant Date	Expiry date	Exercise price	Balance at start of the half-year Number	Granted during the half-year Number	Exercised during the half-year Number	Expired during the half-year Number	Balance at end of the half-year Number	Exercisable at end of the year Number
3 Nov 16 ¹	31 Dec 18	\$0.045	-	10,000,000	-	-	10,000,000	-
6 Feb 17 ²	31 Dec 18	\$0.045	-	3,500,000	-	-	3,500,000	-

¹The options have been valued using the Black & Scholes option pricing model with inputs noted in the above table and further inputs as follows:

- Grant date share price: \$0.04
- Risk-free interest rate: 1.94%
- Volatility: 99.2%

²During the period, the Company entered into a share-based payment arrangement with key management personnel to issue 3,500,000 options exercisable at \$0.045 on or before 31 December 2018. These options are subject to shareholder approval. The grant date fair value has therefore been estimated in accordance with AASB 2 using the inputs below.

- Grant date share price: \$0.07
- Risk-free interest rate: 2.21%
- Volatility: 99.2%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome. No other features of options granted were incorporated into the measurement of fair value.

During the year ended 30 June 2014 the directors granted 3,000,000 Performance Rights (Rights) to directors following shareholder approval at the November 2013 Annual General Meeting. The Rights were granted in accordance with the long term equity incentive plan as outlined in the Eumeralla Performance Rights Plan. The share based payment expense for the Rights issued has been calculated in accordance with AASB 2: Share Based Payments using a trinomial method to determine the fair value of the Rights. The total fair value for the 3,000,000 Rights issued to date was \$326,000 and this amount was expensed over the vesting periods of the Rights commencing 21 November 2013. An amount of (\$57,328) (2015: \$29,284) has been included in the Statement of Comprehensive Income under Employee benefit expenses for the period ended 31 December 2016 in respect of the reversal of those rights which were forfeited due to failure to meet vesting conditions. No performance rights remain on issue at 31 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5: SEGMENT REPORTING

The Board has determined that the Group has two reportable segments, being mineral exploration in Mongolia and Myanmar and other.

31 December 2016

	Mineral Exploration \$	Other \$	Consolidated \$
Interest revenue	-	2,646	2,646
Total revenue	-	2,646	2,646
Segment net loss from continuing operations before tax			
Expenses	(77,224)	(528,256)	(605,480)
Intersegment eliminations			19,655
Segment net loss from continuing operations	(77,224)	(525,610)	(583,179)
Segment assets	1,653,197	1,153,567	2,806,764
Intersegment eliminations			(642,169)
Total Group Assets			2,164,706
Segment asset increases for the period:			
- Capital expenditure	11,870	-	11,870
Segment Liabilities	(402,137)	(413,538)	(815,675)
Intersegment eliminations			785,481
Total Group Liabilities			(30,194)

31 December 2015

	Mineral Exploration \$	Other \$	Consolidated \$
Interest revenue	-	4,143	4,143
Total revenue	-	4,143	4,143
Segment net loss from continuing operations before tax			
Expenses	(2,756)	(425,588)	(428,344)
Intersegment eliminations			29,230
Segment net loss from continuing operations	(2,756)	(421,445)	(394,971)

30 June 2016

Segment assets	1,723,278	503,704	2,226,982
Intersegment eliminations			(713,132)
Total Group Assets			1,513,850
Segment asset increases for the period:			
- Capital expenditure	49,825	-	49,825
Segment liabilities			
Segment Liabilities	(336,850)	(398,075)	(734,925)
Intersegment eliminations			762,605
Segment liabilities			(27,680)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 7: COMMITMENTS FOR EXPENDITURE

There has been no change in commitments for expenditure since the last annual reporting date.

NOTE 8 : EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

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DIRECTORS' DECLARATION

In the opinion of the directors of Eumeralla Resources Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



DAVID WHEELER

Director

17 February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Eumeralla Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eumeralla Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, 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.

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 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.

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 Group's financial position as at 31 December 2016 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*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Conclusion

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 Eumeralla Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2016 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
17 February 2017

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

M R Ohm
Partner

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