

NL

ABN 50 127 291 927

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2019**

This interim financial report does not include all the notes of the type normally included in an annual financial report. 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 Emu NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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COMPETENT PERSON'S STATEMENT

Any details contained herein that pertain to exploration results, mineral resources or mineral reserves are based upon information compiled by Mr Francisco Montes, Senior Geologist and Exploration Manager - Chile, of Emu NL. Mr Montes is a Member of the Australasian Institute of Geoscientists and has sufficient experience in the activity which he is undertaking 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" (JORC Code). Mr Montes consents to the inclusion herein of the matters based upon his information in the form and context in which it appears.



DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity (referred to hereafter as the Group) consisting of Emu NL and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

DIRECTORS

The names of the directors who held office during or since the end of the period are:

Peter Thomas

Gavin Rutherford

Terrence Streeter

Tim Staermose (Appointed 14.10.2019)

REVIEW AND RESULTS OF OPERATIONS

Revenues and results

A summary of the Group's revenues and results for the period is set out below:

Half Year Ended 31 December 2019	
Revenues	Results
\$	\$
4,658	(1,830,926)

Consolidated entity revenues and loss

ELEVADO PROJECT, CHILE

Following the 2019 drilling programme and exploration activities completed in the first half of the year, EMU prepared, during the period, to build upon the comprehensive three previous years' exploration work completed at Elevado. A detailed and highly focussed programme to review and develop drill targets within the known prospect areas was undertaken with the assistance and guidance of some of the world's best-known experts in the geoscience fields. From the review, additional regional exploration targets were identified, and activities were planned to add further prospect areas to be explored in the 2020 campaign. EMU's work during the period was comprehensive in defining all possible target areas for mineralisation and prepared the groundwork for drill testing all targets during the 2020 campaign.

EMU commenced with the evaluation of the project database specifically to assess previous campaign results and information. Comprehensive analysis of the geological settings, geophysics and geochemical data was completed during the period by renowned industry experts well credentialed and experienced with the mineralisation styles present at Elevado.

The work completed, provided EMU with significantly improved definition of target areas and provided vectors for the diamond (DDH) and reverse circulation (RC) drilling programmes planned for the season. EMU focussed on the mineralised Vidalita prospect and the possibility of a deep feeder system which could be tested by DDH drilling. A reprocessing of previous geophysical results from the ground magnetics and IP database and information obtained from additional geological and structural information, defined two IP chargeability targets for testing. One of these aligned to the mineralised zone at Vidalita, the other immediately to the north east at the NE Plains prospect.

During the period, EMU reviewed the entire rock chip, soil and drilling database, assessing the QA/QC from the three previous campaigns with assistance from Dave Heberlein, a Canadian based, Maricunga specialist geochemist. A re analysis and check assay of 392 samples using the 30gm fire assay (gold) and 4 acid digest/ICP-MS (multi element) analysis was completed. The work verified and confirmed the previous results obtained by the aqua regia digesting technique.

EMU engaged specialist Maricunga - High Sulphurisation geologist, Nick Callen, to review drill core from previous drilling campaigns and to assess assay results. Nick's experience in the area, working for major



DIRECTORS' REPORT (Continued)

