

AUSMON RESOURCES LIMITED

ABN 88 134 358 964

Half-Year Financial Report

31 December 2016

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CORPORATE DIRECTORY

Directors

Boris Patkin – Chairman
John Q Wang – Managing Director
Ray Shaw – Executive Director (appointed
15 September 2016)
Gang Zheng (resigned 30 November 2016)

Company Secretary

John Q Wang

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ASX Code: AOA

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Auditors

Grant Thornton Audit Pty Ltd
Level 17
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Sydney NSW 2000

REVIEW OF OPERATIONS

SUMMARY

CORPORATE

- The Board composition changed following the appointment of Dr Raymond Shaw on 15th September 2016 and the resignation of Mr Gang (Gary) Zheng on 30th November 2016.
- In October 2016, the Group raised a total of \$536,710 in new capital by issuing in total 76,672,857 shares at \$0.007 per share through private placements and under a share purchase plan.
- At the Annual General Meeting held on 30 November 2016 shareholders approved the issue within 3 months of up to 145 million fully paid ordinary shares in accordance with ASX Listing Rule 7.1. At the date of this report the shares have not been issued.

EXPLORATION

In addition to preparing for a drilling program in the Pooraka Project area, during the reporting period the Group assessed several potential projects as part of its strategy to also invest in new projects for future growth. Currently the Group's exploration assets are all located in western New South Wales; at Pooraka, east of Cobar, and in the Koonenberry, east of Broken Hill. In relation to these projects the activities undertaken by the Group during the reporting period were as follows:

- **Koonenberry ELs 6400, 6424 and 6464**
 - A review of regional data continued following a decision to relinquish EL 6464 on 18th September 2016. Annual and Final Reports were subsequently submitted to the Department of Industry ("DPI") in early October 2016 in regard to EL 6464's relinquishment. Costs capitalised in relation to these ELs were impaired at 30 June 2016.
 - In light of the rising commodity prices for base metals, a reassessment was commenced of the commercial thresholds and feasibility of developing mineralisation of the target size anticipated within the Koonenberry Project area. Initially this is focused on EL 6400 which encompasses the Grasmere – Peveril copper-zinc deposit, containing JORC (2004) Inferred and Indicated Resources.

- The deep drilling of gravity targets on EL 6424 will be put on hold until these commercial metrics are quantified.
- As exploration activity is being reassessed for EL 6400 and will be put on hold for EL 6424, the Group has decided to impair fully the carrying values of these ELs at 31 December 2016.
- **Pooraka ELs 6413, 7564 and 8424:**
 - DPI permission to drill two holes on TDEM targets in ELs 6413 and 7564 was granted in September 2016.
 - Drill rig access planned during the reporting period was postponed due to unseasonable wet weather preventing heavy vehicle surface access to drill sites.
 - Drilling contractor now scheduled to undertake work program in March 2017 during cooler climate.

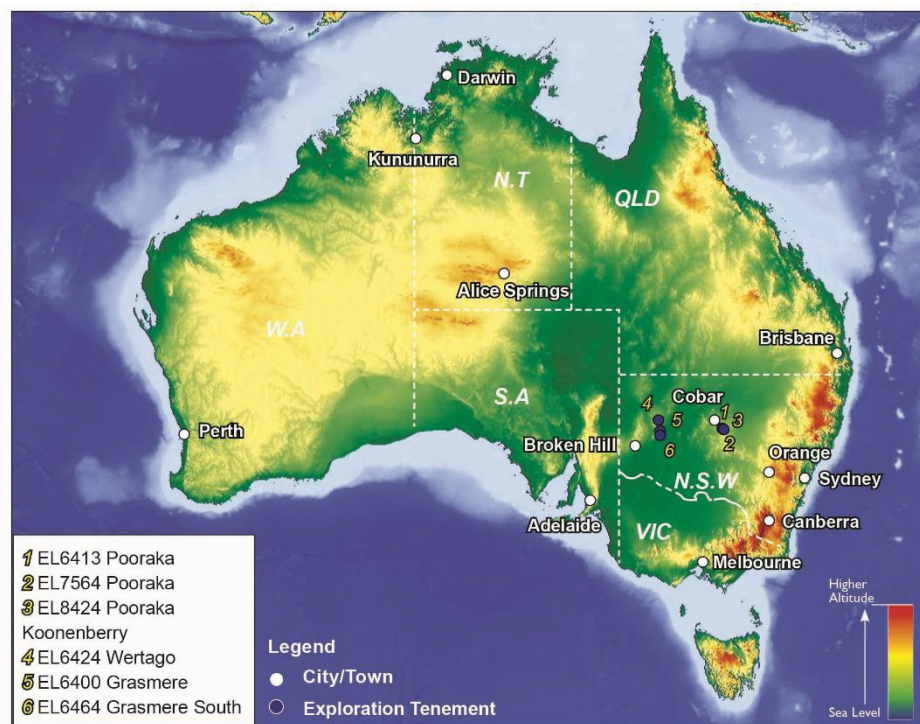


Figure 1 – List of Licences and their Locations in New South Wales, Australia

BACKGROUND TO ACTIVITIES IN THE KOONENBERRY BELT
Copper-Zinc-(Silver) and Gold Exploration
ELs 6400 & 6424 - NSW (100% interest)

