ARAFURA RESOURCES LIMITED

CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31ST DECEMBER 2019

NdPr

ARAFURA
RESOURCES LIMITED

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Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arafura Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were Directors of Arafura Resources Limited during the half-year period and up to the date of this report.

- C Tonkin
- Q Zhang
- G Lockyer
- M Southey
- C Moises[1]

[1]Ms Moises was appointed on 1st December 2019.

REVIEW OF OPERATIONS

During the six months ended 31 December 2019, Arafura incurred a net loss of $2,164,042 (2018: $2,684,041). In the prior year, the net loss is largely attributed to the running of pilot programs and engineering for the Definitive Feasibility Study (DFS) for the Nolans Neodymium- Praseodymium (NdPr) Project. In the current year, drilling programs have been completed at Nolans Bore and the Bonya Joint Venture. Additionally, engineering work and technology programs have commenced and are expected to ramp up in Q1 2020.

CORPORATE

In July 2019, the Company successfully completed a fully underwritten entitlement offer, raising $23.2 million (before costs). The 7 for 20 entitlement offer resulted in the issue of 273,491,090 fully paid ordinary shares at $0.085 per share and was fully underwritten by Patersons Securities Limited (Patersons). Talaxis Limited (Talaxis), a wholly owned subsidiary of commodities trading group Noble Group Holdings Limited, agreed to sub-underwrite $7.2 million and emerged as a substantial holder with 5.23% of total issued capital. As an undertaking, Talaxis agreed to provide strategic support to the project and a Capital Markets, Marketing and Logistics advisory agreement was subsequently executed in February 2020.

The Company also received a $1.5 million tax refund for eligible research and development (R&D) expenditure spent on the design and operation of its flowsheet piloting program for the 30 June 2019 financial year. To date, the Company has received approximately $40.6 million in cash receipts from the R&D tax incentive.

These cash injections have been used to accelerate development of the Nolans Project by allowing project execution readiness to commence to allow award of key design and project management contracts which will follow with the commencement of front-end engineering and design (FEED) work. Additionally, this cash injection has allowed for an exploration and metallurgical drilling program to be completed at Nolans Bore leading to an updated estimate of Ore Reserves for the project in Q1 2020. The Company has also continued to advance its offtake discussions and has engaged with various key advisor groups and export credit agencies (ECAs) to progress project funding initiatives. These discussions will work towards the appointment of key debt and equity advisors in 2020.

In September, the Company announced a second Memorandum of Understanding (MoU) for NdPr oxide signed with Baotou Tianhe Magnetics Technology Co (Tianhe Magnets) for approximately 900 tonnes pa of NdPr Oxide. Tianhe Magnets is one of China's leading NdFeB permanent magnet producers. The Company already has an MoU signed with JingCi Materials Science Co. Ltd for up to 900 tonnes pa of NdPr oxide.

Customer engagement has also expanded to the U.S. with a strategic relationship with USA Rare Earth LLC to allow for the treatment of Arafura's SEG-HRE carbonate product by USA Rare Earth's proprietary processing technology. USA Rare Earth and its JV partner Texas Mineral Resources Corp has submitted a tender for the U.S. Department of Defense (DoD) Cornerstone Initiative Heavy Rare Earth Element Separations. The initiative aims to establish a commercially sustainable U.S. domestic capability for the separation of heavy rare earths in support of DoD and other essential civilian products and seeks to meet supply opportunities outside of the Made in China 2025 strategy.

In December the Company announced the appointment of Cathy Moises as non-executive director. Cathy brings a wealth of knowledge and experience in financial markets and the resources industry, which is highly relevant to the key workstreams of advancing product offtake and project funding. She has extensive experience in the resources sector having worked as a senior resources analyst for several major stockbroking firms including McIntosh (now Merrill Lynch), County Securities (now Citigroup), and Evans and Partners where she was a partner of that firm. More recently, she was Head of Research at Patersons.

