



AUSTRALIAN MINES LIMITED
ABN 68 073 914 191

CONSOLIDATED INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2017

CONTENTS

DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	19
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	20
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	21
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	22
CONSOLIDATED STATEMENT OF CASH FLOWS	23
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT	24
DIRECTORS' DECLARATION	32
INDEPENDENT AUDITOR'S REVIEW REPORT	33

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report of Australian Mines Limited ("the Company" or "Australian Mines") and its controlled entities ("the Group" or "AUZ") for the six months ended 31 December 2017.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

Michael Ramsden – Chairman, Non-Executive Director and Company Secretary

Benjamin Bell – Managing Director

Mick Elias – Non-Executive Director

Dominic Marinelli – Non-Executive Director

Neil Warburton – Non-Executive Director (Retired 31 December 2017)

REVIEW OF EVENTS

Highlights

Sconi Cobalt-Nickel-Scandium Project

- Secured 100% ownership of Sconi Project, with no residual royalties or claw-back, providing greater flexibility in signed off-take agreement and future project financing negotiations
- Completed trial mining campaign to produce 30 tonnes of ore from the Sconi Project for processing by the demonstration plant in Perth
- Advancing Bankable Feasibility Study ahead of a final investment decision on Australia's most advanced cobalt-nickel-scandium project expected in mid-2018

Demonstration-size processing plant

- Demonstration size processing plant commenced operation in March 2018
- Delivery of cobalt sulphate, nickel sulphate and scandium oxide samples to SK Innovation and potential scandium partners scheduled for April 2018

DIRECTORS' REPORT

Flemington Cobalt-Scandium-Nickel Project

- Initial cobalt Mineral Resource re-affirmed Flemington and adjoining Sunrise Project are two parts of the same deposit
- Planning continued for resource expansion drilling program, incorporating multiple drill rigs and downhole geophysics ahead of future Pre-Feasibility Study
- Confirmed high-grade cobalt mineralisation present across Flemington Project with targeted drilling in the period
- Secured permanent water allocation to support a future mining and processing operation at Flemington

Corporate

- Australian Mines attracted significant interest from some of the world's largest investment houses during the period, raising \$20 million in an oversubscribed share placement

Post Reporting Period

- Helicopter-borne electromagnetic survey modelling detects a cluster of promising geophysical anomalies within Thackaringa Project, follow-up activities commenced ahead of maiden drilling
- Milestone off-take agreement term sheet with electric vehicle battery manufacturer SK Innovation ramping up to 12,000 tonnes per year of cobalt sulphate and up to 60,000 tonnes per year of nickel sulphate from Sconi Project
- High-resolution Fixed Loop Electromagnetic ground survey and detailed surface sampling commenced over high priority targets at Thackaringa ahead of maiden drilling campaign

Operations Update

The six months to 31 December 2017 was a Company-making period for Australian Mines, having attracted significant interest from some of the world's largest investment houses to raise \$20 million¹ in an oversubscribed share placement to fast-track its project development activities; and further advancing its positive engagement with interested parties regarding off-take and project financing, culminating post period close in the signing of a landmark agreement² with SK Innovation for the expected cobalt and nickel production from the Sconi Project.



Figure 1: The Sconi Cobalt-Nickel-Scandium Project located in northern Queensland; the Flemingington Cobalt-Scandium-Nickel Project in central New South Wales; the early-stage Thackaringa Cobalt Project in western New South Wales.

¹ Australian Mines Limited, AUZ secures \$20 million from international investors, released 6 November 2017

² Australian Mines Limited, AUZ partners with SK Innovation to develop Sconi Project, released 19 February 2018 and AUZ reaffirms binding off-take agreement for Sconi Project, released 6 March 2018

DIRECTORS' REPORT

Sconi Cobalt-Nickel-Scandium Project

Following successful fundraising activities¹, Australian Mines' Sconi Cobalt-Nickel-Scandium Project in northern Queensland is now fully-funded through to completion of the current Bankable Feasibility Study (BFS), now expected to be completed in June following optimisation work being completed collaboratively with off-take partner SK Innovation², with a final investment decision phase to follow immediately after the study.

The Company also successfully concluded the acquisition of 100% ownership of the Sconi Project³ during this reporting period, from previous joint venture partner Metallica Minerals (ASX: MLM), which was a key factor in successfully progressing its off-take negotiations through to the signing of a binding term sheet⁴ with SK Innovation in February, as well as further advancing its project financing negotiations on what has now been confirmed as one of the world's most advanced cobalt-nickel-scandium projects.

The acquisition superseded the previous farm-in agreement with Metallica Minerals announced to the market on 10 October 2016⁵, whereby the Company was to acquire up to a 75% interest in this advanced project. Consideration for the 100% acquisition of Sconi in the agreement included: a one-off cash payment of \$3.5 million to Metallica Minerals, payable upon satisfaction of transaction conditions precedent; the issue of \$1.5 million of Australian Mines shares upon the completion of the BFS; a final issue of \$5 million of Australian Mines shares (or cash, at Metallica Mineral's option) to Metallica Minerals upon commercial production from Sconi; and, importantly, no provision for residual royalty, claw back arrangement or any other commercial payments outside of the specific consideration.

The focus of the work program on the Sconi Project during the period remained on delivering the BFS to facilitate a final investment decision in mid-2018. The BFS work continued to reinforce the Company's modelling of the average feed grade at Sconi being 0.11% cobalt and 0.81% nickel for at least the first 20 years of production⁶.

Australian Mines has also continued to make significant progress on its analysis of the total capital expenditure required to build the proposed open pit mine and full-scale processing facility at Sconi as well as forecast operating costs for the life of mine, which will allow the Company to transition its current project financing discussions to the next level of certainty.

¹ Australian Mines Limited, AUZ secures \$20 million from international investors, released 6 November 2017

² Australian Mines Limited, AUZ partners with SK Innovation to develop Sconi Project, released 19 February 2018

³ Australian Mines Limited, AUZ becomes 100% owner of Sconi Project, released 8 December 2017

⁴ Australian Mines Limited, AUZ reaffirms binding off-take agreement for Sconi Project, released 6 March 2018

⁵ Australian Mines Limited, AUZ positions to become world's largest scandium company, released 10 October 2016

⁶ Australian Mines Limited, Technical Reports, released 31 March 2017

This work is being assisted by London-based natural resources advisory firm, Medea Natural Resources Limited¹, who were appointed post period close to provide specialist corporate and strategic advice, with a particular emphasis on project financing and additional off-take negotiations.

