



ACN 148 860 299

INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2019

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DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2019. 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.

Joseph Goldberg

Non-Executive Chairman

Matthew Morgan

Executive Director

Andrew Firek

Non-Executive Director

Geoff Kidd (Executive from 19 November 2019)

Executive Director & Chief Operating Officer

Aaron Day

Non-Executive Director

Review of Operations

Cloncurry Exploration

The company continued to undertake significant exploration field work and drilling within the half year ended 31 December 2019. The exploration was primarily aimed at extending the company's understanding of the Golden Mile exploration permits which adjoins the Mt Freda Mining Licence area. The Golden Mile project is a joint venture with Washington H. Soul Pattinson and Co. Limited (ASX:SOL) subsidiary Exco Resources Limited.

Drilling has focused on establishing a potential large, and shallow JORC (2012) mineral resources estimates in the series of historical mines including the Mt Freda Open Cut gold mine, that are located on the western edge of a large Tier 1 IOCG target previously identified by Exco in 2012. The area has potential to host significant high-grade epithermal gold that may be derived from a deeper IOCG magmatic source. Significant IOCG style drilling results were produced from both the Little Duke project, and the King Brown project, highlighting the geographical extent of high-grade mineralisation within the Mt Freda Complex.



Figure 1. Operations at the Mt Freda Open Cut gold mine, Cloncurry QLD.

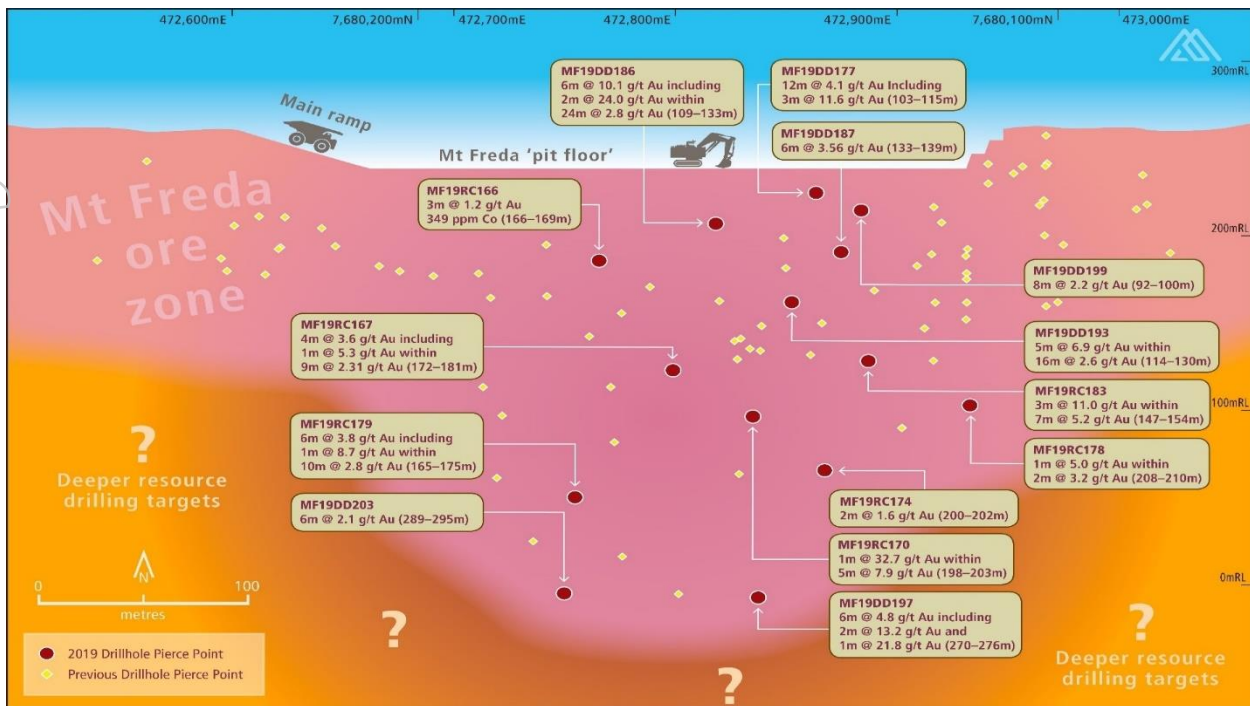


Figure 2. Extensive high-grade gold drilling results from the Mt Freda Complex Resource drilling campaign