The Group holds a 100% interest in two Exploration Licences (ELs) covering a total area of 224 km² in the highly prospective and under-explored Koonenberry Belt in western NSW, east of Broken Hill.

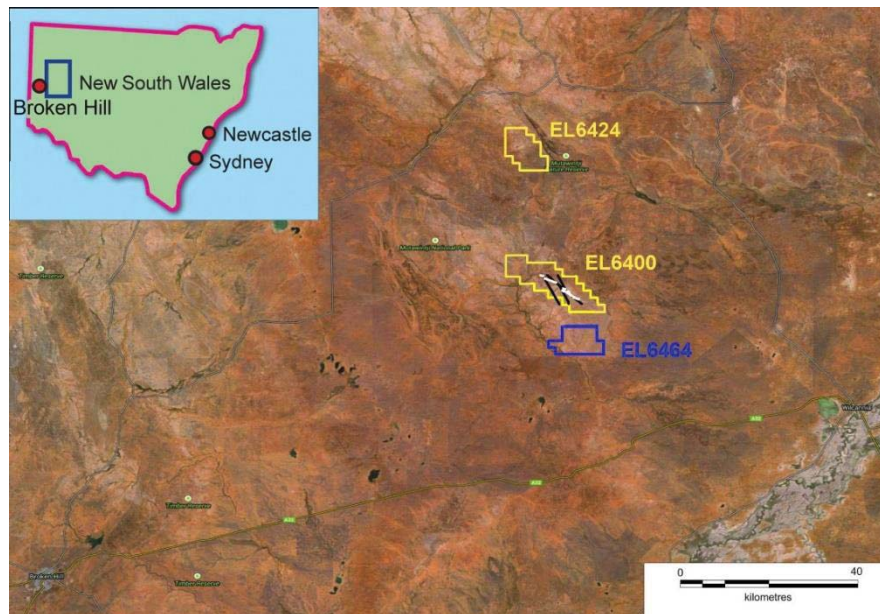


Figure 2 - Locations of Koonenberry Exploration Licences

Note: Line of mineralisation – white; Faults- black

EL 6400 is of principal interest because it encompasses the Grasmere-Peveril Cu-Zn-(Ag) deposits. These have previously been assessed as having significant Indicated and Inferred JORC Code 2004 compliant Resources of 5.75mt @ 1.03% Cu, 0.35% Zn, 2.3g/t Ag and 0.05g/t Au (Inferred: 2.73 mt grading 0.9% Cu, 0.4% Zn, .04 g/t Au and 2.05 gt Ag. Indicated: 3.02 mt grading 1.15% copper, 0.3% Zn, 0.06 g/t Au and 2.53 g/t Ag). Information relating to the mineral resource was prepared and first reported in accordance with the JORC Code 2004 in 2006. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was reported in 2006.

Following the completion of 9 RC percussion holes in early 2015 (seeking WNW extensions to the Grasmere-Peveril line of lode), drilling data suggested that future work, to locate possible WNW extensions to the Grasmere-Peveril line of lode should involve drilling some 10 to 20 close spaced RAB or RC percussion holes of 80 m to 100 m depth along two SW running lines near Wilandra.

However, as noted above, plans for this drilling have been placed on hold following a decision to undertake a reassessment of the commercial thresholds and feasibility of developing mineralisation of the target size anticipated within the Koonenberry Project area.

EL 6424 covers the historical Wertago copper diggings and Nutherungie silver field, where a detailed gravity survey in 2014 outlined several gravity lows (possible porphyry intrusions) considered by the Group to be worthy of deep drilling (see Figure 3). A decision to drill these gravity targets on EL 6424 will be put on hold until the commercial metrics are quantified.