NATIVE TITLE AGREEMENT

Significant progress has been made with the Central Land Council (CLC) to progress negotiations on the Native Title Agreement and a formal agreement is being drafted. The Company plans to formally present its offer to the Native Title Holders in Q1 2020.

Execution of the Native Title Agreement paves the way for the granting of the Project's Mineral Leases 26659, 30702, 30703 and 30704 by the Northern Territory Department of Primary Industry and Resources (DPIR).

ENVIRONMENTAL APPROVAL

A groundwater extraction license application was submitted to the Northern Territory Department of Environment and Natural Resources in the period. The application seeks an allocation of four gigalitres annually to support the Nolans Project and contains a management framework, resource assessment, monitoring proposals for the operation of the borefields and an operational contingency plan. Additionally, work has progressed on the Mining Management Plan (MMP) to address the impacts and risks identified in Assessment Report 84 issued by the Northern Territory Environment Protection Authority as well as commitments made in the Environmental Impact Statement (EIS). Final project construction and operating approvals will be obtained when DPIR approves the MMP and issues a mining authorisation.

PROJECT EXECUTION

Execution readiness activities have progressed in the period with significant progress being made on the execution strategy, ongoing development of the project control schedule, development of draft local and indigenous procurement and employment plans, and development of environmental commitments and statutory compliance registers. Additionally, pre-FEED is being completed by Hatch and include a number of key basis of design documents for metallurgy, process design criteria, process mass balance, non-process infrastructure basis of design, key design specifications and philosophies, preferred equipment lists and overarching project standards.

Tendering for the integrated project management team (IPMT) was completed in the period and resulted in the award of the IPMT contract to KBR, with Wave International as a sub-consultant. The IPMT contract includes management of all aspects of the Project including engineering design services for non-process infrastructure. The hydrometallurgical and beneficiation plant tenders have continued in CY2020.

TECHNOLOGY PROGRAMS

The Nolans flowsheet piloting program is nearing completion, with the rare earth separation pilot plant, the seventh and final stage of the flowsheet piloting program (Figure 1), commencing in December at the Australian Nuclear Science and Technology Organisation (ANSTO). The completion of this work is expected in Q1 2020, whereupon data from the pilot will be included in the final basis of design for FEED. NdPr oxide and SEG-HRE carbonate samples will be provided to customers for product qualification purposes.

Phase 1 Beneficiation	Phase 2 Phosphate Extraction	Phase 3 Bulk Pre-Leach	Phase 4 Acid Bake	Phases 5 & 6 Rare Earth Processing	Phase 7 Rare Earth Separation
✓5,000 kg high-phosphate concentrate ✓>82% NdPr recovery ✓>90% P_2O_5 recovery ✓Met performance objectives	✓Merchant grade phosphoric acid suitable for fertilizers ✓3% TREO losses to gypsum waste ✓Met performance objectives	✓2,000 kg pre-leach residue ✓Met performance objectives	✓Successful use of paddle dryer technology ✓Met performance objectives	✓Over 99.5% of cerium rejected from rare earth chloride	✓Completed

Figure 1

A beneficiation variability program was completed at Nagrom's mineral processing facility in Perth in September, testing material types that were included in the DFS upside case production schedule. The objective of the program was to potentially increase the Project's 23-year mine life. The program confirmed that the 5A2 material forecast in the DFS to be stockpiled during mining has the potential to be processed. The geometallurgical model has being updated to include the 5A2 material and a revised estimate of Ore Reserves is expected in Q1 2020.

A phosphoric acid purification test work program was completed at ANSTO during September to December with the purposes of reducing capital and operating costs associated with the removal of uranium and thorium from the phosphoric acid product.

ALS Global was engaged to conduct corrosion coupon testing to investigate general corrosion for materials of construction throughout all key areas of the Project's extraction plant where metals are in contact with process liquor. The results of this test work are expected in Q2 2020 and will be used in FEED.

EXPLORATION

Nolans Bore

A drilling program of nine diamond core holes was completed at the Nolans Bore deposit during September to November. The purpose of the program was to provide representative core samples of mineralised material types for the beneficiation variability program from shallow parts of the deposit's Southeast Zone, and to target deep extensions of mineralization beneath the 23-year life-of-mine pit in the North and Southeast zones.