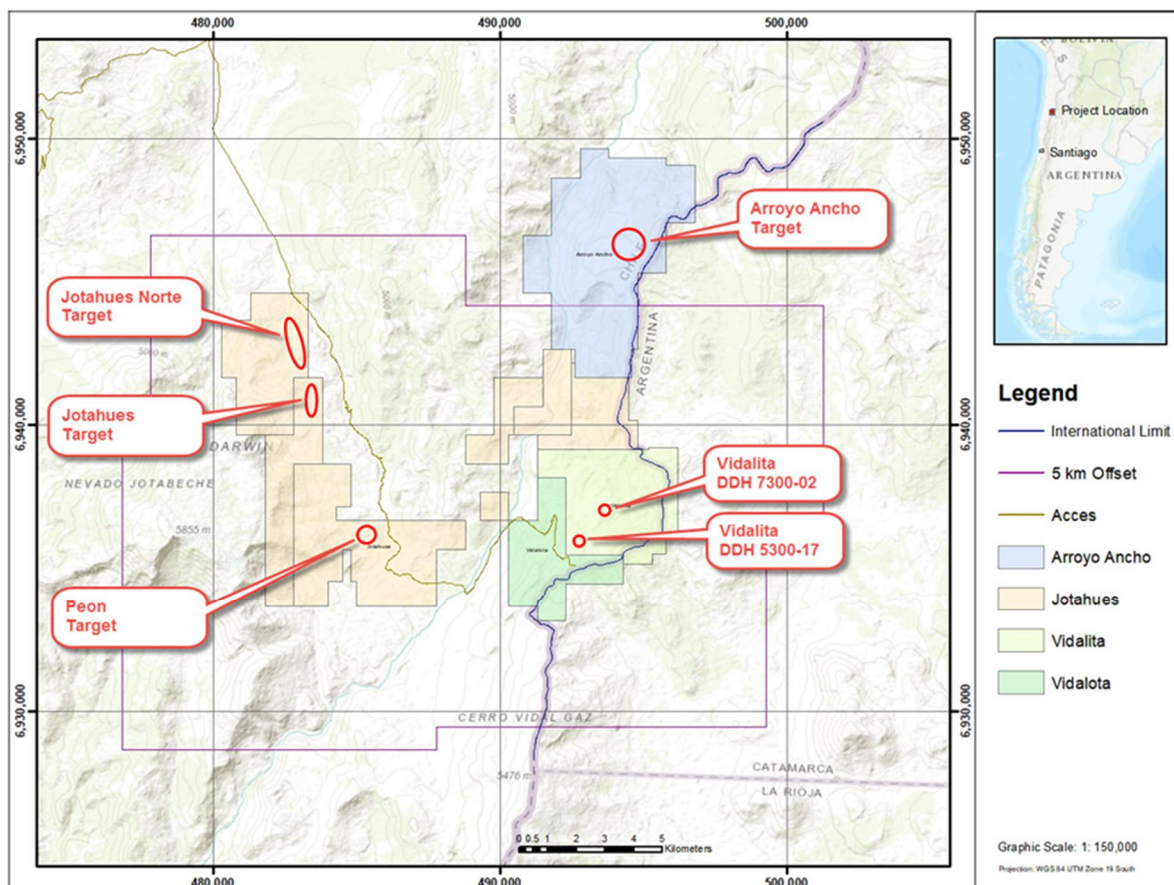
explorers over many years, proved to be invaluable in updating the understanding of the main lithological units at Elevado and the mineralisation models. The work provided further definition to follow up target zones over the project.

EMU mobilised its exploration team to a temporary camp on 1 October with favourable weather conditions precipitating an earlier start to the season, compared to previous campaigns. Access tracks, drill pad preparation, stream sediment survey and collection, mapping and the prospecting programme commenced once the camp was established. The purchase of a quad bike for the prospecting programme proved to be very successful, providing flexibility to access all zones of the Elevado Project. Rob Mitchell, a highly experienced Canadian prospector based in Chile, was engaged to carry out this work activity. EMU dedicated a team for the comprehensive collection and mapping of stream sediment data during the campaign.

The stream sediment survey was applied to the greater Elevado Project area. The programme was established to isolate all anomalous drainage catchment areas which would provide focussed exploration follow up. In total, 253 catchment basins of ~2 km² areas were delineated and samples were collected in the active drainage zones which were later assayed for gold and multielement assessment utilising the 30gm fire assay and 4 acid digest methodology. The stream sediment survey continued into the March quarter.

Once the main camp was mobilised and established in early November, drilling contractor, Synergy Drilling commenced and completed the DDH programme. Two, highly targeted, holes were drilled and successfully cored. One of the holes was positioned at the Vidalita prospect (hole 5300-17 428m) and one at NE Plains prospect (hole 7300-2 400m). Geochemical sampling was completed over the ½ sawn core with all work completed by in house company geologists and field assistants. Sampling was conducted in 4m intervals with 2m samples taken over more prospective intervals. Samples were dispatched to ALS Laboratories in Copiapo for sample preparation before being sent to ALS Laboratories Lima for final assay testing.