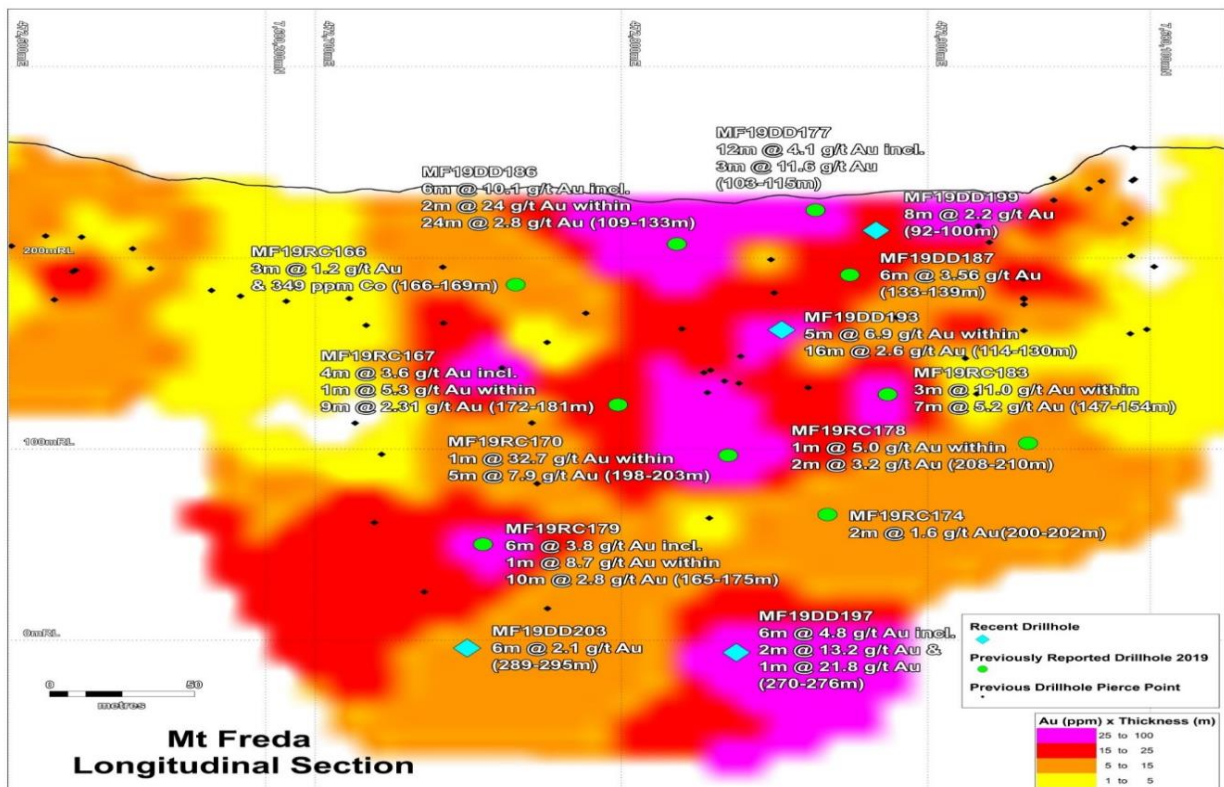


Figure 3. Mt Freda Open Cut Long Section with recent drill hole results highlighting the high-grade gold up to 24 g/t under the current pit floor, increasing up to 32.7 g/t Au at depth.

(Refer ASX release 4th October 2019 for results; refer ASX release 28th August & 26th September 2019 for previous results *The Company is not aware of any new information that materially affects the exploration results*)