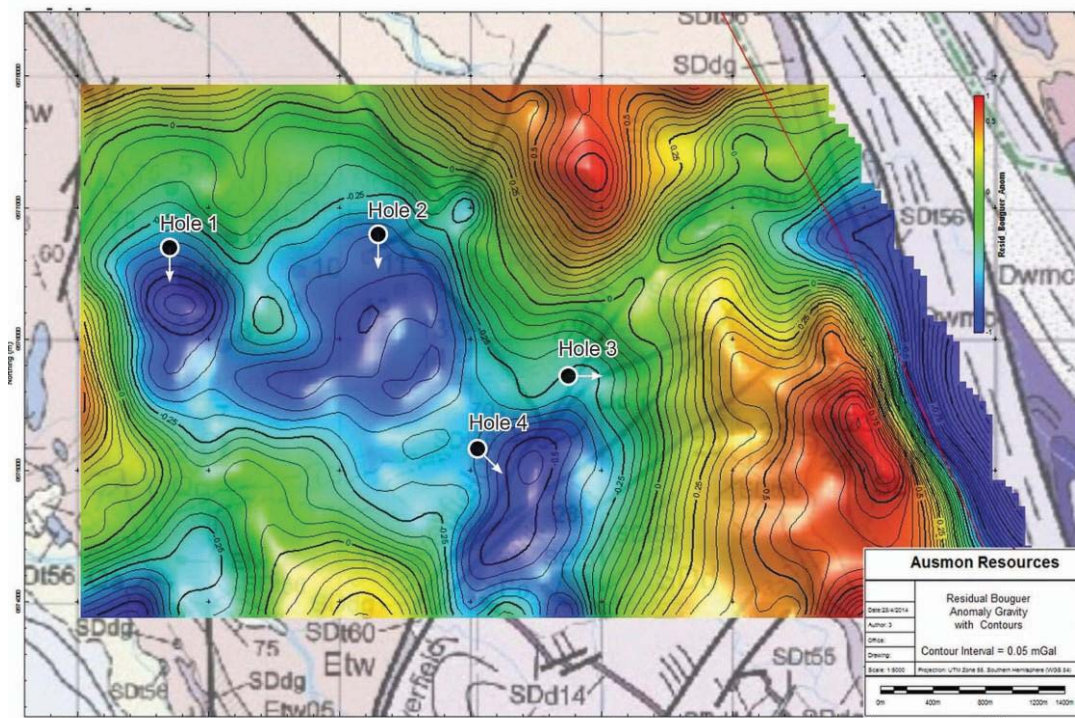


Figure 3 - Proposed Drill Holes in EL 6424

Note: Anomalous (gravity low) target areas shown in purple

The silver field is suspected to be the epithermal zone above a concealed porphyry (Cu-Ag-Au) intrusive system, which would express as gravity lows. Regional gravity data revealed a broad gravity high over the silver field, but the detailed survey revealed several gravity lows, with interpreted intrusion tops (crowns) lying at relatively shallow depths (i.e. 250 m - 270 m, and 320 m) in the central-western part of the EL. The original plan was to test these with 2 steep drill holes (Holes 1 & 2) of 400 m and 450 m length, but after consideration a third gravity low, in the silver field fault zone, was also deemed a worthy target, and the plan now is to test that target (Hole 4) plus the larger of the two above mentioned targets (Hole 2) with 2 steeply inclined, RC pre-collared diamond holes, each of

about 450 m length. The silver field deposits are also of interest, since they were abandoned at shallow depths shortly after the nearby White Cliffs opal discovery. For example, one shallow digging, proximal to Wertago, was abandoned in silver-rich galena (PbS) veins. That digging represents a possible stand-alone RC-drilling target (Hole 3 in Figure 3). Comparison with mineralisation at Silverton silver field, near Broken Hill, suggests that this mineralisation may persist to depth.

EL 6464. Following a decision to not apply for renewal of this EL on its expiry in September 2016, all compliance reports were submitted to the DPI and accepted during the reporting period.

BACKGROUND TO ACTIVITIES AT POORAKA
Gold, Silver and Base Metal Exploration
ELs 6413, 7564 and 8424 – NSW (100% interest)

During the reporting period, access and regulatory permissions to drill were obtained. However, and as announced by the Company on 16th November 2016, the drilling had to be put on hold because unseasonal wet conditions prevented road access to drill sites T1 and T2. Current expectations are that these holes will be drilled in early March 2017, during cooler climate and will take about 10 days to complete.

Drill Hole T1, Langbein - Langbein West. T1 will target a broad formational conductive zone identified by time domain electromagnetic (TDEM) geophysical survey, which envelopes a small discreet conductor (open to the east) proximal to where the Group's 2009 RC-percussion drilling encountered low grade mineralisation in bedrock. This anomaly lies along strike from the Mt Boppy gold-sulphide mine (NSW's largest operational gold mine in 1908), located 6 km to the south. The hole T1, to be drilled to a total depth of approximately 150 m at a plunge of 60° to the east, is designed to perpendicularly intersect geological dip.