Figure 1: Location of areas targeted in follow-up exploration and drilling during the period





DIRECTORS' REPORT (Continued)

Work from the period was successful in defining four main regional target areas for follow up by an RC drilling programme. Figure 1. shows the locations of the DDH hole collar positions at Vidalita prospect (DDH 5300-17) and at NE Plains (DDH 7300-02) established to test IP chargeability anomalies.

EVENTS SUBSEQUENT TO END OF PERIOD

EMU commenced and completed its Stage 2, RC Drilling programme at Elevado. The RC drilling campaign was completed on 29 February 2020 and demobilisation of the camp and infrastructure was completed in early March 2020. EMU is now processing the latest assay information and finalising the drilling and exploration season work at Elevado.

PROJECT GENERATION

During the period EMU identified and reviewed several highly prospective project opportunities in Chile and in Australia. EMU applied for a package of tenements in the Menzies District in Western Australia. The evaluation and follow up of highly prospective projects within Australia and overseas identified during the period provides continued work to the date of this report.

EMU seeks to acquire assets that may have the potential to add significant financial value and returns for its shareholders. EMU maintains a strict criterion in its evaluation of these projects. The focus of evaluation of opportunities is not limited to greenfield exploration. EMU's evaluation criteria include projects that have the potential to be value-accretive and demonstrate significant upside at any stage in the project life cycle including greenfield exploration, late-stage exploration and near-term cash flow. A pipeline of such specific projects was reviewed during the period and are currently under focussed and continuing review.

CORPORATE

Capital Raising Activities

During the reporting period, EMU completed a Non-Renounceable Rights Issue resulting in the Company issuing a total of 114,723,888 shares and 57,361,954 unlisted options (to acquire a partly paid share EMUCA; exercisable at \$0.02 each, expiring 21 December 2020) pursuant to the rights issue and shortfall applications, raising a total of \$4,588,956 before costs (applying a USDAUD FOREX rate of 0.7112 to calculate the number of securities issued to the underwriter's subscribers). This included a total of US\$2.67M from investors introduced by Strategic Bank International Corp (such investors operating via two special purpose vehicles formed and nominated by Strategic Bank - SMPI EMU 1, LLC and SMPI EMU 2, LLC) which underwrote the non-renounceable rights issue to that extent. That underwritten amount (net of fees) remained in US dollars, the denomination of the Company's main spend in Chile.

On 27 December, the Company issued the following AGM approved securities:

- 12,000,000 options to Directors to acquire partly paid ordinary shares (these options are exercisable at \$0.03 each, expire on 21 December 2021, require a further payment of \$0.03 each to convert to fully paid shares (thus \$0.06 in total) once exercised and will not be quoted on the ASX); and
- 8,300,000 fully paid ordinary shares to Acuity Capital issued at nil consideration as additional collateral for a Controlled Placement Agreement (CPA).



DIRECTORS' REPORT (Continued)

Other

The expiry date of the CPA previously entered into with Acuity Capital was extended from 31 December 2019 to 31 January 2023. As at 31 December 2019, Acuity had been issued a total of 15,700,000 fully paid ordinary shares under the CPA.

EMU retains full control of all aspects of the placement process, having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on EMU to utilise the CPA. Emu may terminate the CPA at any time, without cost or penalty and EMU can buy back the Collateral Shares for no consideration (subject to shareholder approval). Acuity Capital and the CPA do not place any restrictions at any time on EMU raising capital through other methods.

The Annual General Meeting of Members (AGM) was held on 29 November 2019. All resolutions were passed unanimously by a show of hands.