With all required approvals already in place, Australian Mines also completed a trial mining program at Sconi during the period to source a 30-tonne bulk sample of ore from the project and deliver it to the demonstration-size plant in Perth, Western Australia.

Sconi Cobalt-Nickel-Scandium Project

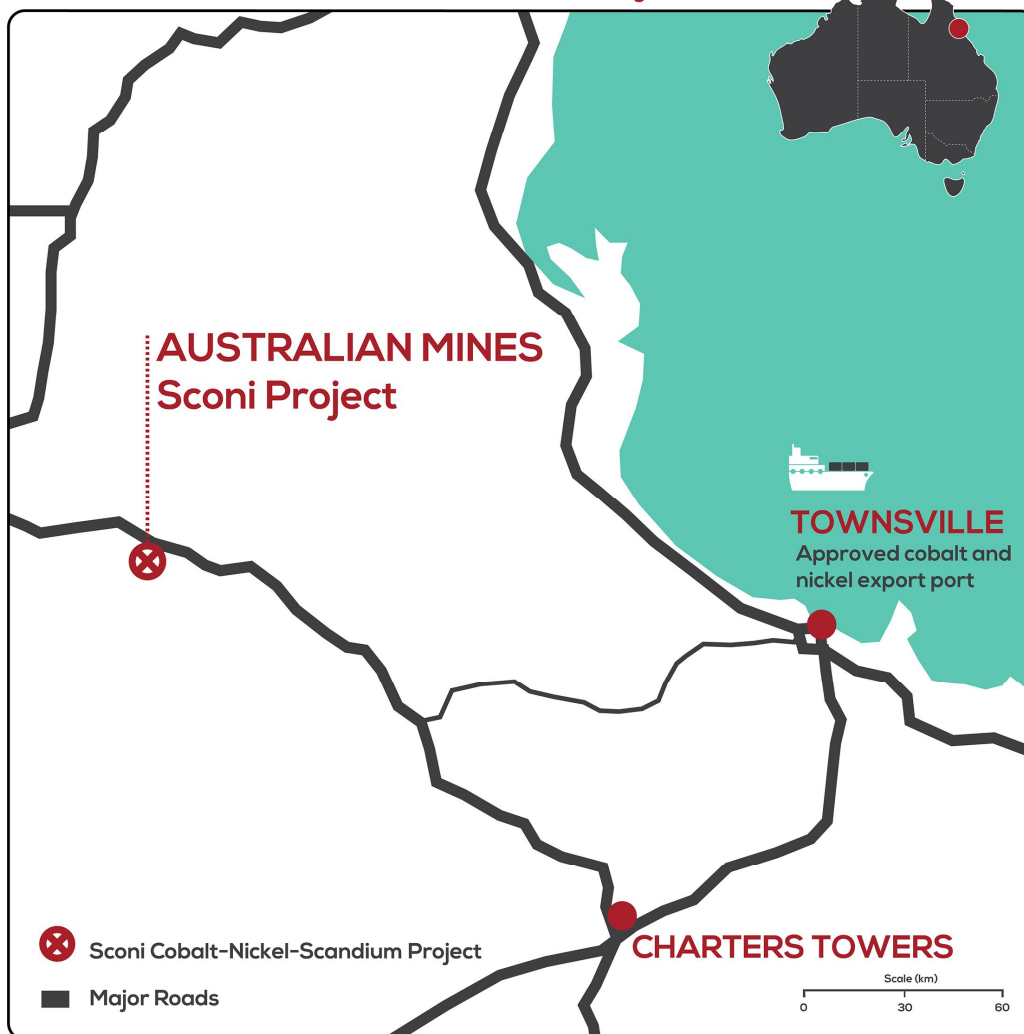


Figure 2: The Sconi Project is located in North Queensland, approximately 250 kilometres on sealed roads from Townsville. The Sconi Project hosts cobalt-nickel rich lateritic deposits, which are all covered by granted mining leases.

¹ Australian Mines Limited, Off-take and project finance advisors appointed, released 31 January 2018

DIRECTORS' REPORT

The staged granting of the exploration licences surrounding the Sconi Mining Leases also commenced during the period¹, with the Company opting to accelerate its regional exploration program across the Sconi tenements with the view of increasing the project's Mineral Resource beyond its 20+ year mine life².

In addition to the geology team undertaking detailed mapping of the outcropping and sub-cropping cobalt-nickel mineralisation, Australian Mines' exploration group is planning to expand the mineralisation footprint of the current ore bodies, which remain open along strike, via a moderately-spaced air core drill program designed to increase the project's current Measured and Indicated Mineral Resources such that any increase can potentially be converted into an Ore Reserve at a later date.

The Sconi Project is ideally located within an established mining region that is already well-serviced by infrastructure including road, power and a current nickel and cobalt exporting port at the nearby city of Townsville, and with the region being a long-established mining district, the project will also benefit from having access to a skilled workforce locally that Australian Mines intends to preferentially employ.

Demonstration-size processing plant

Australian Mines' senior management team and consultant Stimulus Laboratories continued critical path work on the demonstration-size processing plant in Perth over the reporting period, including the delivery and installation (post period close) of the crucial autoclave³ component, which allowed commissioning of the plant to be completed post period close.

With the demonstration-scale processing plant formally commencing operation in March 2018, the Company is on-track to deliver commercial grade cobalt sulphate and nickel sulphate samples to its Sconi off-take partner SK Innovation in April⁴ and parties potentially interested in the scandium oxide off-take from the project, not currently committed under the current off-take agreement.

The Company's initial processing run of 30 tonnes of ore is expected to produce up to 1,000 kilograms of battery grade nickel sulphate, 120 kilograms of commercial grade cobalt sulphate and at least 10 kilograms of high-purity scandium oxide⁵.

¹ Australian Mines anticipates that all pending tenement applications at Sconi (held by Australian Mines' wholly owned subsidiary company of Sconi Mining Operations Pty Ltd), will be ready for granting by the Queensland State Government before the end of the March 2018 quarter

² Australian Mines Limited, Technical Reports, released 31 March 2017

³ Australian Mines Limited, Autoclave delivered – Off-take samples on track for February, released 15 January 2018

⁴ Australian Mines Limited, AUZ reaffirms binding off-take agreement for Sconi Project, released 6 March 2018

⁵ Australian Mines Limited, December Quarterly Activities Report, released 31 January 2018. See Appendix 3 of report for the estimated production achievable from the demonstration-scale processing plant. The current plant is a 1:2,500 scale of a commercial 2 million tonne per Pressure Acid Leach + Solvent extraction processing plant. The demonstration-scale plant in Welshpool is, therefore, at least 10 times larger than a typical pilot-scale processing plant and operates on a continuous basis (as opposed to a single batch process used by most pilot-scale plants)



Figure 3: The Demonstration-scale processing plant is a 1:2,500 scale of a commercial 2 million tonne per Pressure Acid Leach + Solvent extraction processing plant. The demonstration-scale plant is located in Simulus Laboratories facilities in Welshpool, Western Australia.