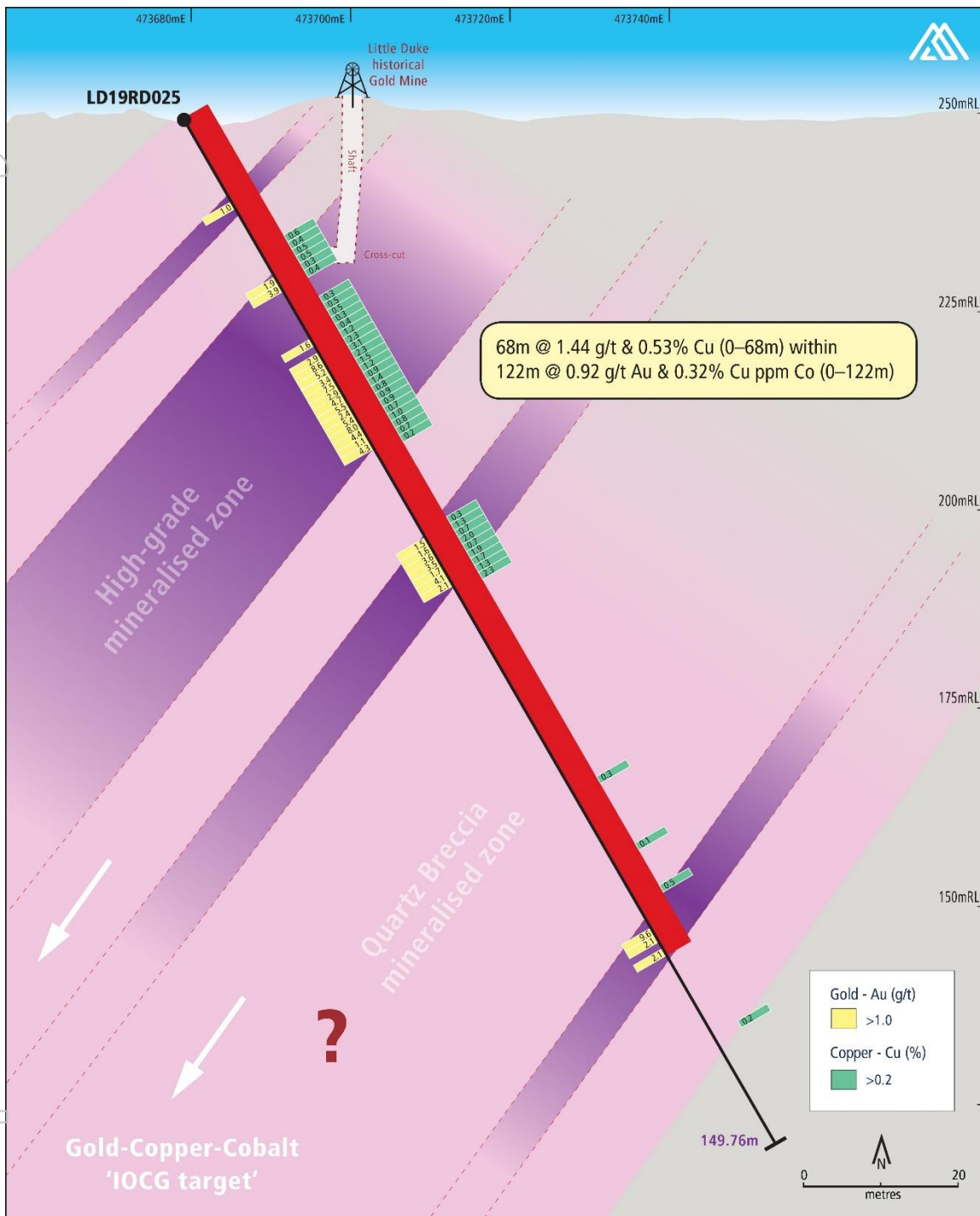


Figure 4. Little Duke LD19RD025 cross section and geological interpretation indicates drilling intersected a 122 m wide IOCG style gold and copper mineralisation zone, (Refer ASX release 28th November 2019. The Company is not aware of any new information that materially affects the exploration results)