ASX Waiver - Approval to issue shares

On 8 February 2017, the Company received shareholder approvals for the issue of up to 15 million shares (**Consideration Shares**; 2,500,000 of which were issued shortly after the approvals and a further 2,500,000 were issued in April 2019 consequential to EMU advising that it had met its expenditure commitment of \$1,000,000 in relation to the Projects) pursuant to the agreement with Prospex SpA and BLC SpA (under which, inter alia, EMU took an assignment of the original optionee's option to purchase the Vidalita Concessions (the **Perez Agreement**)).

The following information is provided in accordance with a waiver granted by ASX permitting the Company to issue the balance of the Consideration Shares (10,000,000) more than 3 months after the date of the approvals:

- No Consideration Shares were issued during the reporting period;
- 10,000,000 of the Consideration Shares remain, conditionally, to be issued;
- 5,000,000 (approved for issue no later than 31 December 2020) if EMU defines a 500,000-ounce measured resource of gold on the original 5 concessions in the BLC Agreement (Ciclope Tuerto 7, 8, 9 and Vidalota A, B) and the 6 concessions in the Prospex Agreement (Vidalita A-F) (**Original Concessions**); and
- an additional 5,000,000 (approved for issue no later than 31 December 2020) if EMU defines a 1,000,000-ounce measured resource of gold on the Original Concessions.

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 8.

This report is made in accordance with a resolution of directors.

Signature affixed to original document and held on file

Peter S Thomas

Chairperson

13 March 2020



ELDERTON

AUDIT PTY LTD

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with the governance of Emu NL

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

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

Signature of Elderton Audit Pty Ltd affixed to original document and held on file

Elderton Audit Pty Ltd

Signature of Nick Hollens affixed to original document and held on file

Nick Hollens

Managing Director

13 March 2020

Perth



CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Half-Year Ended 31 December	
	2019 \$	2018 \$
REVENUE		
Interest revenue	4,658	488
Other income	-	43,458
EXPENDITURE		
Depreciation expense	(6,235)	(6,132)
Exploration and tenement expenses	(1,375,834)	(828,935)
Key management personnel compensation	(149,845)	(128,251)
Share-based payments expense	(146,400)	-
Other expenses	(153,024)	(201,346)
LOSS BEFORE INCOME TAX	(1,826,680)	(1,120,718)
Income tax expense	-	-
LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF EMU NL	(1,826,680)	(1,120,718)
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of available-for-sale financial assets	(4,246)	(42,558)
Other comprehensive income for the period, net of tax	(4,246)	(42,558)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF EMU NL	(1,830,926)	(1,163,276)
Basic and diluted loss per share (cents)	(0.92)	(0.92)

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

		31 December	30 June
Notes	2019	2019	2019
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3,634,024	274,205	
Trade and other receivables	3,334	10,630	
Other assets	45,581	3,720	
TOTAL CURRENT ASSETS	3,682,939	288,555	
NON-CURRENT ASSETS			
Financial assets	3 48,553	52,800	
Plant and equipment	29,815	31,392	
TOTAL NON-CURRENT ASSETS	78,368	84,192	
TOTAL ASSETS	3,761,307	372,747	
CURRENT LIABILITIES			
Trade and other payables	153,208	84,829	
TOTAL CURRENT LIABILITIES	153,208	84,829	
TOTAL LIABILITIES	153,208	84,829	
NET ASSETS	3,608,099	287,918	
EQUITY			
Contributed equity	4 22,480,256	18,133,713	
Reserves	5 843,305	42,988	
Accumulated losses	(19,715,462)	(17,888,783)	
TOTAL EQUITY	3,608,099	287,918	

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (COMPARATIVE)

	Issued Capital \$	Financial Asset Reserve \$	Option Reserve \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2018	14,851,989	42,445	-	501,524	(15,080,369)	315,589
Loss for the period	-	-	-	-	(1,120,718)	(1,120,718)
Expiration of share based payments	-	-	-	(501,524)	501,524	-
Other comprehensive income	-	(42,445)	-	-	-	(42,558)
TOTAL COMPREHENSIVE INCOME	-	(42,445)	-	(501,524)	(619,307)	(1,163,276)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Proceeds from issue of shares	2,100,000	-	-	-	-	2,100,000
Share issue costs	(65,200)	-	-	-	-	(65,200)
SUB-TOTAL	2,034,800	-	-	-	-	2,034,800
BALANCE AT 31 DECEMBER 2018	16,886,789	-	-	-	(15,699,676)	1,187,113

