MARINDI METALS LTD

ABN 84 118 522 124

INTERIM REPORT

31 DECEMBER 2016

MARINDI METALS LIMITED

ABN 84 118 522 124

Interim Report for the half-year ended 31 December 2016

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The directors present their report on the consolidated entity consisting of Marindi Metals Limited (the **Company**) and its controlled entity (the **Group**) for the six months ended 31 December 2016 and the auditor's review report thereon:

1. DIRECTORS

The directors of the Company at any time during or since the end of the half-year are:

Name	Period of directorship
Mr Ross Ashton *Non-Executive Chairman*	Director since 6 July 2015
Mr Joseph Treacy *Managing Director*	Director since 6 July 2015
Mr John Hutton *Non-Executive Director*	Director since 15 December 2010
Mr Geoffrey Jones *Non-Executive Director*	Director since 24 February 2006

2. RESULTS

The loss of the consolidated entity for the half-year was $1,394,335 (2015: $2,092,544).

3. REVIEW OF OPERATIONS

Forrestania Lithium Project

As reported during the period, Marindi commenced drilling at the Gem Pegmatite Mining Lease (Marindi earning 70%) on December 10, 2016. The initial RC drilling program was reconnaissance in nature with four traverses planned on lines approximately 400m apart. One traverse was abandoned due to drilling difficulties and the other three were completed for a total advance of 1440m.

Hole GRC06 on the northern end of these traverse lines intersected pegmatite material over a down hole length of 102m from surface. Assay results returned significant lithium mineralisation from **69m-102m down hole grading 3.2% Li20** including a high grade and zone from **81m-94m down hole averaging 4.0% Li2O[1].** Preliminary X-ray Diffraction (XRD) analysis indicates that the main lithium minerals present are petalite and spodumene and no lepidolite was observed. The strike and dip of this zone is as yet unknown but the Marindi interpretation is that it is sub vertical in attitude. Although only one hole, the results are extremely encouraging and further follow up drilling was carried out in the second half of January.

Marindi has submitted an additional program of work (POW) to the Department of Mines and Petroleum to enable more detailed drilling of the Gem Pegmatite Mining Lease. The initial focus of drilling will be directed towards the northern portion of the Mining Lease where a large tantalum soil anomaly, measuring 500m by 500m, is believed to outline a potential zone of near surface but poorly exposed pegmatite.

In addition, further close spaced/targeted drilling is also planned for the area around the historic workings of the Gem Pegmatite where small scale mining for the gem quality tourmaline rubellite was undertaken in the 1980s.

Nickel Potential

As previously reported[2] Marindi has determined that diamond hole MHD14 drilled in the 1970's by a previous explorer terminated in disseminated nickel sulphide mineralisation at a depth of 396.25m. The last 2.75m of the hole was logged as containing disseminated pentlandite (nickel sulphide and native copper) within a dunitic unit and averaged 0.47% Ni to the end of hole. The Gem pegmatite lease has been in private hands since the mid 1980's and as such has not been subject to any modern nickel exploration techniques or exploration activity. The Company has yet to follow up this result but believes it is encouraging and will require further consideration during March 2017 quarter.

[1] Refer ASX release dated 20 December 2016 and 28 December 2016
[2] Refer ASX release 10 November 2016

Regional Exploration (Marindi 100%)

The Mt Hope Mining Lease 77/549 is in the heart of what is emerging as a world class lithium district, where Marindi has over 850 square kilometres under application, the largest tenement holding in the Forrestania belt [3], and where active exploration and resource delineation programs by neighbours Kidman Resources (ASX: KDR) and Western Areas (ASX: WSA) are ongoing. These applications are expected to be formally granted in the March 2017 quarter.

A comprehensive review of historical data supervised by Marindi's consultant pegmatite geochemist, Dr Leigh Bettenay, has also been completed and pegmatite has been recorded in both outcrop and historic drilling. The soon to commence soil sampling program will also sample this pegmatitic material and prioritise prospective areas for follow up drilling.

Newman Base Metal Project (Marindi 100%)

Due to mine shutdowns and production shortages over the past 12 months, the global zinc price has increased substantially from US$1550 per tonne in December 2015 to current levels around US$2900 per tonne. Recent analyst commentary has also indicated the potential for further zinc price improvement over the next few years. Considering strong prevailing prices and the encouraging market outlook, Marindi considers it prudent to re-examine the economics of the Prairie deposit, one of several prospects along the 24km long Prairie Downs Fault Zone.