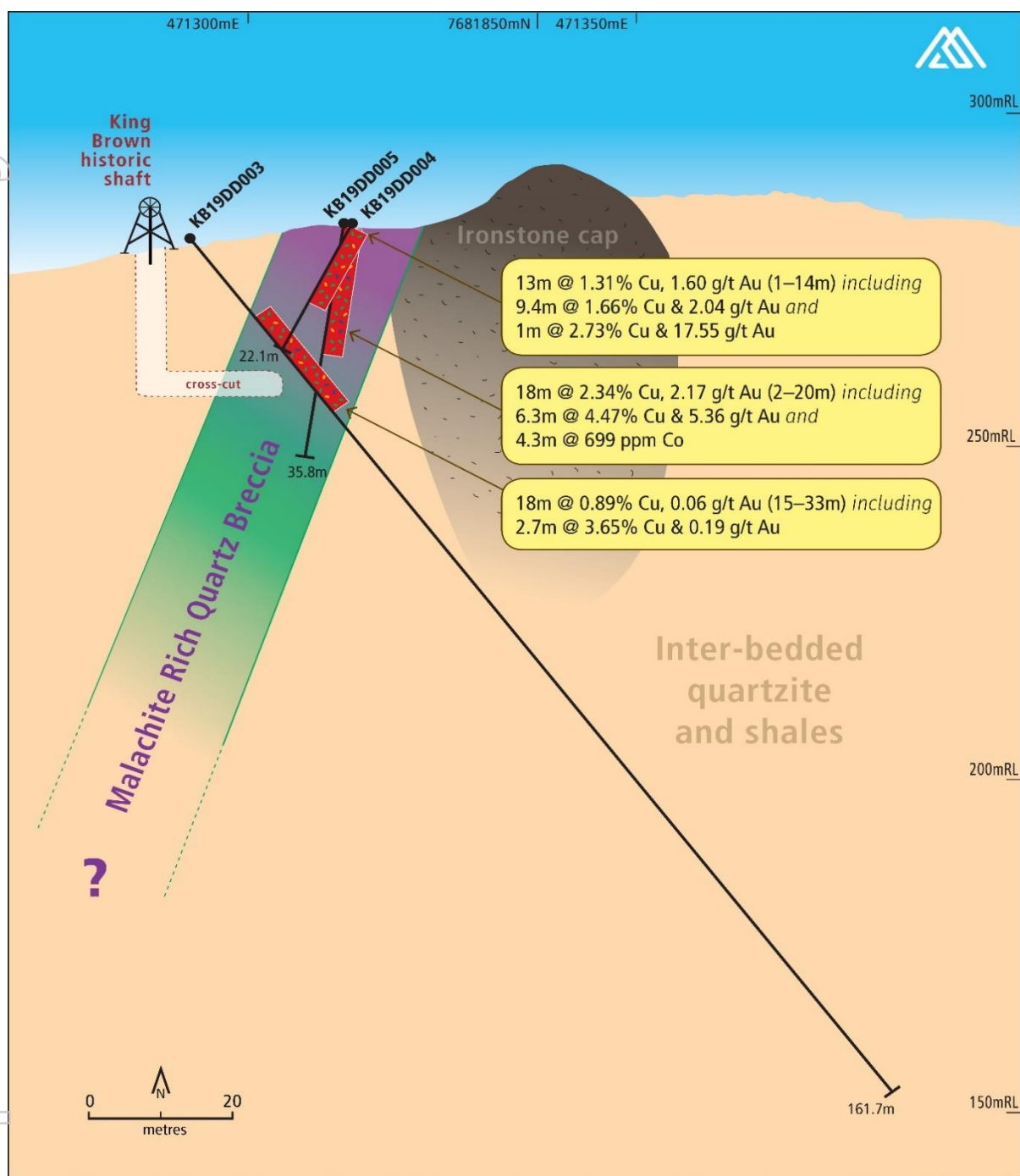


Figure 5. King Brown Diamond core drilling results and geological interpretation into a Sub Audio Magnetic (SAM) electromagnetic (EM) target. Note that the mineral assemblage is interpreted as “IOCG” style, with similarity to nearby Eloise copper mine (3.2 Mt @ 5.8% Cu, 1.5 g/t Au, & 19 g/t Ag @ Eloise), source Geoscience Australia 2019 dataset.

(Refer ASX release 21st November for results; The Company is not aware of any new information that materially affects the exploration results)

Burra South Australia

The Company commenced a 3,000 m drilling program at Burra following the identification of two large conductive targets at Princess Royal and Mullaby.

AMG has provided notice to PNX Metals Ltd (PNX) that it has met and exceeded the expenditure on the mutually agreed exploration program. This expenditure triggers the completion of Stage 1 of the JV Farm-in and takes Ausmex to a 60% controlling position in the JV over all PNX's exploration licences in and around Burra, SA.

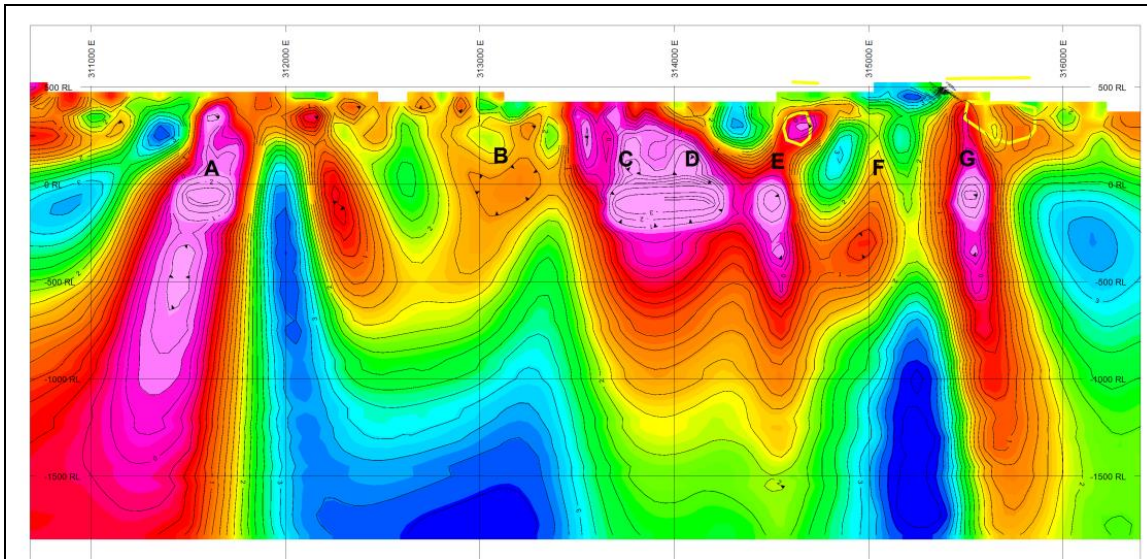


Figure 6. 2D inversion model 6262000mN showing conductive MT priority drill targets (white stars) (Refer ASX release 16th December 2019; The Company is not aware of any new information that materially affects the exploration results)