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



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

	Issued Capital \$	Financial Asset Reserve \$	Option Reserve \$	Share-based Payments Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2019	18,133,713	(11,013)	-	54,000	(17,888,782)	287,918
Loss for the period	-	-	-	-	(1,826,680)	(1,826,680)
Other comprehensive income	-	(4,246)	-	-	-	(4,246)
TOTAL COMPREHENSIVE INCOME	-	(4,246)	-	-	(1,826,680)	(1,830,926)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Proceeds from issue of shares and options	4,608,293	-	658,164	-	-	5,266,457
Share-based payments to directors	-	-	-	146,400	-	146,400
Share issue costs	(261,750)	-	-	-	-	(261,750)
SUB-TOTAL	4,346,543	-	658,164	146,400	-	5,151,107
BALANCE AT 31 DECEMBER 2019	22,480,256	(15,259)	658,164	200,400	(19,715,462)	3,608,099
TOTAL RESERVES AT 31 DECEMBER 2019			843,305			

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



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

	Half Year Ended 31 December	
	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(1,340,161)	(758,322)
Payments to suppliers and employees	(298,603)	(338,552)
Receipts from tenement cost recoupments	-	43,458
Interest received	4,658	488
Net cash used in operating activities	(1,634,106)	(1,052,928)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for new tenements	(6,123)	-
Payments for plant and equipment	(4,658)	-
Net cash provided by investing activities	(10,781)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of securities	5,265,323	1,526,440
Proceeds from exercise of options	1,133	-
Share issue costs	(261,750)	(65,200)
Net cash provided by financing activities	5,004,706	1,461,240
Net increase / (decrease) in cash and cash equivalents	3,359,819	408,312
Cash and cash equivalents at the beginning of the half-year	274,205	750,056
Effects of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	3,634,024	1,158,368

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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 Reporting* and the *Corporations Act 2001* and does not include all the notes of the type normally included in an 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 Emu NL 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.

These financial statements have been prepared on an accruals and historical cost basis, except where indicated.

Adoption of new and revised Accounting Standards

AASB 16 Leases

This Standard supersedes AASB 117 Leases, Interpretation 4 Determining whether an arrangement contains a Lease, AASB interpretation 115 Operating Leases-Incentives and AASB interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for leases.

Based on the Group's detailed assessment for the impact of AASB 16, the standard does not have a material impact on the transactions and balances recognised in the financial statements as the only lease entered into has been in respect of the office which was negotiated on a month-by-month basis and does not therefore require the additional disclosures dictated by AASB 16.

NOTE 2: SEGMENT INFORMATION

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's principal activity is mineral exploration.

NOTE 3: FINANCIAL ASSETS

Equity securities in listed entities

31 December 2019 \$	30 June 2019 \$
48,553	52,800

Fair value measurements

The fair value of equity investments have been calculated by reference to the most recent quoted market closing price at the respective reporting date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: ISSUED CAPITAL

	2019 Shares	2019 \$	2018 Shares	2018 \$
As at 1 July	191,741,437	18,133,713	111,631,054	14,851,989
Issues of ordinary shares during the half-year				
Fully paid shares issued – Acuity*	8,300,000	-	-	-
Fully paid shares issued – Placements	16,908,935	591,813	49,892,498	2,100,000
Fully paid shares issued – Non-Renounceable Rights Issue	114,723,888	4,015,347	-	-
Transaction costs	-	(261,750)	-	(65,200)
Contributing shares issued	56,672	1,133	-	-
As at 31 December	331,730,932	22,480,256	161,523,552	16,886,789

As at 31 December 2019, the Company had 298,005,436 fully paid ordinary shares and 33,725,496 partly paid ordinary (contributing) shares on issue (3 cents paid, 3 cents unpaid).