Drill Hole T2, Mc Guinness. This drill site lies near the surface expression of the Gilmore Suture, where TDEM identified a large, strong, discreet, north running 1200 m X 800 m conductor. Historic (1980s and 1990s) air drilling and shallow pitting in the area detected patches of low grade gold mineralisation in the area. For example, Epoch Minerals in the 1990s drilled 17 RC and 46 air core holes outlining an inferred resource of 18,000t @ 2 g/t gold in 3 pods labelled A to C to a depth of 12 m. The Group's proposed drill hole will establish whether the conductivity is due to the presence, at depth, of sulphide mineralisation associated with gold. The hole T2, to be drilled to a total depth of approximately 250 m at a plunge of 60° to the west, is again designed to perpendicularly intersect geological dip.

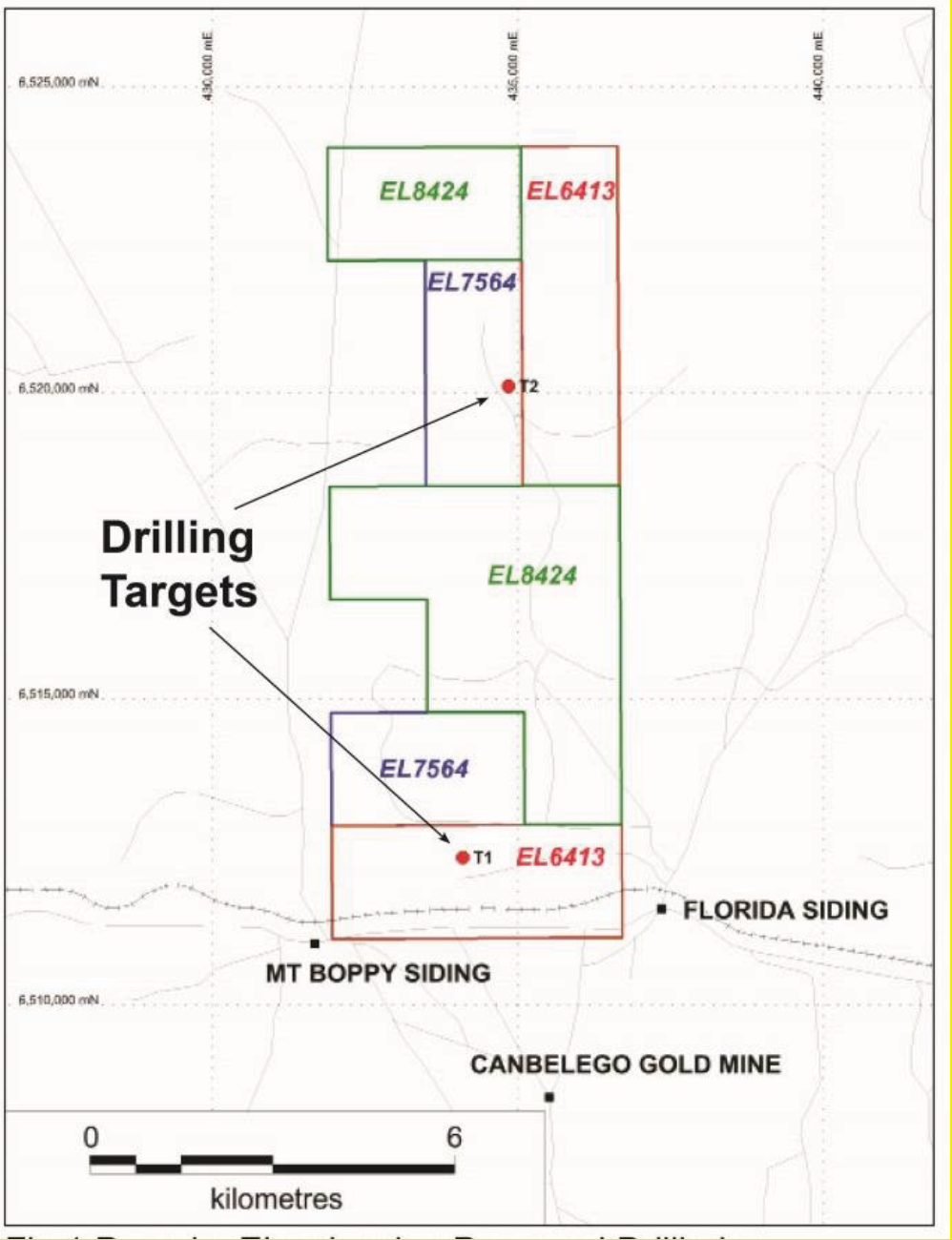


Figure 4 – Pooraka ELs showing Proposed Drill holes

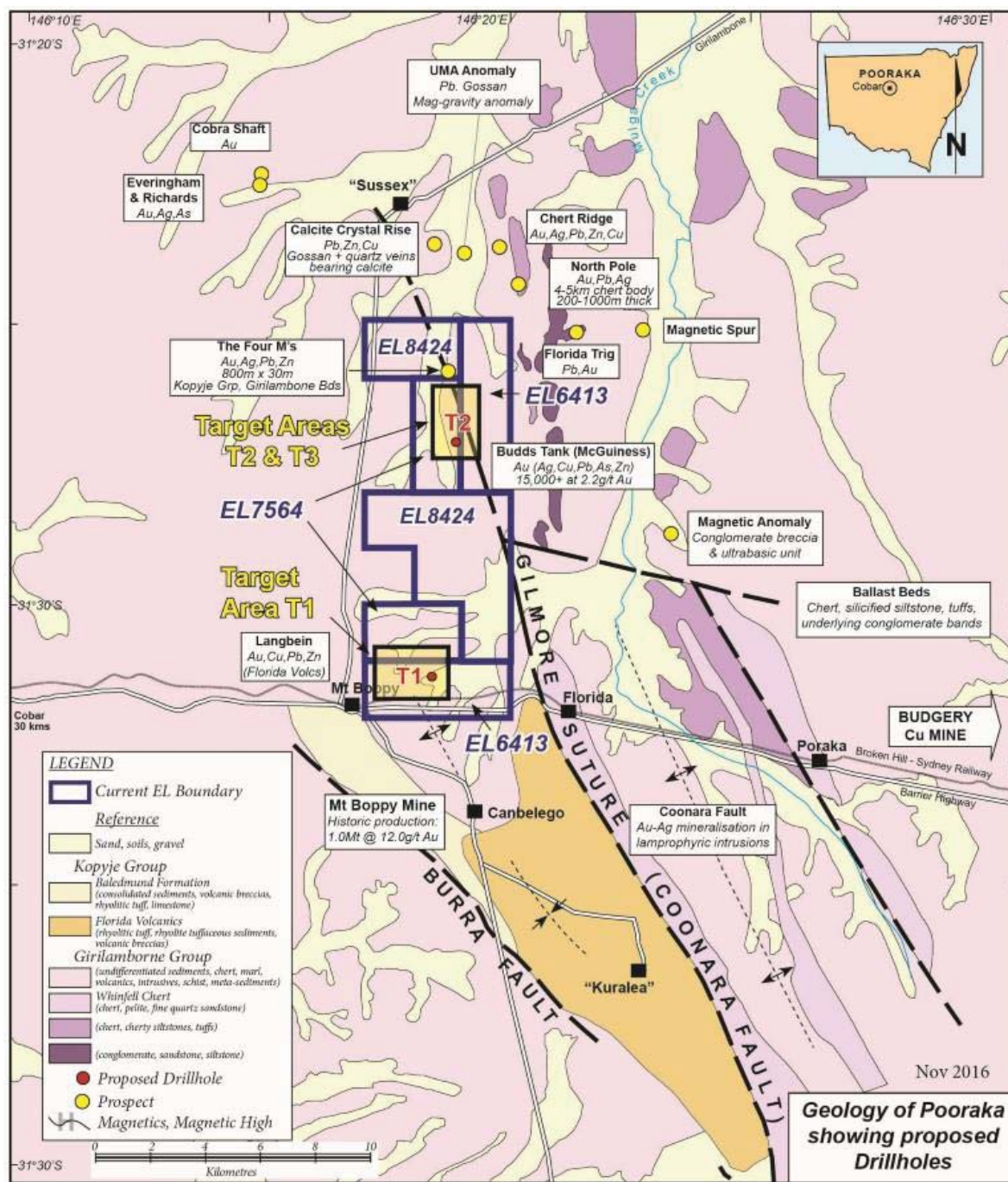


Figure 5 – Geology and Prospect Locations - Pooraka Project

As shown in the accompanying map (Figures 4 and 5) T1, Langbein - Langbein West and T2, Mc Guinness, lie within an area of three contiguous tenements held by the Group (ELs 6413, 7564 and 8424), located near Pooraka, about 40 km east of Cobar. These contain several gold and base metal target areas comprising historic exploration targets and anomalies identified from the Group's 2015 TDEM geophysical survey. It was during a ground based 200 m X 200 m TDEM geophysical survey, conducted in April and May of 2015, that the two drill targets, T1 and T2, were identified.