Prior to Marindi's ownership, approximately $16 million was expended on the Newman Base Metal Project in the period 2006 - 2008[4]. During this period, the Prairie deposit was the subject of a feasibility study, however the Global Financial Crisis and falling metal prices meant the study was never completed. Marindi retains the benefit of the data generated from the substantial geological, metallurgical and other work that was undertaken at this time.

Since acquiring the project, Marindi updated the independent ore resource estimation for the Prairie deposit to comply with JORC 2012 standard and announced *Indicated and Inferred Resource of 3mt at 5% Zn, 1.6% Pb and 15g/tAg, including an Indicated Resource of* ***1.24Mt at 6.4% Zn, 1.7% Pb and 21g/t Ag***[5].

During 2016 the Company drilled 2309.1m and completed a review of the structural setting of the mineralisation at both Wolf and Prairie Downs deposits. A major drill hole re-logging exercise was completed in February and this data, along with geophysical and geochemical data, is being interpreted to produce a 3D model of the two deposits.

Wolf Prospect Metallurgical Testwork

The Wolf prospect is located approximately 3km north west of the Prairie Deposit, and has been a primary focus of Marindi's attention due to the identification of a very large accumulation of zinc metal, primarily in the form of the zinc chlorite mineral baileychlore, over a strike of 1.75km and up to 400m in width.

Baileychlore metallurgical test work is now being managed by Core Resources, a Brisbane based specialty process and resource consultancy with specific experience in zinc oxides. Results from beneficiation test work, including heavy media separation and flotation test work are expected in the March 2017 quarter.

Upon the completion of the geological review and metallurgical testwork, the Company will be in a strong position to determine the appropriate follow up program at the Prairie Downs Base Metal Project which is likely to include drilling at Wolf and Prairie prospects, drilling of regional geochemical, structural and geophysical targets proximal to the Prairie Downs Fault Zone and a mining scoping study over the Prairie and Wolf prospects.

Northern Territory Projects

Caranbirini Project (Marindi 100%)

Marindi, in collaboration with the CSIRO, has completed a detailed ground based gravity survey over the project area, located 5km from the McArthur River mine in the Northern Territory. The data is currently being processed and interpreted with results due in the first quarter of calendar 2017. In addition, the airborne electromagnetic induction (EM) survey completed by Marindi in 2010 has been reprocessed using CSIRO expertise and modelling algorithms. This information, along with geochemical and geological data collected by the CSIRO, will be used to generate a 3D model of the Barney Creek formation, the mineralised formation which hosts the MacArthur River and Teena lead-zinc deposits. This model will be used to target exploration drilling in the coming field season.

[3] Refer ASX release dated 17 May 2016
[4] Refer ASX release dated 25 May 2015
[5] Refer ASX release dated 25 May 2015

Yalco (Teck Australia earning 70%)

To the end of December 2016 Teck have spent A$2.231M on the Yalco joint venture project, located 10 km north of McArthur River in the Northern Territory. Several high-quality targets have been identified and an application to the Northern Territory Geological Survey (NTGS) for co-funding has been submitted. If successful, drilling may be undertaken in the coming field season

Oakover Manganese Project (Marindi 100%)

The Oakover Manganese Project lies approximately 80km east of Newman in Western Australia's East Pilbara Manganese Province, 100km south of the Ant Hill Manganese Deposit owned by Mineral Resources Ltd and about 50km from the Nicholas Downs Manganese Deposit.

A Scoping Study report on the project has been received and it is not considered economic at current manganese prices. The Company is considering its options regarding this project.

Corporate

Kidman Action

The matter has been listed for trial in the Supreme Court of Western Australia commencing 29 May 2017 and the parties have been directed to attend court supervised mediation before the trial date. No date for a court supervised mediation has yet been scheduled. More information on the Company's claim is detailed in Marindi's ASX announcement dated 14 November 2016.

Rox Action

The directions hearing scheduled for the 2nd February 2017 was vacated due to all parties agreeing with programming orders, including an order referring the matter to a court supervised mediation. At this stage, no trial date or court supervised mediation date has been set. More information on the Company's claim is contained in Marindi's ASX announcement dated 14 November 2016

Competent Person Reference

Information in this report that relates to Exploration Results is based on information prepared by Mr Joseph Treacy who is a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy. Mr Treacy is an employee of Marindi Metals Ltd. Mr Treacy has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Treacy consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The company also confirms that the information in this report relating to the Minerals Resources within the Prairie Deposit is based on information prepared by Mr Mark Drabble, who is a Member of the Australasian Institution of Mining and Metallurgy. Mr Drabble is an employee of Optiro Pty Ltd. Mr Drabble has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Details of the Minerals Resources within the Prairie Deposit were released to the ASX on 25 May 2015. Marindi confirms that it is not aware of any new information or data that materially affects the information relating to those Minerals Resources estimates and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

4. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Dated at Perth, Western Australia, this 14th day of March 2017.