*** Note:**

On 27 December 2019 the Company issued 8,300,000 fully paid ordinary shares (Collateral Shares) to Acuity Capital pursuant to the Controlled Placement Agreement (**CPA**) with Acuity Capital. The shares were issued at nil cash consideration.

The expiry date of the **CPA** previously entered into with Acuity Capital was extended from 31 December 2019 to 31 January 2023. As at 31 December 2019, Acuity had been issued a total of 15,700,000 fully paid ordinary shares under the CPA.

EMU retains full control of all aspects of the placement process, having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on EMU to utilise the CPA. Emu may terminate the CPA at any time, without cost or penalty and EMU can buy back the Collateral Shares for no consideration (subject to shareholder approval). Acuity Capital and the CPA do not place any restrictions at any time on EMU raising capital through other methods.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: RESERVES

	\$
Financial Asset Reserve	
Balance at the beginning of the period	(11,013)
Decrease in fair market value of financial assets during the period	(4,246)
Balance at the end of the period	<u>(15,259)</u>
Option Reserve	
Balance at the beginning of the period	-
Options to acquire partly-paid ordinary shares issued at \$0.01 each (exercisable at \$0.02 each, expiring 21 December 2020)	658,164
Balance at the end of the period	<u>658,164</u>
Share Based Payments Reserve	
Balance at the beginning of the period	54,000
Share-based payments to directors approved at AGM – See below	146,400
Balance at the end of the period	<u>200,400</u>
Total Reserves	<u><u>843,305</u></u>

	Number of Options	
	2019	2018
As at 1 July	50,355,000	5,050,000
Movements of options during the half-year		
Issued, exercisable at \$0.11, expiring 20 December 2018	-	2,000,000
Issued, exercisable at \$0.20 (to acquire one fully paid share), expiring 15 January 2021	40,000,000	-
Issued, exercisable at \$0.20 (to acquire one fully paid share), expiring 16 January 2021	8,454,468	-
Issued, exercisable at \$0.02 (to acquire one partly paid (contributing) share), expiring 21 December 2020	65,816,422	-
Issued, exercisable at \$0.03 (to acquire one partly paid (contributing) share), expiring 21 December 2021	12,000,000	-
Exercised at \$0.03 (to acquire one partly paid (conctributing) share), expiring 21 December 2020	(56,672)	-
Unexercised Options cancelled	-	(7,050,000)
Total Options as at 31 December	176,569,218	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: RESERVES (Continued)

Share Based Payments Valuation

Share-based payment transactions, in the form of options to acquire partly-paid ordinary shares by directors, have been valued using the Black-Scholes option using the following assumptions and estimates as inputs:

Details	Input
Share price for underlying fully paid ordinary Shares – closing price on 25 October 2019	\$0.044
Exercise price	\$0.03
Risk free rate *	0.75%
Volatility *	65%
Start date	25 October 2019
Expiry date	21 December 2021
Value per Option	\$0.0122

* These inputs were extracted from an independent valuation report provided by Provisio Corporate dated 10 October 2019 which contained the following details:

“Volatility: The volatility to use to value the Options is critical to the value assigned. In our valuation we used a range of implied volatilities derived from the historical share price, market volatilities and implied volatilities derived from listed options in comparable companies listed on the ASX. Based on the historical share price movement the historical derived volatilities were far higher than the ASX average market volatilities. Notwithstanding, given that the Options only allow the option holder to acquire partly paid shares and that, if exercised, will require a further payment, the implied volatility used in the modelling and fair price determination was adjusted towards market benchmarks of an implied volatility of 65%.

Risk free rate: Though with interest rates trading near historical lows, it is arguable that the government bond rate is the correct rate to use, it is nonetheless the required input. For the one year option, a risk free rate assumption of 0.75% was used, assuming the RBA keeps its stated intention to maintain the cash rate at, or near, its current level for the next 12 months.”