LICENCES STATUS

The minerals tenements held at the end of the December 2016 reporting period and acquired or disposed of during that period and their locations are as follows:

| Tenement | Project Name | Location | Beneficial Interest | Expiry |
|----------|--------------|----------|---------------------|------------------|
| EL 6400 | Koonenberry | NSW | 100% | 31 March 2017 |
| EL 6424 | Koonenberry | NSW | 100% | 25 May 2017 |
| EL 6413 | Pooraka 1 | NSW | 100% | 16 May 2017 |
| EL 7564 | Pooraka 2 | NSW | 100% | 7 June 2018 |
| EL 8424 | Pooraka 3 | NSW | 100% | 17 February 2019 |

EL 6464 expired on 18 September 2016 and renewal was not applied for.

There were no other tenements acquired or disposed of or change in beneficial interests under farm-in or farm-out agreements during the reporting period.

(The information in the report above that relates to Exploration Results is based on information compiled by Dr Pieter Moeskops, a member of The Australasian Institute of Mining and Metallurgy.

Dr Moeskops has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Editions of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Moeskops consents to the inclusion in this report of matters based on his information in the form and context in which it appears.)

DIRECTORS' REPORT

The Directors of Ausmon Resources Limited submit the financial report of the consolidated group for the half-year ended 31 December 2016.

Directors

The names of Directors who held office during or since the end of the half-year are:

| | |
|--------------|--|
| Boris Patkin | Non-Executive Chairman |
| John Q Wang | Managing Director |
| Ray Shaw | Executive Director (appointed Non-Executive on 15 September 2016 and Executive on 30 September 2016) |
| Gang Zheng | Non-Executive Director (resigned on 30 November 2016) |

Operating Results

The operating loss of the Group for the half-year ended 31 December 2016 was \$2,102,801 (2015: loss \$75,643) which included the write-off of exploration and evaluation expenditure of \$1,757,396 (2015: \$12,257) and share-based payments expense of \$239,690 (2015: nil).

Financial Position

In October 2016, the Group raised a total of \$536,710 in new capital, by private placements and under a share purchase plan issuing in total 76,672,857 shares at \$0.007 per share, to fund exploration and working capital.

Cash held increased from \$548,483 at 30 June 2016 to \$677,240 at 31 December 2016. Net current assets at 31 December 2016 were \$698,689, an increase of \$336,019 from \$362,670 at 30 June 2016.

Review of Operations

A review of operations for the half-year ended 31 December 2016 is set out on pages 3 to 10.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 12 of this financial report and forms part of this Directors' Report.

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



John Q Wang
Director

Dated this 22nd day of February 2017

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**Auditor's Independence Declaration
To The Directors of Ausmon Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Ausmon Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M D Dewhurst
Partner - Audit & Assurance

Sydney, 22 February 2017

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Independent Auditor's Review Report To the Members of Ausmon Resources Limited

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

Directors' responsibility for the half-year financial report

The directors of Ausmon Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls 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 the 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 Ausmon Resources Limited financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Ausmon Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 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 Ausmon Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M D Dewhurst
Partner - Audit & Assurance

Sydney, 22 February 2017

DIRECTORS' DECLARATION

In the opinion of the Directors of Ausmon Resources Limited:

1. The consolidated financial statements and notes of Ausmon Resources Limited are in accordance with the Corporations Act 2001, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



John Q Wang
Director

Dated this 22nd day of February 2017

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For The Half-Year Ended 31 December 2016**

| | Note | 31 December 2016 \$ | 31 December 2015 \$ |
|---|------|---------------------------|---------------------------|
| Revenue | | | |
| Interest income | | 1,720 | 4,445 |
| | | <u>1,720</u> | <u>4,445</u> |
| Expenses | | | |
| Employee benefits expense | | (17,231) | (15,830) |
| Exploration and evaluation expenditure written off | | (1,757,396) | (12,257) |
| Share-Based Payment | | (239,690) | - |
| Other expenses | 6 | (90,204) | (52,001) |
| Loss before income tax expense | | (2,102,801) | (75,643) |
| Income tax expense | | - | - |
| Loss for the period | | (2,102,801) | (75,643) |
| Other comprehensive income | | - | - |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive loss for the period attributable to members of the Parent Entity | | (2,102,801) | (75,643) |
| Earnings per share | | | |
| Basic and diluted loss per share | 7 | 0.76 cents | 0.03 cents |

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position

As At 31 December 2016

| | Note | 31 December 2016 \$ | 30 June 2016 \$ |
|--|------|---------------------------|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 677,240 | 548,483 |
| Trade and other receivables | | 27,637 | 2,706 |
| Financial assets | | 10,000 | - |
| Prepayments | | 7,887 | 525 |
| TOTAL CURRENT ASSETS | | 722,764 | 551,714 |
| NON-CURRENT ASSETS | | | |
| Financial assets | | 54,114 | 64,114 |
| Exploration and evaluation expenditure | | 185,291 | 1,925,777 |
| TOTAL NON-CURRENT ASSETS | | 239,405 | 1,989,891 |
| TOTAL ASSETS | | 962,169 | 2,541,605 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 24,075 | 189,044 |
| TOTAL CURRENT LIABILITIES | | 24,075 | 189,044 |
| TOTAL LIABILITIES | | 24,075 | 189,044 |
| NET ASSETS | | 938,094 | 2,352,561 |
| EQUITY | | | |
| Issued capital | 9 | 11,377,032 | 10,928,388 |
| Reserves | | 357,770 | 118,080 |
| Accumulated losses | | (10,796,708) | (8,693,907) |
| TOTAL EQUITY | | 938,094 | 2,352,561 |

The accompanying notes form part of this financial report.