Signed in accordance with a resolution of the directors:

Ross Ashton

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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14 March 2017

The Directors
Marindi Metals Limited
PO Box 231,
West Perth, WA, 6872

Dear Sirs

RE: MARINDI METALS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Marindi Metals Limited.

As Audit Director for the review of the financial statements of Marindi Metals Limited for the period ended 31 December 2016, 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.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	2016 $	2015 $
Income		329,690	38,359
Exploration and evaluation expenses written off	8	(996,510)	(1,230,859)
Corporate and administrative expenses		(727,515)	(900,044)
Loss before income tax		**(1,394,335)**	**(2,092,544)**
Income tax		-	-
Net loss for the period		**(1,394,335)**	**(2,092,544)**
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		**(1,394,335)**	**(2,092,544)**
Net loss attributable to the members of parent entity		**(1,394,335)**	**(2,092,544)**
Total comprehensive loss attributable to the members of parent entity		**(1,394,335)**	**(2,092,544)**
Basic loss per share			
Ordinary shares (cents)		(0.12)	(0.26)

Diluted loss per share is not shown as all potential ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		2,319,872	3,289,330
Trade and other receivables		432,757	69,749
Prepayments		54,492	30,928
Total Current Assets		2,807,121	3,390,007
NON-CURRENT ASSETS			
Trade and other receivables		44,370	44,370
Property, plant and equipment		30,811	40,259
Capitalised exploration and evaluation expenditure	8	3,668,784	3,344,884
Total Non-Current Assets		3,743,965	3,429,513
TOTAL ASSETS		**6,551,086**	**6,819,520**
CURRENT LIABILITIES			
Trade and other payables		402,219	226,465
Provisions		11,279	11,125
TOTAL LIABILITIES		**413,498**	237,590
NET ASSETS		**6,137,588**	**6,581,930**
EQUITY			
Issued capital	9	29,116,170	28,175,330
Reserves		1,651,857	1,642,704
Accumulated losses		(24,630,439)	(23,236,104)
TOTAL EQUITY		**6,137,588**	**6,581,930**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

MARiNDi METALS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

31 December 2016	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2016	**28,175,330**	**1,642,704**	**(23,236,104)**	**6,581,930**
Net loss for the period	-	-	(1,394,335)	(1,394,335)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,394,335)	(1,394,335)
Issue of share capital, net of costs	940,840	-	-	940,840
Share based payments	-	9,153	-	9,153
Balance as at 31 December 2016	**29,116,170**	**1,651,857**	**(24,630,439)**	**6,137,588**

31 December 2015	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2015	**19,429,513**	**1,257,436**	**(19,722,115)**	**964,834**
Net loss for the period	-	-	(2,092,544)	(2,092,544)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,092,544)	(2,092,544)
Issue of share capital, net of costs	5,989,481	-	-	5,989,481
Share based payments	-	376,116	-	376,116
Balance as at 31 December 2015	**25,418,994**	**1,633,552**	**(21,814,659)**	**5,237,887**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the six months ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Cash receipts in the course of operations		11,840	50
Cash payments in the course of operations		(1,598,052)	(1,859,986)
Interest received		9,019	13,876
Government grant received		309,025	-
Net cash used in operating activities		**(1,268,168)**	**(1,846,060)**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(325,000)	-
Payments for property, plant and equipment		-	(46,943)
Payments for bonds		-	(31,870)
Refunds of bonds		-	9,744
Cash held by subsidiary at acquisition date		-	428
Net cash used in investing activities		**(325,000)**	**(68,641)**
Cash flows from financing activities			
Net proceeds from issue of share capital		623,710	3,489,481
Net cash provided by financing activities		**623,710**	**3,489,481**
Net (decrease) / increase in cash and cash equivalents		**(969,458)**	**1,574,780**
Cash and cash equivalents at the beginning of the period		3,289,330	265,658
Cash and cash equivalents at the end of the period		**2,319,872**	**1,840,438**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Marindi Metals Limited (the **Company**) is a company domiciled in Australia. The consolidated interim financial report as at and for the six months ended 31 December 2016 covers the consolidated group of Marindi Metals Limited and its subsidiary (**consolidated entity** or **Group**).