Applying the valuation methodology prescribed by the employee share scheme provisions of the Income Tax Assessment Act, the Options have no value. The Company believes that the employee share scheme provisions of the ITAA will be applicable to the Options.

Whilst the Directors do not consider the result derived by the application of, say, the Black-Scholes European Option Pricing Model is in anyway representative of the market value of the share options issued, in the absence of reliable measure for the same, AASB 2 *Share Based Payments* prescribes the fair value be determined by applying a generally accepted valuation methodology.

NOTE 6: DIVIDENDS

No dividends were paid during the half-year. No recommendation for payment of dividends has been made.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: CONTINGENCIES and COMMITMENTS

Drilling Dispute

On 10 July 2019 Wallis Drilling served a writ on EMU claiming US\$138,346.31 for drilling services. EMU filed a defence, setoff and counterclaim seeking unliquidated claim damages from Wallis for repeated breach of contract.

Whilst any pre-emptive assessment of the quantum of EMU's damages award (if any) is necessarily inherently uncertain (and both currency fluctuations and the approach to conversion from one currency to another introduce further uncertainty), EMU's internal preliminary assessment of the damages the subject of its filed counterclaim is in an amount which exceeds Wallis' claim.

EMU reserves its rights with regard to the merits of a further possible cause of action in tort against Wallis for lost opportunity and consequential loss suffered by EMU as a result of Wallis' acts and omissions.

The matter has been listed for mediation in the District Court of WA.

Ron Stanley Contingency

The Group has a contingent asset, being a cause of action it contends arose against Territory Minerals Limited (ACN 121 200 299) and/or parties associated with it (including without limitation Ron Stanley and Ron Stanley & Associates) in or about June 2016 in relation to the lost opportunity, costs and expenses incurred and thrown away as a result of Ron Stanley & Associates repudiation of an agreement whereby EMU could, subject to various conditions, acquire an interest in certain exploration tenements held (or claimed to be held) by Territory Minerals Limited in Queensland.

Other than as described above, there are no material contingent liabilities or contingent assets of the Group at the reporting date.

NOTE 8: SUBSEQUENT EVENTS

Since the reporting date, the Company has engaged Astrial Pty Ltd (**Astrial**), a business consulting to the mining and exploration industry, to provide CEO services to EMU effective from 11 February, 2020 on the basis that Doug Grewar, its employee, exclusively fulfils the contracted duties.

Astrial has demonstrated competency and capability in providing in-house leadership to the Company since May 2019.

Astrial will provide its services at an "all-in" daily rate of \$1,100. The contract may be terminated by either party on one month's notice.

The Company has also issued Employee Incentive Options for the benefit of employees and contractors. A total of 7,000,000 unlisted options to acquire partly-paid ordinary shares have been issued to three employees/contractors (including 3,000,000 issued to Astrial). A further 3,000,000 (thus in aggregate 10,000,000) have been issued and are to be held in trust for distribution to qualified recipients (employees and contractors) if and as may be determined by the board. If all of these options were exercised into shares, they would represent ~2.9% of the Company's current issued share capital.

The Board considers that offering incentive options is appropriate to attract and retain the right calibre of professionals to the Company. Equity-based incentives/remuneration help align the interests of employees/contractors with shareholders in that the holders thereby have a vested interest in seeing the delivery of value to shareholders through share price appreciation.

Other than as set out above or elsewhere in these notes, no other matter or circumstance has arisen since 31 December 2019, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.



DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 9 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Emu NL 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 directors.

Signature affixed to original document and held on file

Peter S Thomas

Chairperson

13 March 2020



ELDERTON

AUDIT PTY LTD

Independent Auditor's Review Report

To the members of Emu NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emu NL, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company'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 Emu NL, 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*.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Emu NL'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 Corporations Regulations 2001*.

Signature of Elderton Audit Pty Ltd affixed to original document and held on file

Elderton Audit Pty Ltd

Signature of Nick Hollens affixed to original document and held on file

Nick Hollens
Managing Director

13 March 2020
Perth