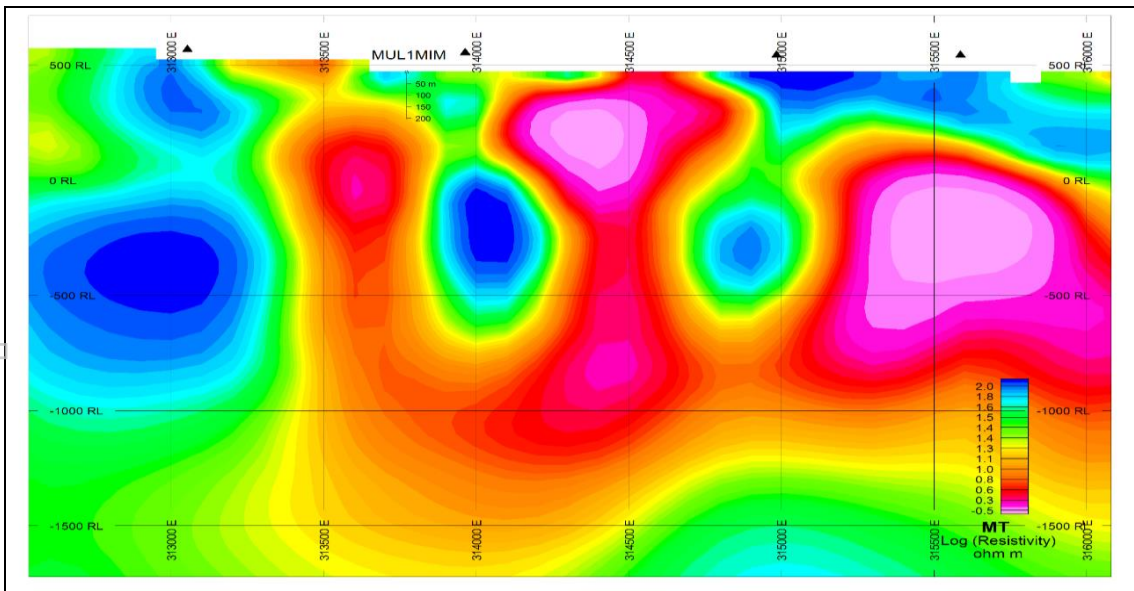


Figure 7. 2D Inversion Model 6276000mN showing MT priority drill targets (white stars) with history MIM drillhole MUL1 (Refer ASX release 2nd December 2019; The Company is not aware of any new information that materially affects the exploration results)

Corporate

The Company raised \$4 million working capital primarily for the Mt Freda Complex 2020 gold production via the placement of 47,058,823 shares.

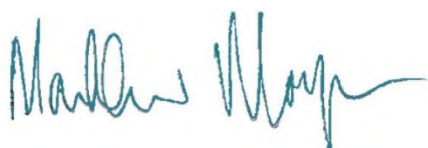
Industry expert Mr Geoff Kidd was appointed Executive Director and Chief Operating Officer (COO) to bring the Mt Freda mine into Gold Production in 2020.

Ausmex earns interest of 60% of Burra JV with PNX.

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 7 and forms part of this directors' report for the half-year ended 31 December 2019.

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.



.....
Matthew Morgan

Director

13 March 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Ausmex Mining Group Limited for the half-year ended 31 December 2019, 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.

Perth, Western Australia
13 March 2020

M R Ohm
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019 \$	31 December 2018 \$
Continuing operations		
Interest income	2,452	3,000
Other income	200,000	-
Total income	202,452	3,000
Administrative expenses	(113,994)	(73,879)
Audit fees	(18,000)	(18,560)
Consulting fees	(294,759)	(28,049)
Corporate services	(10,000)	(38,436)
Directors and officers	(318,000)	(306,000)
Exploration expenses	(4,220,217)	(1,996,396)
Finance costs	(223,120)	(37,126)
Net fair value gain/(loss) on derivative liability	468,106	-
Impairment exploration assets	(6,243)	-
Legal fees	-	(12,500)
Share based payment expenses	(187,064)	(218,010)
Loss before income tax	(4,720,839)	(2,725,956)
Income tax benefit	-	387,732
Net loss for the period	(4,720,839)	(2,338,224)
Other comprehensive income, net of income tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	392	3,359
Other comprehensive income for the period, net of tax	392	3,359
Total comprehensive loss for the period	(4,720,447)	(2,334,865)
Net loss after income tax for the year attributable to:		
Members of the parent entity	(4,027,505)	(2,010,808)
Non-controlling interest	(693,334)	(327,416)
Net loss for the year	(4,720,839)	(2,338,224)
Total comprehensive loss attributable to:		
Members of the parent entity	(4,027,113)	(2,007,449)
Non-controlling interest	(693,334)	(327,416)
Net loss for the year	(4,720,447)	(2,334,865)
Basic and diluted loss per share (cents)	(0.82)	(0.58)