Flemington Cobalt-Scandium-Nickel Project

Australian Mines' released the maiden cobalt Mineral Resource on its Flemington Cobalt-Scandium-Nickel Project in central New South Wales during the reporting period, with analysis of drill results re-affirming Flemington as a direct continuation of Clean TeQ Holding's (CLQ: ASX) Sunrise ore body, separated as reported previously by only a tenement boundary¹.

The initial cobalt resource identified at Flemington was based on a successful resource drilling program², feeding into the calculation of the maiden cobalt Mineral Resource of 2.7 million tonnes at 0.101% (or 1,010 ppm) cobalt (see Table 1 below for details of the Flemington Mineral Resource)³.

¹ The percentage breakdown of the Flemington – Sunrise (previously known as Syerston) deposit will be confirmed during the course of 2018 as Australian Mines expands its resource drilling program across the project area. Based on the accepted geological map of the area, Australian Mines' tenement portfolio (of EL 7805 & EL 8478) and Clean TeQ Holding's Sunrise tenement package (being the single granted tenement of EL 4573) each cover approximately 50% of the prospective ultramafic unit (the geological unit that hosts the Flemington – Sunrise deposit)

² Australian Mines Limited, Drilling doubles cobalt footprint, triples scandium footprint at Flemington, released 11 August 2017

³ The Mineral Resource Estimate for the Flemington Cobalt-Scandium-Nickel Project is reported under JORC 2012 Guidelines and was reported by Australian Mines Limited on 31 October 2017. The Mineral Resource for Flemington, as announced on 31 October 2017 is: Measured 2.5Mt @ 0.103% Co & 403ppm Sc, Indicated 0.2Mt @ 0.76% Co & 408ppm Sc. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 October 2017 announcement by Australian Mines

DIRECTORS' REPORT

Flemington Project Cobalt - Scandium Zone (300ppm Co cut-off)					
Classification	Tonnage (million tonnes)	Cobalt (%)	Scandium (ppm)	Cobalt metal (tonnes)	Scandium metal (tonnes)
Measured	2.5	0.103	403	2,577	1,001
Indicated	0.2	0.076	408	167	89
Total	2.7	0.101	403	2,744	1,090

Table 1: Initial Cobalt Mineral Resource for the Flemington Project, located 370 kilometers west of Sydney, New South Wales.

Following the resource drilling results, Australian Mines engaged SRK Consulting to specifically model the cobalt credentials of the Flemington Project (including cobalt grade, host geology and potential mineral resource tonnage). These characteristics were identified as being consistent with those of Clean TeQ's neighbouring Sunrise Project as well as identifying the high-grade cobalt mineralisation at Flemington¹ to be consistent and predictable in nature.

The assay results from Australian Mines 239-hole resource drilling program at Flemington announced in August² demonstrated consistent cobalt grades were present across the deposit and confirmed that this cobalt (and scandium) mineralisation either outcropped or was within a few metres of the surface.

Better cobalt intersections included from that drilling program included:

- 13 metres @ 2,060 ppm (or 0.20%) Cobalt from 7 metres (drill hole FMA17_148);
- 5 metres @ 3,152 ppm (or 0.31%) Cobalt from 4 metres (drill hole FMA17_151);
- 19 metres @ 1,748 ppm (or 0.17%) Cobalt from 7 metres (drill hole FMA17_208);
- 3 metres @ 3,010 ppm (or 0.30%) Cobalt from 4 metres (drill hole FMA17_224);
- 2 metres @ 2,445 ppm (or 0.24%) Cobalt from 7 metres (drill hole FMA17_227);
- 4 metres @ 2,097 ppm (or 0.20%) Cobalt from 18 metres (drill hole FMA17_253);
- 8 metres @ 3,017 ppm (or 0.30%) Cobalt from 5 metres (drill hole FMA17_282);
- 9 metres @ 2,476 ppm (or 0.24%) Cobalt from 12 metres (drill hole FMA17_286);
- 8 metres @ 2,013 ppm (or 0.20%) Cobalt from 9 metres (drill hole FMA17_288); and
- 11 metres @ 2,020 ppm (or 0.20%) Cobalt from 18 metres (drill hole FMA17_289).

¹ ASX-listed (Australia-listed) and TSX-listed (Canadian-listed) cobalt-focussed companies typically refer to any cobalt grade above at or above 1,000ppm (0.1%) as being "high-grade". Thus, based on the assays returned from this resource extension drill program, it would appear reasonable to view Flemington as a high-grade cobalt project

² Australian Mines Limited, Drilling doubles cobalt footprint at Flemington, released 11 August 2017

DIRECTORS' REPORT

Better scandium intersections, also returned from the same drilling program, included¹:

- 18 metres @ 472 ppm Scandium from surface (drill hole FMA17_123);
- 15 metres @ 478 ppm Scandium from surface (drill hole FMA17_155);
- 16 metres @ 556 ppm Scandium from surface (drill hole FMA17_220);
- 21 metres @ 577 ppm Scandium from surface (drill hole FMA17_221);
- 17 metres @ 547 ppm Scandium from surface (drill hole FMA17_222);
- 23 metres @ 459 ppm Scandium from surface (drill hole FMA17_228);
- 14 metres @ 477 ppm Scandium from surface (drill hole FMA17_280);
- 21 metres @ 485 ppm Scandium from surface (drill hole FMA17_283);
- 23 metres @ 543 ppm Scandium from surface (drill hole FMA17_286); and
- 14 metres @ 600 ppm Scandium from surface (drill hole FMA17_291).

The opportunity remains for Australian Mines to significantly increase the Mineral Resource inventory at the Flemington Project, with the current Mineral Resource area covering only 1% of the interpreted prospective host geology within the Flemington tenement package. Given the current strength of Australian Mines balance sheet, the Company plans to commence a significant resource expansion drilling program, pending landholder approval, incorporating multiple rigs and downhole geophysics in the March quarter ahead of a Pre-Feasibility Study in the second half of 2018.