Assays have been received for two of the nine holes to date and results are consistent with expectations.

Bonya Joint Venture

Exploration licences 29701 and 32167 (Bonya Project) are located 280 kilometres north-east of Alice Springs. Arafura holds a 60% joint venture (JV) interest in the Bonya Project and Thor Mining Plc (Thor) (AIM, ASX: THR) holds 40% with Thor acting as project manager. The project is located adjacent to Thor's Molyhil Tungsten-Molybdenum (W-Mo) development project. Thor updated its feasibility study on Molyhil in 2018.

During the period Thor drilled 38 reverse circulation (RC) holes (2,964 metres) into the White Violet (21 holes) and Samarkand (17 holes) tungsten deposits. Both deposits outcrop and remain open at depth, while Samarkand shows potential for strike extension to the copper mineralisation. Sufficient drilling was completed at each deposit to allow Mineral Resources to be estimated (Refer ASX Announcement 29th January 2020).

EVENTS OCCURRING AFTER THE REPORTING DATE

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or

b) the results of those operations in future financial years, or

c) the Group's state of affairs in future financial years.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Directors.

Gavin Lockyer
CEO & Managing Director

Perth
19 February 2020

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ARAFURA RESOURCES LIMITED

As lead auditor for the review of Arafura Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Arafura Resources Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 19 February 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	31-Dec-19 $	31-Dec-18 $
Revenue from continuing operations	3	186,921	71,240
Non-capitalised portion of R&D tax incentive rebate	3	237,272	445,835
Other income	3	5	215
Employee benefits expense	4	(1,219,401)	(1,344,312)
Other expenses	4	(1,156,094)	(1,484,503)
Depreciation and amortisation	4	(22,367)	(109,286)
Finance costs	4	(2,394)	(3,063)
Share based payments	4	(187,984)	(212,154)
Impairment of assets	4	-	(48,013)
Loss before income tax		**(2,164,042)**	**(2,684,041)**
Income tax benefit		-	-
Net (loss) after income tax for the period		**(2,164,042)**	**(2,684,041)**
Total comprehensive (loss) for the half year attributable to owners of Arafura Resources Limited		**(2,164,042)**	**(2,684,041)**
		Cents	**Cents**
Loss per share attributable to owners of Arafura Resources Limited			
Basic loss per share		(0.2)	(0.4)
Diluted loss per share		(0.2)	(0.4)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31-Dec-19 $	30-Jun-19 $
CURRENT ASSETS			
Cash and cash equivalents		22,925,588	5,397,774
Trade and other receivables		193,222	61,715
Total Current Assets		**23,118,810**	**5,459,489**
NON-CURRENT ASSETS			
Property, plant and equipment		103,403	110,688
Deferred exploration and evaluation costs	5	102,693,437	100,239,297
Other assets		266,374	255,007
Total Non-Current Assets		**103,063,214**	**100,604,992**
TOTAL ASSETS		**126,182,024**	**106,064,481**
CURRENT LIABILITIES			
Trade and other payables		1,178,453	722,261
Provisions		662,046	721,985
Total Current Liabilities		**1,840,499**	**1,444,246**
NON-CURRENT LIABILITIES			
Provisions		8,675	7,339
Total Non-Current Liabilities		**8,675**	**7,339**
TOTAL LIABILITIES		**1,849,174**	**1,451,585**
NET ASSETS		**124,332,850**	**104,612,896**
EQUITY			
Contributed equity	6	235,741,538	214,045,527
Reserves		12,401,574	12,213,590
Accumulated losses		(123,810,262)	(121,646,220)
TOTAL EQUITY		**124,332,850**	**104,612,896**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