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	31 December 2019 \$	30 June 2019 \$
Current Assets			
Cash and cash equivalents		2,829,411	4,792,182
Receivables		161,764	319,082
Prepayments		13,987	1,600
Assets held for sale	11	1,070,696	1,070,696
Total Current Assets		4,075,858	6,183,560
Non-current Assets			
Prepayments		41,395	40,895
Exploration and evaluation assets	2	1,702,521	1,702,521
Intangible assets		2,707	3,232
Right of use assets	10	259,922	-
Property, plant and equipment		284,209	291,559
Deferred tax assets		729,694	729,694
Total Non-Current Assets		3,020,448	2,767,901
TOTAL ASSETS		7,096,306	8,951,461
Current Liabilities			
Trade and other payables		264,797	1,281,809
Lease liabilities	10	101,708	-
Total Current Liabilities		366,505	1,281,809
Non-Current Liabilities			
Converting notes	8	982,568	780,965
Derivative liability	8	674,331	1,142,437
Lease liabilities	10	170,096	-
Deferred tax liabilities		729,694	729,694
Total Non-Current Liabilities		2,556,689	2,653,096
TOTAL LIABILITIES		2,923,194	3,934,905
NET ASSETS		4,173,112	5,016,556
Equity			
Issued capital	3	26,689,860	23,255,135
Reserves		3,174,142	2,753,919
Accumulated losses		(24,408,874)	(20,403,816)
Equity attributable to equity holders of the parent		2,631,008	5,605,238
Non-controlling interest		(1,282,016)	(588,682)
TOTAL EQUITY		4,173,112	5,016,556

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Issued Capital	Share Based Payments Reserve	Foreign Currency Reserve	Accumulated Losses	Non- Controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	23,255,135	2,786,569	(32,650)	(20,403,816)	(588,682)	5,016,556
Loss for the period	-	-	-	(4,027,505)	(693,334)	(4,720,839)
Exchange differences on translation of foreign subsidiaries	-	-	392	-	-	392
Total comprehensive loss for the period	-	-	392	(4,027,505)	(693,334)	(4,720,447)
Shares issued	3,977,499	(22,447)	-	22,447	-	3,977,499
Share issue costs	(542,774)	-	-	-	-	(542,774)
Options expired	-	-	-	-	-	-
Options issued	-	442,278	-	-	-	442,278
Balance at 31 December 2019	26,689,860	3,062,400	(32,258)	(24,408,874)	(1,282,016)	4,173,112
Balance at 1 July 2018	15,978,196	2,099,327	(29,248)	(14,131,828)	322,029	4,238,476
Loss for the period	-	-	-	(2,010,808)	(327,416)	(2,338,224)
Exchange differences on translation of foreign subsidiaries	-	-	3,359	-	-	3,359
Total comprehensive loss for the period	-	-	3,359	(2,010,808)	(327,416)	(2,334,865)
Shares issued	360,000	(115,927)	-	115,927	-	360,000
Options expired	-	(28,982)	-	28,982	-	-
Options issued	-	362,010	-	-	-	362,010
Balance at 31 December 2018	16,338,196	2,316,428	(25,889)	(15,997,729)	(5,387)	2,625,621

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities		
Payments for administration expenses	(664,325)	(454,829)
Payments for exploration expenses	(5,092,243)	(1,989,695)
Interest paid	(21,517)	-
Other income	200,000	-
Interest received	2,452	3,000
Net cash (outflow) from operating activities	(5,575,633)	(2,441,524)
Cash flows from investing activities		
Purchase of plant and equipment	(25,914)	(2,234)
Payments for capitalised exploration expenditure	-	(18,123)
Net cash (outflow) from investing activities	(25,914)	(20,357)
Cash flows from financing activities		
Proceeds from issue of shares, net of costs	3,689,939	360,000
Proceeds from issue of converting notes – net	-	1,454,774
Principal lease repayments	(44,183)	-
Net cash inflow from financing activities	3,645,756	1,814,774
Net (decrease)/increase in cash held	(1,955,791)	(647,107)
Exchange rate differences on cash balances	(6,980)	(3,423)
Cash and cash equivalents at the beginning of the period	4,792,182	2,075,635
Cash and cash equivalents at the end of the period	2,829,411	1,425,105

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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 2019 and any public announcements made by Ausmex Mining Group 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.

The interim financial statements were authorised for issue on 13 March 2020.

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 2019.

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.

Standards and Interpretations applicable to 31 December 2019

For the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

The Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information. The impact on the accounting policies, financial performance and financial position of the Group from the adoption of AASB 16 is detailed in Note 10.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Notwithstanding the fact that during the half-year ended 31 December 2019 the Group incurred a pre-tax loss of \$4,720,839 and a net cash outflow from operating activities of \$5,575,633, the Directors are of the opinion that the Company is a going concern for the following reasons:

- Net current assets were \$3,709,353 as at 31 December 2019;
- The Group has had some preliminary discussions regarding the potential for further offtake arrangements based on the copper and gold announcements to date, the projects are within tenements with Mining Leases and hence considered near term;
- The Group has a number of interested parties in acquiring the Gilded Rose project and exploration areas;
- The Directors note that the Group has in excess of 50,000,000 shares available in its placement capacity which could be utilised if a significant investor approached the Group and or for a capital raising if considered appropriate; and
- The Directors also believe that the major shareholders would support the company if requested.