In the interim, Australian Mines has also commenced a regional field mapping and sampling campaign over the broader Flemington / Fifeild district during the reporting period, with the objective of being in a stronger position to prepare a JORC-compliant Exploration Target² for Flemington to provide Shareholder guidance on the potential size (both grade and tonnage³) of the Mineral Resource that Australian Mines may expect to ultimately achieve at the project.

During the reporting period, Australian Mines made progress in expanding its exploration team in New South Wales, including advancing the recruitment process for an Exploration Manager. The Company has also established a regional office in the nearby town of Parkes to support its field operations and to provide a convenient contact point for the local community.

¹ All holes were drilled vertically, and as the laterite sequence is close to flat-lying, the intersected widths of cobalt mineralisation approximate true widths.

See Australian Mines' announcement dated 11 August 2017 for full details of this drill program

² Section 17 of the JORC Code, 2012 Edition deals with Exploration Targets from an ASX-listed company perspective: http://www.jorc.org/docs/jorc_code2012.pdf

³ Exploration Targets, as described under the JORC Code (2012 Edition) are quoted as a range of tonnes and a range of grades, rather than an absolute figure

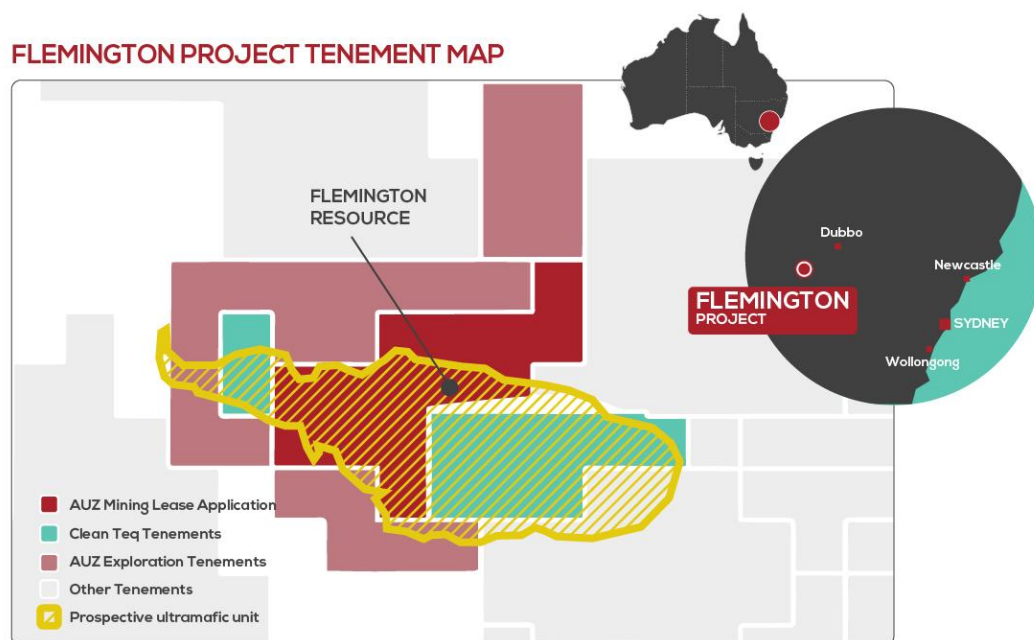


Figure 4: Australian Mines' Flemington Scandium-Cobalt Project is located approximately 500 kilometres west of Sydney in New South Wales.

Australian Mines remains committed to ensuring that its proposed future mining operation at Flemington follows world's best practice including having minimal environmental impact, while delivering maximum social and economic benefit to the region.

For this reason, the Company made the deliberate decision to source the water required for the plant's operation from existing allocations rather than apply to the New South Wales Government for a new water licence¹. The permanent water allocation secured by Australian Mines in the period was purchased from a local farmer and is more than adequate to support the scale of mining and processing operation currently planned at Flemington across the entire life of operations². The Company separately began investigating the application of renewable energy, including solar, to power a future mining operation at Flemington.

Australian Mines completed a Preliminary Environmental Assessment (PEA) of the Flemington project area during the reporting period. This report, which was prepared by an independent consulting firm based in Sydney and subsequently submitted to the New South Wales Government, did not identify any significant environmental issues over the 3,900 hectares that comprise the Company's Flemington Mining Lease Application³. A more detailed Environmental Impact Assessment (EIA) of the Flemington project is scheduled to commence in the first half of 2018.

¹ Australian Mines Limited, Water licence secured for Flemington Project, released 3 October 2017

² Australian Mines Limited, Technical Reports, released 31 March 2017

³ Australian Mines Limited, Mining Lease application submitted over Flemington, released 3 April 2017

Thackaringa Cobalt Project

Australian Mines completed a high-resolution airborne electromagnetic survey (AEM) and magnetic geophysical survey¹ over its entire Thackaringa Cobalt Project tenement area during the reporting period, which was successful in identifying 18 anomalies that warranted follow-up, on the ground exploration work.