Consolidated	Contributed equity $	Equity reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	**203,567,241**	**11,675,463**	**(115,792,063)**	**99,450,641**
Loss for the period	-	-	(2,684,041)	(2,684,041)
Total Comprehensive Loss for the period	**-**	**-**	**(2,684,041)**	**(2,684,041)**
Cost of Share Based Options	-	212,154	-	212,154
Contributions of equity, net of transaction costs and tax	7,693,261	-	-	7,693,261
Balance at 31 Dec 2018	**211,260,502**	**11,887,617**	**(118,476,104)**	**104,672,015**
Balance at 1 July 2019	**214,045,526**	**12,213,590**	**(121,646,220)**	**104,612,896**
Loss for the period	-	-	(2,164,042)	(2,164,042)
Total Comprehensive Loss for the period	**-**	**-**	**(2,164,042)**	**(2,164,042)**
Cost of Share Based Options	-	187,984	-	187,984
Contributions of equity, net of transaction costs and tax	21,696,012	-	-	21,696,012
Balance at 31 Dec 2019	**235,741,538**	**12,401,574**	**(123,810,262)**	**124,332,850**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019

	31-Dec-19 $	31-Dec-18 $
Cash flows from operating activities		
Payments to suppliers and employees	(2,785,838)	(3,232,863)
Interest received	196,799	83,390
R&D Incentive rebate - non-capitalised portion	237,272	445,835
Interest paid	(2,394)	(3,063)
Net cash (outflow) from operating activities	**(2,354,161)**	**(2,706,701)**
Cash flows from investing activities		
Payment for property, plant and equipment	(15,174)	(4,317)
Payments for exploration and evaluation	(3,065,525)	(5,473,462)
Payments for security deposits on tenements	(11,366)	-
R&D Incentive rebate - capitalised portion	1,278,022	1,661,960
Net cash (outflow) from investing activities	**(1,814,043)**	**(3,815,819)**
Cash flows from financing activities		
Proceeds from share issue	23,246,747	8,346,697
Capital raising expenses	(1,550,735)	(653,436)
Net cash inflow from financing activities	**21,696,012**	**7,693,261**
Net increase in cash and cash equivalents	**17,527,808**	**1,170,741**
Cash at the beginning of the period	**5,397,775**	7,874,096
Effects of exchange rate changes on cash and cash equivalents	**5**	215
Cash and cash equivalents at the end of the period	**22,925,588**	**9,045,052**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

BASIS OF PREPARATION

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reports and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Arafura Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of the following new accounting standard.

NEW AND AMENDED STANDARDS ADOPTED

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 Leases and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position as of 1 July 2019. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not significantly change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact from adoption as at 1 July 2019 or on the current reporting period as all leases held by the Group were determined to be short-term leases.

NOTE 2: SEGMENT INFORMATION

The Company has identified its operating segments on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. The reportable segment is represented by the primary statements forming this half-year report.

At the end of the financial period, the Group was operating primarily in one segment, as an exploration business in Australia.

NOTE 3: REVENUE

	Consolidated Entity Half Year	
	31-Dec-19	**31-Dec-18**
	$	**$**
Revenue from continuing operations		
Other revenue		
Interest received	186,921	71,240
	186,921	**71,240**
Other Income		
Foreign exchange gain	5	215
Non-capitalised portion of R&D Tax Incentive rebate	237,272	445,835
	237,277	**446,050**
Total Revenue	**424,198**	**517,290**

NOTE 4: EXPENSES

	Consolidated Entity Half Year	
	31-Dec-19	**31-Dec-18**
	$	**$**
Expenses		
Depreciation		
Depreciation – plant & equipment	17,003	103,922
Depreciation – leasehold improvements	5,364	5,364
Total depreciation	**22,367**	**109,286**
Finance costs		
Interest expense	2,394	3,063
Total finance costs	**2,394**	**3,063**

	Consolidated Entity Half Year	
	31-Dec-19	**31-Dec-18**
	$	**$**
Other expenses		
Accounting and other professional fees	22,376	55,976
Audit fees	21,201	19,000
Consultants fees	146,051	560,497
Employee benefits expense	1,219,401	1,344,312
Insurance	53,078	49,456
Legal fees	42,843	155,897
Share-based employee benefits	187,984	212,154
Share registry and stock listing fees	87,014	48,191
Other expenses	783,440	595,486
Loss on disposal of plant and equipment	92	-
Total other expenses	**2,563,480**	**3,040,969**
Impairment of assets		
Capitalised exploration expenditure	-	48,013
Total impairment of assets	**-**	**48,013**

NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity Half Year	
	31-Dec-19	**30-Jun-19**
	$	**$**
Exploration and evaluation costs carried forward		
Balance at beginning of period	100,239,297	93,158,071
Capitalised exploration expenditure	1,302,978	609,619
Capitalised evaluation expenditure [(a)]	2,429,185	8,181,580
Impairment of exploration expenditure	-	(48,013)
R&D Tax Incentive rebate receipted against capitalised evaluation costs	(1,278,023)	(1,661,960)
Balance at end of period	**102,693,437**	**100,239,297**

(a) Capitalised evaluation expenditure is expenditure on the Nolans Project feasibility works and environment impact assessment to evaluate, formulate and demonstrate the technical feasibility and commercial viability in developing a Rare Earths processing plant to process and treat the ore to be mined from the Nolans Project.

The exploration and evaluation costs in relation to each area of interest are carried forward as an asset where the Group:

- Has rights to tenure of the area of interest;
- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest or; alternatively by its sale; or
- Exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

NOTE 6: EQUITY – CONTRIBUTED EQUITY

	31 Dec 2019 Shares	30 June 2019 Shares	31 Dec 2019 $	30 June 2019 $
Share capital				
Fully Paid Ordinary Shares	1,054,894,204	781,403,114	235,741,538	214,045,526

Movements in ordinary share capital over the past two and a half years are as follows:

Date	Details	Number of shares	Issue Price	$
30-Jun-17	**Balance**	**546,896,402**		**200,590,837**
27/10/2017	Fully Paid Ordinary Shares	20,344,092	0.11	2,237,850
30/10/2017	Fully Paid Ordinary Shares	4,879,091	0.11	536,700
01/11/2017	Fully Paid Ordinary Shares	3,636,364	0.11	400,000
	Capital Raising Costs			(198,146)
30-Jun-18	**Balance**	**575,755,949**		**203,567,241**
23/08/2018	Rights Offer (Institutional)	29,375,000	0.08	2,350,000
30/09/2018	Rights Offer (Retail)	23,118,994	0.08	1,849,520
30/09/2018	Rights Offer (Shortfall)	1,345,967	0.08	107,677
14/12/2018	Share Purchase Plan	68,398,112	0.044	3,009,517
20/12/2018	Top Up Placement	23,409,092	0.044	1,030,000
16/04/2019	Fully Paid Ordinary Shares	60,000,000	0.05	3,000,000
	Capital Raising Costs			(868,429)
30-Jun-19	**Balance**	**781,403,114**		**214,045,526**
19/07/2019	Entitlement Offer (First Issue)	150,596,492	0.085	12,800,704
19/07/2019	Entitlement Offer (Shortfall)	120,541,657	0.085	10,246,042
22/07/2019	Entitlement Offer (Balance of Shortfall)	2,352,941	0.085	200,000
	Capital Raising Costs			(1,550,734)
31-Dec-19	**Balance**			**235,741,538**

NOTE 8: COMMITMENTS

There have been no significant changes in commitments and contingencies since the release of the 30 June 2019 Financial Statements.

NOTE 9: EVENTS OCCURING AFTER THE REPORTING DATE

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or
b) the results of those operations in future financial years, or
c) the Group's state of affairs in future financial years.

In the Directors' opinion:

a. the financial statements and notes set out on pages 10-18 are in accordance with the Corporations Act 2001; and
   i. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii. give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
b. 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 and is signed for and on behalf of the directors by:

Gavin Lockyer
CEO & Managing Director

Perth
19 February 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arafura Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Arafura Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, 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 the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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 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 2019 and its financial 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 Group, 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. 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.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Director

Perth, 19 February 2020