Should these equity and fundraising options not be completed, there is a material uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

NOTE 2: EXPLORATION AND EVALUATION ASSETS

	Half year to 31 December 2019 \$	Year to 30 June 2019 \$
Exploration and evaluation phase – at cost		
Balance at beginning of period	1,702,521	2,755,095
Assets transferred to available for sale	-	(1,070,696)
Exploration assets acquired	6,243	18,122
Impairment	(6,243)	-
Total exploration and evaluation assets	1,702,521	1,702,521

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 3: ISSUED CAPITAL

	31 December 2019		30 June 2019	
	\$		\$	
<i>Ordinary shares</i>				
Issued and fully paid	26,689,860		23,255,135	
	Half year to 31 December 2019		Year to 30 June 2019	
	Number	\$	Number	\$
<i>Movements in ordinary shares</i>				
Balance at beginning of period	480,207,647	23,255,135	404,412,399	15,978,196
Capital raised	46,352,927	3,954,999	58,333,336	7,000,000
Converting notes	-	-	8,961,912	600,000
Exercise of share options @	571,678	22,500	8,500,000	382,500
Share issue costs	-	(542,774)	-	(705,561)
Balance at end of period	527,132,252	26,689,860	480,207,647	23,255,135
	31 December 2019		30 June 2019	
	\$		\$	
<i>Options</i>				
Issued and fully paid	3,206,400		2,786,569	
	Half year to 31 December 2019		Year to 30 June 2019	
	Number	\$	Number	\$
<i>Movements in options</i>				
Balance at beginning of period	97,955,882	2,786,569	82,279,412	2,099,327
Corporate advisers	10,000,000	442,278	5,000,000	264,504
Options reissued to directors #	-	-	6,176,470	266,151
Options issued to directors	-	-	4,000,000	174,448
Options exercised	(750,000)	(22,447)	(9,000,000)	(136,060)
Options expired	-	-	(2,000,000)	(28,982)
Options issued – Converting notes	-	-	11,250,000	144,000
Options issued to consultants	-	-	250,000	3,181
Balance at end of period	107,205,882	3,206,400	97,955,882	2,786,569

@ 750,000 options were exercised during the half year, converting to 571,678 Ordinary shares due to the utilisation of the cashless exercise facility.

The options were approved at the Ausmex Annual General Meeting held on 24 November 2018 by shareholders pursuant to Listing Rule 10.11. The Directors' Options were issued out of time, in breach of Listing Rule 10.13.3 and were reversed, the Group has taken the action of reapproving the Directors' Options subject to shareholder approval at a future shareholder meeting.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 4: CONTINGENT LIABILITIES

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

NOTE 5: COMMITMENTS FOR EXPENDITURE

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

NOTE 6: SHARE BASED PAYMENTS

Share based payments reserve

This reserve is used to record the value of equity benefits provided to consultants, employees and directors as part of their remuneration.

During the half year ended 31 December 2019 the directors granted 10,000,000 options to consultants. The share-based payment expense for the options issued have been calculated in accordance with AASB 2: Share Based Payments using the Black Scholes method to determine the fair value of the options. The total fair value for the options was \$442,278 (2019: \$87,370).

The grant date fair value has therefore been estimated in accordance with AASB 2 using the inputs below.

- Grant date	: 22 July 2019
- Number	: 3,000,000
- Grant date share price	: \$0.14
- Risk-free interest rate	: 2.21%
- Expected volatility	: 104.94%
- Expiry date	: 22 July 2022
- Exercise Price	: \$0.15
- Grant date	: 8 November 2019
- Number	: 7,000,000
- Grant date share price	: \$0.01
- Risk-free interest rate	: 2.21%
- Expected volatility	: 95.42%
- Expiry date	: 8 November 2022
- Exercise Price	: \$0.15

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.

NOTE 7 : EVENTS SUBSEQUENT TO REPORTING DATE

There has been no additional 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 8: FINANCIAL INSTRUMENTS

Derivative Liability

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting periods.

The carrying amounts of financial assets and financial liabilities are considered to be a reasonable approximation of their fair values.

	Half year to 31 December 2019 \$	Year to 30 June 2019 \$
Movements in derivative liabilities		
Balance at beginning of period	1,142,437	-
Issued during the year	-	170,452
Fair value through profit or loss	(468,106)	971,985
	<u>674,331</u>	<u>1,142,437</u>

Convertible Notes Liability

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting periods.