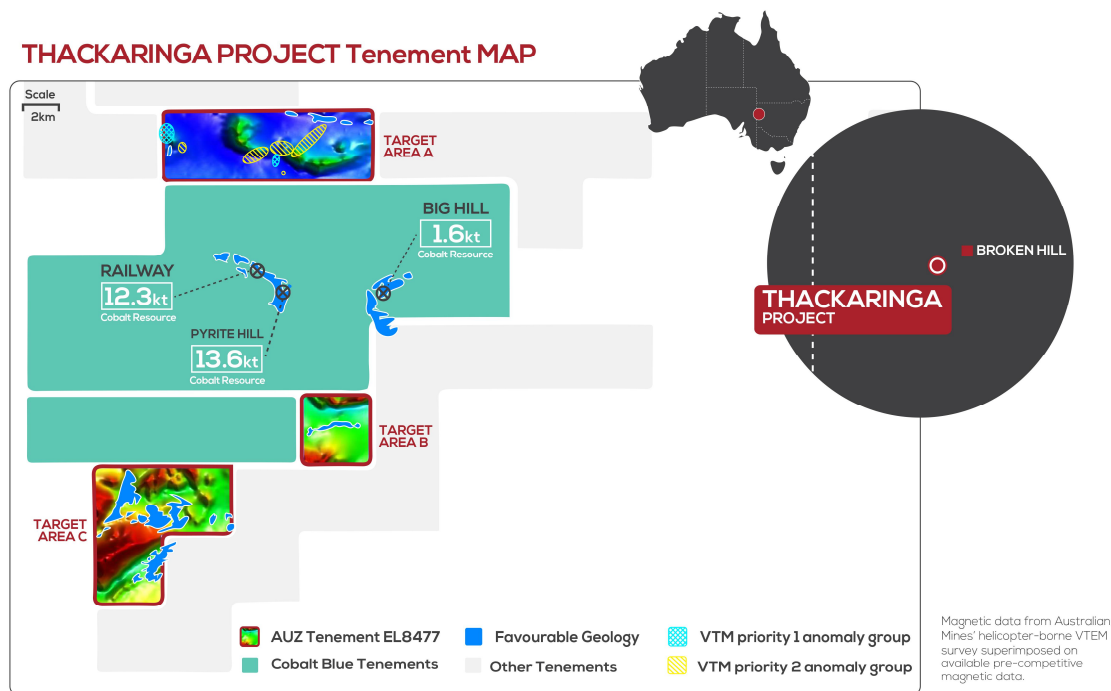


Figure 5: Detailed aeromagnetic image of Australian Mines' Thackaringa project overlain with the Priority One and Priority Two targets as identified via the Company's AEM survey of Target Area A. Further conductors have been identified within Target Area B and Target Area C and it is Australian Mines' intention to commence exploration across these additional anomalies following the priority work program.

Modelling and interpretation of the AEM data was undertaken by a leading geophysical consulting firm, with the objective of mapping the iron sulphide-bearing geology known to host the region's cobalt mineralisation. Of the 18 anomalies identified, more than half were categorised as conductors that may relate to the prospective sulphide (+/- cobalt) bearing geology.

¹ Australian Mines Limited, Exploration commenced at Thackaringa Cobalt Project, released 29 September 2017

DIRECTORS' REPORT

The Company holds a 100% interest in its Thackaringa Project with no royalty or any other payments attached to the tenements.

Proposed portfolio consolidation

Australian Mines announced a proposed portfolio consolidation during the reporting period, designed to extract further shareholder value from the Company's diverse portfolio of exploration projects in Western Australia, which are no longer core to Australian Mines' plans to become a globally significant supplier of battery ingredient metals to the emerging automotive and energy storage markets.

These existing projects include the Marymia Gold and Copper Project, where the Company enjoyed early success with its gold exploration program and the Arunta West Copper-Gold Project, where the Company has drill ready targets identified.

A favoured option being investigated is the spin-off of these assets into a dedicated Western Australian-focused gold and copper exploration company, with the Board considering combining the Marymia and Arunta West projects with the existing assets of Norwest Gold Pty Ltd, a currently private, wholly owned subsidiary of Australian Mines Limited.

Corporate Overview

Capital raising

Australian Mines attracted significant interest from some of the world's largest investment houses during the reporting period when it completed an oversubscribed share placement to raise \$20 million¹, after receiving applications for almost \$40 million for what was intended to be a \$10 million placement.

After consultation between the Australian Mines' Board and the incoming investors, the Company accepted applications for \$20 million, comprising 235,294,118 fully-paid ordinary shares at an issue price of \$0.085 per share (representing a premium of 21.3% to the 10-day VWAP)².

¹ Australian mines Limited, AUZ secures \$20 million from international investors, released 6 November 2018

² Argonaut and London-based Arlington Group Asset Management acted as joint lead managers for the placement. This placement was undertaken in accordance with Section 708 of the Corporations Act and Listing Rule 7.1 and 7.1A of the ASX Listing. (A total of 87,610,596 shares were issued under Listing Rule 7.1 and 147,683,522 shares were issued under Listing Rule 7.1A)

DIRECTORS' REPORT

Board and recruitment update

As a result of the increasing demands of his other business commitments Australian Mines Non-Executive Director Neil Warburton announced his retirement from the Board effective 31 December 2017.

The Company commenced an executive search and recruitment process in the period to fill the Board vacancy and simultaneously bolster its executive management team, as the Company accelerates development activities on its portfolio of projects.

Australian Mines separately appointed Mr Oliver Carton as Company Secretary, in recognition of the increased commercial activity planned for 2018, and earlier in the period confirmed the employment of Mr Tim Maclean to the newly created role of Chief Operating Officer to oversee the planning and proposed construction of the processing plant at Sconi.

Post Period Update

Binding Off-take Agreement

Australian Mines announced in February¹ 2018 it had signed an off-take agreement term sheet with SK Innovation for the expected cobalt sulphate and nickel sulphate production from the Sconi Project for an initial period of 7 years, with an option exercisable by SK Innovation to extend this commodity supply agreement for a further 6 years.

The Agreement is subject to the following material conditions precedent:

- Execution of final full legal documentation; and
- The Company obtaining financing for the development and construction of the Sconi project before 31 December 2018 (or such later date as SK innovation and Australian Mines may agree), and that mining commences before 31 December 2020 (or such later date as both the Buyer and Seller may agree).

The timing of both these Conditions Precedent are comfortably within the timelines being pursued by Australian Mines prior to the agreement being signed and the quantities of the agreed off-take volumes pursuant to the agreement ramps up to 12,000 tonnes per year of cobalt sulphate and up

¹ Australian Mines Limited, AUZ partners with SK Innovation to develop Sconi Project, released 19 February 2018

DIRECTORS' REPORT

to 60,000 tonnes per year of nickel sulphate¹, with the sale prices linked to the corresponding London Metal Exchange (LME) cobalt and nickel metals price².

Australian Mines is now working to optimise the Sconi Project's mining production profile and engineering plans for the processing plant in line with the above off-take volume. As a result, the timeframe for the delivery of the project's BFS has been extended to the end of June 2018 to accommodate the Agreement with SK Innovation.

SK Innovation has indicated that the cobalt sulphate and nickel sulphate off-take from Sconi appears destined for their newly developed battery manufacturing plant in Hungary and Korea, which services German premium car makers.

Thackaringa Exploration

Australian Mines announced in February 2018 that modelling of the helicopter-borne electromagnetic (AEM) data acquired over the Company's Thackaringa project in the reporting period had identified a total of 18 anomalies, of which more than half were categorised by a leading consulting geophysical company that specialises in base metal exploration³, as high priority targets that warrant ground investigation to better define their prospectivity ahead of drill testing.