The annual financial report of the consolidated entity for the year ended 30 June 2016 is available upon request from the Company's registered office or may be viewed on the Company's website, www.marindi.com.au.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial report has been prepared on the accruals basis and on an historical cost basis.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Marindi Metals Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

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 Group's 2016 annual financial report for the financial year ended 30 June 2016. 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 (**the AASB**) that are relevant to their operations and effective for the current half year.

This consolidated interim financial report was approved by the Board of Directors on 14 March 2017.

3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Marindi Metals Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 12.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

4. GOING CONCERN

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe this to be appropriate for the following reasons:

- The Group has net working capital of $2.4M including cash reserves of $2.32M at 31 December 2016;
- The Group has no loans of borrowings;
- The Group has the ability to adjust its exploration expenditure subject to results of its exploration activities and the Group's funding position; and
- The Group continues to monitor opportunities to raise further equity from interested investors.

5. ESTIMATES

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

In preparing this consolidated interim financial report, the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

6. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2016.

7. SEGMENT REPORTING

The consolidated entity operates predominantly in the mineral exploration industry in Australia.

8. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016 $	30 June 2016 $
Exploration and evaluation costs carried forward in respect of areas of interest (net of amounts written off) (a)	**3,668,784**	**3,344,884**

Reconciliation	6 months to 31 December 2016 $	12 months to 30 June 2016 $
Carrying amount at beginning of period	3,344,884	688,600
Expenditure during the period – exploration	995,410	2,282,114
Expenditure during the period – acquisitions	325,000	2,799,440
Expenditure written off	(996,510)	(2,425,270)
Carrying amount at end of period	**3,668,784**	**3,344,884**

(a) The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. During the six months ended 31 December 2016 the consolidated entity wrote off expenditure totalling $996,510 (six months ended 31 December 2015: $1,230,859).

9. ISSUED CAPITAL

	31 December 2016 $	30 June 2016 $
1,212,202,635 (30 June 2016: 1,153,068,084) fully paid ordinary shares	**29,116,170**	**28,175,330**[1]

1. $120,000 relates to funds received as part of a placement in June 2016 that were issued in July 2016 following shareholder approval.

The following movements in issued capital occurred during the six months ended 31 December:

	Shares		Consolidated	
	31 December 2016 No.	31 December 2015 No.	31 December 2016 $	31 December 2015 $
Balance at beginning of half-year	1,153,068,084	251,245,389	28,055,330	19,429,513
Issue of shares at $0.01 each for cash pursuant to a share placement	12,000,000	-	120,000	
Issue of shares at $0.02 each upon exercise of listed options	47,134,551	-	942,690	
Issue of shares at $0.01 each in consideration for the acquisition of Marindi Metals Pty Ltd	-	250,000,000	-	2,500,000
Issue of shares at $0.01 each for cash pursuant to a share placement	-	125,000,000	-	1,250,000
Issue of shares at $0.01 each for cash pursuant to an entitlements issue	-	176,076,773	-	1,760,768
Issue of shares at $0.01 each for cash pursuant to an entitlements issue shortfall	-	74,545,922	-	745,459
Share issue costs	-	-	(1,850)	(266,746)
Balance at end of half-year	1,212,202,635	876,868,084	29,116,170	25,418,994

Options

Options issued or granted during the half-year

The following options to subscribe for ordinary fully paid shares were granted during the half-year:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted options	31 December 2019	$0.025	2,000,000

Options exercised or lapsed during the half-year

The following options to subscribe for ordinary fully paid shares were exercised during the half-year:

Class	Expiry Date	Exercise Price	Number of Options
Listed options	31 December 2016	$0.02	47,134,551

In addition to the above options, a further 10,771,718 listed options were exercised and converted to shares in January 2017. A further 100,000,000 listed options were issued as shares in January 2017 pursuant to an underwriting agreement as disclosed in Note 13.

Consequently, a total of 78,905,056 listed options lapsed at 31 December 2016.