The carrying amounts of financial assets and financial liabilities are considered to be a reasonable approximation of their fair values.

	Half year to 31 December 2019 \$	Year to 30 June 2019 \$
Movements in convertible notes		
Balance at beginning of period	780,965	-
Net proceeds of issue	-	1,448,774
Derivative liability at initial value	-	(170,452)
Options at valuations	-	(144,000)
Finance costs	201,603	37,126
Notes converted #	-	(390,483)
	<u>982,568</u>	<u>780,965</u>

During the year ended 30 June 2019 5 notes were converted to 8,961,912 Ordinary shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 9: SEGMENT REPORTING

The Board has determined that the Group has two reportable segments, being mineral exploration and other. The following tables present revenue and profit information and certain asset and liability information regarding business segments for the half years ended 31 December 2019 and 31 December 2018.

31 December 2019	Continuing Operations			
	Mineral Exploration	Other	Unallocated items	Consolidated
	\$	\$	\$	\$
Segment revenue (i)	200,000	2,452	-	202,452
Segment loss before income tax expense	(4,137,233)	(583,606)	-	(4,720,839)
Segment assets	3,489,329	3,606,977	-	7,096,306
Segment liabilities	(497,330)	(2,425,864)	-	(2,923,194)

(i) Segment revenues represents non-refundable option income and interest revenue. There were no inter-segment revenues in the current period.

31 December 2018	Continuing Operations			
	Mineral Exploration	Other	Unallocated items	Consolidated
	\$	\$	\$	\$
Segment revenue (i)	-	3,000	-	3,000
Segment loss before income tax expense	(1,996,396)	(729,560)	-	(2,725,956)
Segment assets	3,326,891	1,399,144	-	4,726,035
Segment liabilities	(425,932)	(1,416,236)	(258,246)	(2,100,414)

(i) Segment revenues represents interest revenue. There were no inter-segment revenues in the current period.

NOTE 10: AASB 16 LEASES

Change in accounting policy

AASB 16 *Leases* supersedes AASB 117 *Leases*. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The changes result in almost all leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating' and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. Under this approach, there is no initial Impact on retained earnings under this approach, and comparatives have not been restated.

The Group leases various premises where prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

NOTE 10: AASB 16 LEASES (CONT)

From 1 July 2019, where the Company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost.

The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement if the lease liability consist of:

- Fixed lease payments less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;
- Any amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there is a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

Where leases have a term of less than 12 months or relate to low value assets, the Group has applied the optional exemptions to not capitalise these leases and instead account for the lease expense on a straight-line basis over the lease term.

Impact on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which would have previously been classified as operating leases under the principles of AASB 117. As at 30 June 2019 the Group's leasing commitments were nil. The net impact on retained earnings on 1 July 2019 was \$nil.

On initial application right-of-use assets were measured at the amount equal to the lease liability.

In the Condensed Statement of Cash Flows, the Group has recognised cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

The adoption of AASB 16 resulted in the recognition of right-of-use assets of \$315,987 and lease liabilities of \$315,987 in respect of all operating leases, other than short-term leases and leases of low-value assets.

NOTE 10: AASB 16 LEASES (CONT)

	Premises \$	Total \$
<i>Reconciliation of Right of Use Assets</i>		
Balance at beginning of period	-	-
Additions	315,987	315,987
Depreciation expense for the period	(56,065)	(56,065)
	<u>259,922</u>	<u>259,922</u>
	Premises \$	Total \$
<i>Reconciliation of Lease Liabilities</i>		
Balance at beginning of period	-	-
Additions	315,987	315,987
Repayments	(65,700)	(65,700)
Interest expense for the period	21,517	21,517
	<u>271,804</u>	<u>271,804</u>

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTE 11: ASSETS HELD FOR SALE

The Group undertook to dispose of the Gilded Rose tenements in the financial year 30 June 2019 and as such were disclosed as a current asset, "Assets held for Sale". During the half year the Group executed a binding term sheet for the divestment of the Gilded Rose project for a total consideration of \$4,000,000. Subsequent to 31 December 2019, this sale process is ongoing and the Group is currently engaged with various parties to enact a disposal. As such the carrying value of the Gilded Rose license areas continued to be classified as "Assets held for Sale".

DIRECTORS' DECLARATION

1. In the opinion of the directors of Ausmex Mining Group Limited ('the company'):
- a. the accompanying interim financial statements and notes are 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 performance for the half-year then ended; and
 - ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
 - 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.
 - c. the interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2019.

This declaration is signed in accordance with a resolution of the Board of Directors.



Matthew Morgan
Director

13 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Ausmex Mining Group Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Ausmex Mining Group Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of 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.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Ausmex Mining Group 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 2019 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*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim financial report

The directors of the Group are responsible for the preparation of the interim 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 interim 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 interim 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 interim 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 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 an interim 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

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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

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
13 March 2020

M R Ohm
Partner

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