The Company was particularly pleased to report that included within these prospective conductors is a cluster of anomalies within the northern zone of the project area, with at least one of the bodies identified as a *Priority One* target⁴. This means that, in the opinion of the consulting geophysicist, this particular AEM response is characteristic of sulphides within the underlying bedrock⁵.

¹ Offtake volumes Year 1 - up to 1,000 tonnes of cobalt sulphate and 5,000 tonnes of nickel sulphate, Offtake volumes in Year 2 - up to 8,000 tonnes of cobalt sulphate and 40,000 tonnes of nickel sulphate, Offtake volumes in Year 3 and beyond - up to 12,000 tonnes of cobalt sulphate and 60,000 tonnes of nickel sulphate. Under the Agreement, Australian Mines and SK Innovation agree to ensure that final annual off-take quantity is at least 90% of the indicative annual quantity above, provided that at no time the cumulative production falls below 75% of the indicative agreed cumulative production. See Australian Mines' announcement dated 31 March 2017 and 28 April 2017 for detailed information on Sconi Pre-Feasibility Study (PFS).

See Australian Mines announcement dated 31 March 2017 for full details of the Sconi Mineral Resource.

Sconi global Mineral Resource: Measured 17Mt @ 0.07% Co, Indicated 48Mt @ 0.07% Co, Inferred 24Mt @ 0.04% Co for total Mineral Resource of 89Mt @ 0.06% Co. There has been no Material Change or Re-estimation of the Mineral Resource since this 31 March 2017 announcement by Australian Mines

² The US dollar price for the cobalt sulphate and nickel sulphate products are adjusted for the percentage of contained cobalt or nickel, and impurities in the product. The exact magnitude of any price premium or adjustment remains commercial-in-confidence

³ Mitre Geophysics - see mitregeophysics.com.au/

⁴ Mitre Geophysics, Barrier Range Project VTEM Report – Report for Australian Mines

⁵ Mitre Geophysics notes that the AEM response is characteristic of sulphides or graphitic shales within the underlying bedrock. However, as graphitic shales are very rare in the Broken Hill / Thackaringa district, the anomaly is indicative of the presence of sulphides within the underlying bedrock. Mitre Geophysics has a long and extensive experience in base metal exploration, including within the Broken Hill District and it forms the core of their business. Their statement that the geophysical response returned from Australian Mines' AEM survey is characteristic of sulphides is based on their consideration of a range of important factors including; geological setting, the magnitude / amplitude of the anomaly and the decay rate of the electromagnetic response related to the anomaly.

DIRECTORS' REPORT

As a result, the Company has now commenced a ground-based Fixed Loop Electromagnetic (FLEM) survey over this target zone at Thackaringa, with final results, including the detailed modelling of any resulting anomaly, expected in May 2018.

In addition to the ground-based FLEM geophysical survey, Australian Mines has also recently commenced a soil and surface sampling program over the entire Thackaringa project area, with these results anticipated in May / June, in time to assist with targeting any planned drilling campaign.

Australian Mines would then propose to undertake its maiden drill program at Thackaringa from July 2018 (subject to landholder approval).

Marriotts Nickel Project

Australian Mines' 100% owned Marriotts Nickel Project is within the proven, world-class province of the Agnew-Wiluna Greenstone Belt. Post reporting period close, the Company released results of a review of the project by mining consulting firm CSA Global Pty Ltd calculating a Mineral Resource Estimate¹ for Marriotts of 662,000 tonnes at 1.3% nickel for 8,700 tonnes of contained nickel metal (Inferred resource category).

The Company initiated this review of the Marriotts Project to ensure that its nickel sulphide ore resource, which appears located within trucking distance of existing nickel processing plants, is in-line with the requirements of the 2012 Edition of the JORC Code².

The Company believes potential remains to increase the Mineral Resource at Marriotts given the right economic environment. However, Australian Mines has no immediate plans to commence further exploration or development activities at this project.

¹ Australian Mines Limited, Marriotts Project - Nickel Sulphide Mineral Resource updated, released 31 January 2018

² Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

The 2012 Edition of the JORC Code represents the current version of the JORC Code, which all ASX-listed resource companies are required to comply with in order to publicly quote a Mineral Resource

DIRECTORS' REPORT

REVIEW OF OPERATIONS

The Group made a loss for the six months ended 31 December 2017 of \$1,539,319. This compares with a loss of \$737,808 for the six months ended 31 December 2016.

A comparison of the consolidated financial performance is included in the table below.

Financials	Six months ended 31 December 2017	Six months ended 31 December 2016
	\$000	\$000
Revenue from operating activities	-	-
Net loss	(1,539)	(738)
Cash and cash equivalents	16,078	122

DIRECTORS' REPORT

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration required under Section 307C of the Corporation's Act 2001 is set out on page 19 and forms part of the director's report for the six months ended 31 December 2017.

Signed in accordance with a resolution of Directors



.....
Benjamin Bell
Managing Director
Perth
Dated: 15 March, 2018

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor for the review of Australian Mines Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Australian Mines Limited and the entities it controlled during the period.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 15 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	31 December 2017 \$000	31 December 2016 \$000
Other income		-	6
Personnel expenses		(319)	(206)
Share based payment expense		(208)	(12)
Exploration expenditure	9	(97)	(86)
Depreciation and amortisation		(4)	(5)
Corporate overheads and indirect expenses	10	(914)	(435)
Results from operating activities		(1,542)	(738)
Finance income		3	-
Net finance income		3	-
Loss before income tax		(1,539)	(738)
Income tax		-	-
Loss after income tax from continuing operations		(1,539)	(738)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,539)	(738)
Basic loss per share (cents)		(0.0666)	(0.0649)
Diluted loss per share (cents)		(0.0666)	(0.0649)

The notes on pages 24 to 31 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Notes	Issued Capital \$000	Accumulated Losses \$000	Share Option Reserve \$000	Share Based Payment Reserve \$000	Total Equity \$000
Opening balance at 1 July 2017		45,062	(36,497)	168	1,404	10,137
Total comprehensive income for the period:						
(Loss) for the period		-	(1,539)	-	-	(1,539)
Transactions with owners, recorded directly in equity:						
Shares issued during the period		23,500	-	-	-	23,500
Transaction costs from issue of shares		(1,456)	-	-	-	(1,456)
Share based payment transactions	13	-	-	-	257	257
Closing balance at 31 December 2017		67,106	(38,036)	168	1,661	30,899