Consolidated Statement of Changes In Equity

For The Half-Year Ended 31 December 2016

| | Issued capital \$ | Option reserve \$ | Accumulated losses \$ | Total \$ |
|---|-------------------------|-------------------------|-----------------------------|-------------|
| Balance at 1 July 2015 | 10,928,388 | 118,080 | (7,616,581) | 3,429,887 |
| Total comprehensive loss for the period | - | - | (75,643) | (75,643) |
| Balance at 31 December 2015 | 10,928,388 | 118,080 | (7,692,224) | 3,354,244 |
| Balance at 1 July 2016 | 10,928,388 | 118,080 | (8,693,907) | 2,352,561 |
| Total comprehensive loss for the period | - | - | (2,102,801) | (2,102,801) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of share capital | 536,710 | - | - | 536,710 |
| Transaction costs | (88,066) | - | - | (88,066) |
| Employee incentive plan | - | 239,690 | - | 239,690 |
| Balance at 31 December 2016 | 11,377,032 | 357,770 | (10,796,708) | 938,094 |

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows **For the Half-Year Ended 31 December 2016**

| | 31 December 2016 | 31 December 2015 |
|---|-----------------------------|-----------------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (304,885) | (64,499) |
| Interest received | 1,908 | 4,508 |
| Net cash outflow from operating activities | <u>(302,977)</u> | <u>(59,991)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for exploration and evaluation expenditure | (16,910) | (46,949) |
| Payments for security deposits | - | (10,000) |
| Net cash outflow from investing activities | <u>(16,910)</u> | <u>(56,949)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 536,710 | - |
| Capital raising costs | (88,066) | - |
| Net cash inflow from financing activities | <u>448,644</u> | <u>-</u> |
| Net increase (decrease) in cash held | 128,757 | (116,940) |
| Cash and cash equivalents at the beginning of period | 548,483 | 703,416 |
| Cash and cash equivalents at the end of period | <u>677,240</u> | <u>586,476</u> |

The accompanying notes form part of this financial report.

Notes to Financial Statements For the Half-Year Ended 31 December 2016 (continued)

Note 1 – Nature of Operations

The principal activities of the Group consist of carrying out exploration in minerals tenements with a focus on gold, silver, copper and other base metals and also seeking new projects.

Note 2 – General Information and Basis of Preparation

The condensed interim consolidated financial statements ('the interim financial statements') are for the six months ended 31 December 2016 and are presented in Australian dollar (\$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standard AASB 134: Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 22 February 2017.

Note 3 – Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016. The accounting policies have been adopted consistently throughout the Group for purposes of preparation of these interim financial statements

Note 4 – Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016.

The fair value of shares issued under the Employee Incentive Plan (EIP) is measured at grant date and is determined using the Black-Scholes option pricing model that takes into account the term of the EIP shares, the exercise price, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the EIP shares.

In valuing the fair values of EIP shares issued with Qualifying Conditions (see Note 9(b)) during the half-year, the Group has adopted a conservative approach in the valuation and assumed that all qualifying conditions are satisfied on 100% probability. Hence, the Group has expensed the maximum value of the shares, valued as call options under the Black-Scholes option pricing model (see Note 5).

Notes to Financial Statements For the Half-Year Ended 31 December 2016 (continued)**Note 5 – Share-based payments**

The model inputs for assessing the fair value of EIP shares issued during the half-year, applying the Black-Scholes Option Pricing model, were as follows:

| <i>Description</i> | Issue and grant date | Share price at grant date | Exercise price | Life assumption | Risk free rate | Expected price volatility | Value of EIP share |
|---------------------------------------|-----------------------------|----------------------------------|-----------------------|------------------------|-----------------------|----------------------------------|---------------------------|
| EIP shares with Qualifying Conditions | 06/10/16 | \$0.007 | \$0.010 | 5 years | 1.77% | 89% | \$0.004 |
| EIP shares with Qualifying Conditions | 30/11/16 | \$0.011 | \$0.010 | 5 years | 2.16% | 114% | \$0.009 |
| EIP shares with Qualifying Conditions | 05/12/16 | \$0.009 | \$0.010 | 5 years | 2.22% | 115% | \$0.007 |
| EIP shares | 07/12/16 | \$0.009 | \$0.010 | 5 years | 2.18% | 115% | \$0.007 |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