Unissued shares under option

The following options to subscribe for ordinary fully paid shares were outstanding at the end of the half-year:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted options	31 December 2019	$0.025	64,000,000

10. SHARE BASED PAYMENTS

Employee Options

On 13 July 2016 the Company granted 2,000,000 options to employees under the Company's Employee and Consultant Share Option Plan (**ESOP**). The options are exercisable at $0.025 each on or before 31 December 2019

Total expense recognised as employee costs in the period was $9,153 (2015: $3,925).

11. COMMITMENTS AND CONTINGENCIES

The changes to the commitments and contingencies disclosed in the most recent annual report are specified below.

Exploration commitments

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programme and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at balance date, total exploration expenditure commitments of the Group which have not been provided for in the financial statements amount to $750,000 per annum.

Project commitments

McArthur River Project

In May 2014, Marindi entered into an earn-in option arrangement with Teck Australia Pty Ltd ("Teck"), a wholly-owned subsidiary of Canadian miner Teck Resources Limited, to explore for zinc on Marindi's McArthur River tenements (EL 25467 and EL29021) in the Northern Territory. Under the agreement, Teck may earn up to a 70% interest in the McArthur River Project by spending a minimum of $3.5 million on exploration expenditure before 30 June 2018, with a minimum of $0.5 million of this total to be spent before 30 June 2018.

Prairie Downs Farm-In Agreement

On the 8th April 2015, Marindi Metals Operations Pty Ltd entered an agreement with Prairie Mining Ltd whereby it can earn an 100% interest in tenements E52/1758 and E52/1926 by making an initial payment of $500,000 and issuing a further $1,000,000 in cash or shares, at Marindi Metals Operations Pty Ltd election, by September 2016. The payment of $500,000 was paid in June 2015. On 12 September 2016, the Company renegotiated the final payment terms to $650,000 cash to move to 100% ownership. The $650,000 is to be paid in two tranches, $325,000 by the end of September 2016 (completed) and $325,000 by the end of March 2017. Prairie will maintain a 2.5% Net Smelter Return Royalty over the project.

Forrestania Lithium Project

On 20 September 2016, the Company signed an option and joint venture agreement to acquire up to a 70% interest in Mining Lease 77/549. The Company is required to pay:

- $50,000 cash payment for a six month option, subject to registration of interests (completed);
- On exercise of option, a $50,000 cash payment and $100,000 in shares;
- A minimum spend of $300,000 on exploration over 24 months to earn a 51% interest;
- The Company has the right to spend a further $150,000 on exploration to earn up to a 70% interest within 30 months of exercising of the option by way of issuing a further $40,000 in shares; and
- Upon earning 70% interest, the remaining 30% interest can be purchased on terms to be mutually agreed.
- On 16 February 2017, the Company exercised its option to earn the 70% interest in the project. Refer note 13 for more details.

12. SUBSIDIARIES

	Class of shares	Beneficial interest 31 December 2016	Beneficial interest 31 December 2015
Shares in controlled entity:			
Brumby Creek Pty Ltd (incorporated in WA)	Ordinary	100%	100%
Marindi Metals Operations Pty Ltd (incorporated in WA)	Ordinary	100%	100%
Forrestania Pty Ltd (incorporated in WA)	Ordinary	100%	N/A

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 3 January 2017 the Company issued 10,771,718 ordinary fully paid shares following the exercise of options, raising $215,434 in cash. The financial effect of this transaction has not been brought to account in the interim report.

On 16 January 2017 the Company issued 100,000,000 ordinary fully paid shares pursuant to an underwriting agreement on options expiring 31 December 2016, raising $2,000,000 in cash before costs. The financial effect of this transaction has not been brought to account in the interim report.

On 16 February 2017 the Company exercised its option to earn up to a 70% interest in the granted mining lease M77/549. The Company paid the vendors $50,000 in cash and a further $100,000 in shares at a deemed issue price of $0.02453 per share.

DIRECTORS' DECLARATION

In the opinion of the directors of Marindi Metals Limited:

1. the consolidated financial statements and notes, set out on pages 7 to 15, are in accordance with the Corporations Act 2001, including:

   (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; 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.

Dated at Perth, Western Australia this 14th day of March 2017

Signed in accordance with a resolution of the Directors.

Ross Ashton
Non-Executive Chairman

Stantons International Audit and Consulting Pty Ltd
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MARINDI METALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Marindi Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Marindi Metals Limited. The consolidated entity comprises both Marindi Metals Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Marindi Metals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 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 consolidated entity'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 Marindi Metals Limited, 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Marindi Metals Limited on 14 March 2017.

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 Marindi Metals Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity'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 Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
14 March 2017