		Issued Capital \$000	Accumulated Losses \$000	Share Option Reserve \$000	Share Based Payment Reserve \$000	Total Equity \$000
Opening balance at 1 July 2016		37,243	(34,821)	168	1,382	3,972
Total comprehensive income for the period:						
(Loss) for the period		-	(738)	-	-	(738)
Transactions with owners, recorded directly in equity:						
Shares issued during the period		946	-	-	-	946
Transaction costs from issue of shares		(62)	-	-	-	(62)
Share based payment transactions		-	-	-	12	12
Closing balance at 31 December 2016		38,128	(35,559)	168	1,394	4,131

The notes on pages 24 to 31 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31 December 2017 \$000	30 June 2017 \$000
CURRENT ASSETS			
Cash and cash equivalents	11	16,078	4,639
Trade and other receivables	11	726	41
TOTAL CURRENT ASSETS		16,804	4,680
NON-CURRENT ASSETS			
Exploration and evaluation assets	9	16,221	5,580
Property, plant and equipment		14	15
Intangibles		35	-
TOTAL NON-CURRENT ASSETS		16,270	5,595
TOTAL ASSETS		33,074	10,275
CURRENT LIABILITIES			
Trade and other payables	11	2,095	98
Employee benefits		80	40
TOTAL CURRENT LIABILITIES		2,175	138
TOTAL LIABILITIES		2,175	138
NET ASSETS		30,899	10,137
EQUITY			
Contributed equity	12	67,106	45,062
Reserves		1,829	1,573
Accumulated losses		(38,036)	(36,497)
TOTAL EQUITY		30,899	10,137

The notes on pages 24 to 31 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	31 December 2017 \$000	31 December 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments to suppliers and employees	(1,873)	(848)
Interest received	3	6
Sundry Income	-	-
Net cash used in operating activities	<u>(1,870)</u>	<u>(842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	(8,732)	(1,328)
Payments for property, plant and equipment	(3)	(3)
Net cash used in investing activities	<u>(8,735)</u>	<u>(1,331)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	<u>22,044</u>	<u>778</u>
Net cash provided by financing activities	<u>22,044</u>	<u>778</u>
Net increase/(decrease) in cash held	11,439	(1,395)
Cash at the beginning of the period	4,639	1,517
Cash at the end of the period	<u><u>16,078</u></u>	<u><u>122</u></u>

The notes on pages 24 to 31 are an integral part of the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1. Reporting entity

Australian Mines Limited (the “Company”, “AUZ”) is a company domiciled in Australia. The address of the Company’s registered office is 83 Havelock Street West Perth WA 6005 Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the “Group”).

The Group is a for-profit entity and is primarily involved in the exploration for gold and base metals in Australia.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2017 is available upon request from the Company’s registered office or at www.australianmines.com.au

2. Going Concern

The Consolidated Entity has incurred a net loss for the period of \$1,539,319 and had net cash outflows from operating activities of \$1,870,049.

The Directors have assessed the going concern assumption of the Group. Based on the assessment performed, and following the capital raisings which have occurred during the period, the Directors believe the going concern assumption is appropriate as the company is able to meet commitments and obligations as and when they fall due.

3. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2017. The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2017.

This consolidated interim financial report was approved by the Board of Directors on 15 March 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

4. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2017, except for those discussed in Note 5 below.

5. Changes in accounting policy

New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2017 that have been applied by the Company. The 30 June 2017 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2017.

6. Estimates

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

In preparing this consolidated interim financial report, the significant judgements 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 as at and for the year ended 30 June 2017.

7. Judgements

As the acquisition of the Sconi Cobalt-Nickel-Scandium Project does not meet the definition of a business combination, the transaction has been accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

In calculating the value of the share based payment in note 13, the expiry date applied to the director and key management personnel share loan plan of 2 years and 3 years is a significant judgement made by the directors based on the vesting periods and volatility of the shares.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

8. Segment Information

The Company only operates in a single reportable geographical segment. As a result, no additional segment information provided.

9. Exploration and evaluation assets

Reconciliations of the carrying amounts for each class of exploration and evaluation expenditure are set out below:

	31 Dec 2017 \$000	30 June 2017 \$000
Exploration and evaluation		
Opening balance July	5,580	2,902
Acquisition of tenements	7,096	1,328
Expenditure incurred	3,970	1,437
Expenditure expensed	(97)	(87)
R&D Refund	(328)	-
Exploration costs carried forward	<u>16,221</u>	<u>5,580</u>

During the period the Company acquired 100% interest in the Sconi Cobalt-Nickel-Scandium Project from Metallica Minerals Ltd, which supersedes the previous joint venture agreement. The transaction included cash payments totalling \$4.5 million. A further \$1.5 million in Australian Mines Limited shares is payable upon completion of its Bankable Feasibility Study and this has been recognised in the accounts as a liability as at 31 December 2017. An additional \$1million was paid in accordance with the agreement extension. A final issue of \$5 million Australian Mines Limited shares (or cash at the option of Metallica Minerals Ltd) is payable to Metallica Minerals Ltd upon commercial production from the Sconi Cobalt-Nickel-Scandium Project. This has not been recognised as a liability as it is contingent upon commencement of full scale commercial production which, at this point in time, is only a possible obligation. It is considered that the acquisition of Sconi Cobalt-Nickel-Scandium Project is not a business combination, but rather an acquisition of assets.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

9. Exploration and evaluation assets (cont.)

The fair value of the identifiable assets and liabilities of Sconi Cobalt-Nickel-Scandium Project as at the date of acquisition are:

Purchase consideration	\$000
Completion date payment	3,500
Agreement extension	1,000
Fully paid ordinary shares	1,500
Stamp Duty	<u>561</u>
Total Consideration	<u>6,561</u>
Net assets acquired	\$000
Tenements	<u>6,561</u>
Fair value of identifiable net assets	<u>6,561</u>

Various other tenement purchases have been made during the year and further details are available in the Directors Report.

The 2016 research and development tax offset was received during the period.