Note 6 – Other expenses from ordinary activities

| | 31 December 2016 | 31 December 2015 |
|----------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Audit fees | 13,000 | 10,000 |
| Consulting and professional fees | 22,158 | 15,893 |
| Listing expenses | 6,672 | 10,070 |
| Office accommodation | 5,400 | 5,200 |
| Registry fees | 5,746 | 6,758 |
| Director fees | 30,000 | - |
| Other | 7,228 | 4,080 |
| | 90,204 | 52,001 |

Note 7 – Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator i.e. no adjustments to profits were necessary for the six-month period to 31 December 2016 and 2015.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | 6 months to 31-Dec-2016 | 6 months to 31-Dec-2015 |
|--|--------------------------------|--------------------------------|
| Weighted average number of shares used in basic earnings per share | 277,577,115 | 239,486,486 |
| Effects of dilution | - | - |
| Weighted average number of shares used in diluted earnings per share | 277,577,115 | 239,486,486 |

Notes to Financial Statements For the Half-Year Ended 31 December 2016 (continued)**Note 8 – Operating segments**

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group operates in one business segment being mineral exploration. All segments assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared. This position has not changed from the prior period.

Note 9 – Share Capital

| | 6 months to 31 December 2016 | | Year to 30 June 2016 | |
|--|---|------------|-----------------------------|------------|
| | Number | \$ | Number | \$ |
| (a) Fully Paid Ordinary shares | | | | |
| Balance at beginning of period | 239,486,486 | 10,928,388 | 239,486,486 | 10,938,388 |
| Shares issued during the period: | | | | |
| - Share issues for cash | 76,672,857 | 536,710 | - | - |
| - Issues under Employee Incentive Plan | 30,480,000 | - | - | - |
| Transaction costs | - | (88,066) | - | - |
| Balance at end of period | 346,639,343 | 11,377,032 | 239,486,486 | 10,928,388 |

(b) Share issues under Employee Incentive Plan during the period

| | Number |
|---|-------------------|
| EIP shares issued with no qualifying conditions | 480,000 |
| EIP shares issued with Qualifying Conditions ¹ | 30,000,000 |
| | <u>30,480,000</u> |

EIP shares issued under Qualifying Conditions are subject to a 12 month qualifying period from the date of issue and during that period the shares may not be transferred or dealt with by the holder.

The Qualifying Conditions which must be satisfied before the shares may be transferred or dealt with by the holder are:

- 50% of the shares when the volume weighted average price of the Company's fully paid ordinary shares on any 20 consecutive days when the shares traded on ASX reaches or exceeds \$0.04;
- 50% of the shares when the volume weighted average price of the Company's fully paid ordinary shares on any 20 consecutive days when the shares traded on ASX reaches or exceeds \$0.08; and in both cases under (a) and (b)
- The Company has earned initial beneficial interests in one project or two projects yet to be identified on terms and conditions agreed by the Company for an aggregate investment of \$4 million or more.

¹18 million of the EIP shares issued with Qualifying Conditions were issued to directors Mr Boris Patkin (6 million shares) and Mr John Wang (12 million shares), as approved by shareholders at the Annual General Meeting held on 30 November 2016.

Notes to Financial Statements For the Half-Year Ended 31 December 2016 (continued)**Note 10 - Commitments****Exploration Expenditure Commitments**

The expenditure commitments to maintain and renew rights to tenure in exploration licences as at 31 December 2016 have not been provided for in the financial statements and are due:

| | 31 December 2016 | 30 June 2016 |
|---|-----------------------------|-------------------------|
| | \$ | \$ |
| Within twelve months | 350,500 ¹ | 440,000 |
| Twelve months or longer and not longer than 5 years | 117,500 | 85,000 |
| | <hr/> 468,000 | <hr/> 525,000 |

¹ \$270,000 relates to the Koonenberry Project which is being reassessed on the commercial thresholds and feasibility of developing mineralisation of the target size anticipated within the area prior to a renewal decision and satisfying the committed expenditure. All capitalised expenditure in relation to the Koonenberry Project was impaired at 31 December 2016.

The Group has obligations to restore land disturbed during exploration under the terms and conditions of the licences.

Management has reassessed the obligations and no provision for restoration is required as any disturbance during the field exploration work has been recognised as part of exploration and evaluation expenditure.

Note 11 - Contingent Liabilities

At balance date, the Group has no contingent liabilities.

Note 12 – Events after Balance Date

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen in the interval between the end of the financial year and the date of this report which have 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 subsequent financial years.