The ultimate recoupment of costs carried forward for mineral properties in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

10. Corporate overheads and indirect expenses

	31 Dec 2017 \$000	30 June 2017 \$000
Insurance	8	6
Travel and Accommodation	78	51
Legal Fees	62	67
Accounting, Tax and Audit Services	148	22
Share Registry Services	75	10
Conferences	12	53
Public Relations Fees	88	34
Advisors and Consultants	125	64
Other Fees and Services	241	61
General Administration	<u>77</u>	<u>67</u>
	<u>914</u>	<u>435</u>

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

11. Financial instruments

The fair values of the financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position are as follows:

	Carrying Amount \$000	Fair Value \$000
Financial Assets		
Cash and cash equivalents	16,078	16,078
Trade and other receivables	<u>726</u>	<u>726</u>
	<u>16,804</u>	<u>16,804</u>
Financial Liabilities		
Trade and other payables	<u>2,095</u>	<u>2,095</u>

Recurring fair value measurements

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

Due to their short term nature, the carrying amount of current receivables, current trade and other payables and current interest-bearing liabilities is assumed to approximate their fair value.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

12. Share capital

	31 Dec 2017 \$	31 Dec 2017 No.	30 June 2017 \$	30 June 2017 No.
Reconciliation of issued capital				
Balance at 1 July	45,061,669	2,139,626,217	37,243,377	1,101,986,521
Costs of capital raising	(1,455,999)	-	(557,794)	-
Share placement @ \$0.02	-	-	106,258	5,312,914
Share placement @ \$0.011	-	-	840,101	76,372,837
Share placement @ \$0.0063	-	-	807,528	128,179,029
Share placement @ \$0.008	-	-	2,482,474	310,309,216
Convertible notes @ \$0.008	-	-	3,804,309	475,538,678
Non-cash placement @ \$0.008	-	-	335,416	41,927,022
Share placement @ \$0.015	3,500,000	233,333,337	-	-
Share placement @ \$0.085	20,000,000	235,294,118	-	-
Director & Key Employee Share Plan	-	69,550,000	-	-
Balance at end of period	<u>67,105,670</u>	<u>2,677,803,672</u>	<u>45,061,669</u>	<u>2,139,626,217</u>

13. Share based payment reserve

	31 Dec 2017 No.	30 June 2017 No.
Plan Shares		
Issued 27 Nov 2017, expiring 1 June 2018	33,116,666	-
Issued 27 Nov 2017, expiring 1 June 2019	33,116,666	-
Issued 27 Nov 2017, expiring 1 June 2020	<u>3,316,666</u>	
Total Plan Shares	<u>69,549,998</u>	-

During the half year, the Directors' and Key Management Personnel were invited to apply for plan shares under the loan share plan. A limited recourse loan was provided to allow the Directors' and Key Management Personnel to purchase the shares for \$0.116 per share. The director's plan shares are divided into 2 tranches and subject to service period vesting conditions. The key management personnel plan shares are divided into 3 tranches and are subject to service period vesting conditions.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

13. Share based payment reserve (cont.)

The Group measures the cost of share based payments to employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of these plan shares were determined by using the Black Scholes pricing model taking into account the terms, conditions and probability upon which the instruments were granted.

Tranche	Grant Date	Number Issued	Volatility	Value Per Right	Probability	Condition	Total Value	Vesting Period (Years)	Expected Life of Loan	Value Vested Current Period	Value Not Vested
Director Shares											
1	27/11/2017	29,800,000	75%	\$0.03118	100%	Service Period	\$929,149	0.5	27/11/19	\$169,844	\$759,306
2	27/11/2017	<u>29,800,000</u>	75%	\$0.03118	100%	Service Period	<u>\$929,149</u>	1.5	27/11/19	<u>\$57,334</u>	<u>\$871,815</u>
		<u>59,600,000</u>					<u>\$1,858,299</u>			<u>\$227,178</u>	<u>\$1,631,121</u>
Key Management Personnel Shares											
1	27/11/2017	3,316,666	75%	\$0.03124	100%	Service Period	\$103,620	0.5	27/11/19	\$18,941	\$84,679
2	27/11/2017	3,316,667	75%	\$0.03124	100%	Service Period	\$103,620	1.5	27/11/19	\$6,394	\$97,226
3	27/11/2017	<u>3,316,667</u>	75%	\$0.03964	100%	Service Period	<u>\$131,486</u>	2.5	27/11/20	<u>\$4,875</u>	<u>\$126,611</u>
		<u>9,950,000</u>					<u>\$338,726</u>			<u>\$30,210</u>	<u>\$308,516</u>

Details of the vesting conditions of the plan shares are detailed below:

Tranche 1: Service to the Company as an eligible person until 1 June 2018

Tranche 2: Service to the Company as an eligible person until 1 June 2019

Tranche 3: Service to the Company as an eligible person until 1 June 2020

14. Events occurring after the reporting period

In February the Company signed an off-take agreement term sheet with SK Innovation for the expected cobalt sulphate and nickel sulphate production from the Sconi Project. For further details refer to the Directors Report.

There have been no other material events subsequent to 31 December 2017.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

15. Contingent liabilities

The Group's mining tenements are subject to native title applications. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Group.

There have been no other changes to contingencies in the six months ended 31 December 2017 other than the deferred consideration for the Sconi asset acquisition disclosed in note 9.

16. Commitments

In accordance with the relevant joint venture and heads of agreements there are requirements to meet minimum spending levels in order to acquire an interest in the projects. Although it is likely that the expenditure will occur as part of the future growth of the Company, it is not contractually obligated and has the right to withdraw at any time.

17. Related parties

During the half year period, Australian Mines Limited engaged related party, Terrain Capital Unit Trust, to assist with share placements which occurred during the period. Non-executive Directors, Mr M Ramsden and Mr D Marinelli, are Directors of Terrain Capital Limited. Total expense incurred for the period was \$242,000 (incl GST).

During the half year period, Australian Mines Limited also engaged related party, CSA Global Pty Ltd which is a company significantly influenced by Mr M Elias. CSA Global Pty Ltd was engaged to conduct a feasibility study and mineral resource estimate. Total expenses incurred for the period was \$608,782.

In July 2017 Tim Maclean was appointed as Chief Operating Officer with a total annual fixed remuneration set at \$273,750, inclusive of superannuation, plus long term incentives.

During the period the Directors and Key Management Personnel were offered plan shares which were financed through a loan share plan. Refer to note 13 for further details.

All other related parties are consistent to 30 June 2017.

DIRECTORS' DECLARATION

In the opinion of the Directors of Australian Mines Limited ("the Company"):

- (a) the financial statements and notes disclosed on pages 20 to 31 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 2017 and of its performance, for the six months ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (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.

Signed in accordance with a resolution of the Directors

On behalf of the Directors



.....
Benjamin Bell
Managing Director

Perth
Dated: 15 March, 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Mines Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The signature consists of the letters 'BDO' in a simple, blocky font, followed by a stylized signature that appears to be 'J Prue'.

Jarrad Prue

Director

Perth, 15 March 2018