



COPPERMOLY Limited

A.B.N. 54 126 490 855

CONSOLIDATED INTERIM FINANCIAL REPORT HALF-YEAR ENDED 31 DECEMBER 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Coppermoly Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Coppermoly Limited (ABN 54 126 490 855)

Non-Executive Directors

Dr Wanfu Huang

Mr Jincheng Yao

Mr Kevin Grice

Mr Zule Lin

Company Secretary

Mr Paul Schultz

Registered office

Suite 1B, 91 Upton Street,

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Coppermoly Limited and the entity it controlled at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

The following persons were directors of Coppermoly Limited during the half-year and up to the date of this report:

Kevin Grice
Wanfu Huang
Zule Lin
Jincheng Yao

RESULTS AND DIVIDENDS

The consolidated entity loss after income tax for the half-year is \$236,969 (2016: \$930,566). There is no dividend paid or recommended.

REVIEW OF OPERATIONS

The Group experienced a decrease in its total comprehensive loss for the half-year. Total comprehensive loss for the half-year was \$586,276 (2016: \$684,449) representing a decrease of 14.3%. This was largely a result of the inclusion of \$592,833 in exploration expenditure written-off in the previous financial year. Also contributing to the lower total comprehensive loss for the half-year was the inclusion of \$115,614 in the current year's revenue for the difference between the carrying amount of the accrued directors fees and the fair value of the Shares issued in lieu of accrued directors fees during the half year (2016: \$Nil) and \$349,307 book loss on exchange differences on translation of foreign operations (2016: \$246,117 gain).

During the half-year, the Group funded ongoing exploration and evaluation work on its exploration tenements in Papua New Guinea.

EVENTS AFTER THE REPORTING PERIOD

There have been no events since 31 December 2017 that impact upon the financial report.

DIRECTORS' REPORT (Continued)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* immediately follows this report.

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

A handwritten signature in black ink, appearing to read 'K Grice', with a small dot at the end.

Kevin Grice
Director
Bundall, Qld
Dated: 12 March 2018

DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF COPPERMOLY LIMITED

As lead auditor for the review of Coppermoly 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 Coppermoly Limited and the entities it controlled during the period.



T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 12 March 2018

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	Half – year	
		2017	2016
		\$	\$
Revenue		119,359	18,801
		119,359	18,801
Depreciation		(2,915)	(2,678)
Employee benefits expense		(186,901)	(180,855)
Exploration expenditure written-off	4	-	(592,833)
Insurances		(17,454)	(23,016)
Corporate compliance and shareholder relations		(55,424)	(40,997)
Office rental, communication and consumables		(20,361)	(23,023)
Finance costs		(70,124)	(83,096)
Other expenses		(3,149)	(2,869)
Loss before income tax		(236,969)	(930,566)
Income tax (expense) / benefit		-	-
Net Loss for the half-year		(236,969)	(930,566)
Other comprehensive income			
Items that will be reclassified to the profit or loss			
Exchange differences on translation of foreign operations		(349,307)	246,117
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the half-year		(349,307)	246,117
Total comprehensive income for the half-year		(586,276)	(684,449)
		Cents	Cents
Basic and diluted loss per share		(0.02)	(0.12)

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

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31-Dec-17 \$	30-Jun-17 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,409,575	554,633
Trade and other receivables		60,558	29,250
Total Current Assets		2,470,133	583,883
Non-Current Assets			
Receivables		17,337	15,234
Property, plant and equipment		20,699	24,148
Mineral exploration and evaluation assets	4	11,960,807	11,652,157
Total Non-Current Assets		11,998,843	11,691,539
Total Assets		14,468,976	12,275,422
LIABILITIES			
Current Liabilities			
Trade and other payables		246,810	394,874
Provisions		45,310	39,477
Borrowings	5	1,361,119	1,386,024
Total Current Liabilities		1,653,239	1,820,375
Non-Current Liabilities			
Provisions		4,303	2,302
Total Non-Current Liabilities		4,303	2,302
Total Liabilities		1,657,542	1,822,677
Net Assets		12,811,434	10,452,745
EQUITY			
Contributed equity	6	21,921,429	19,065,353
Reserves		1,666,614	1,927,032
Accumulated losses		(10,776,609)	(10,539,640)
Total Equity		12,811,434	10,452,745

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

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2017	19,065,353	(10,539,640)	1,927,032	10,452,745
Comprehensive income for the half-year				
Loss for the half-year	-	(236,969)	-	(236,969)
Foreign currency translation difference	-	-	(349,307)	(349,307)
Total Comprehensive Income	-	(236,969)	(349,307)	(586,276)
Transactions with owners in their capacity as owners				
Contributions of equity	3,017,145	-	-	3,017,145
Costs of share issue	(161,069)	-	-	(161,069)
Value of conversion rights on convertible notes	-	-	88,889	88,889
Total transactions with owners in their capacity as owners	2,856,076	-	88,889	2,944,965
Balance at 31 December 2017	21,921,429	(10,776,609)	1,666,614	12,811,434
Balance at 1 July 2016	18,405,791	(9,144,400)	2,342,783	11,604,174
Comprehensive income for the half-year				
Loss for the half-year	-	(930,566)	-	(930,566)
Foreign currency translation difference	-	-	246,117	246,117
Total Comprehensive Income	-	(930,566)	246,117	(684,449)
Transactions with owners in their capacity as owners				
Value of conversion rights on convertible notes	-	-	51,948	51,948
Total transactions with owners in their capacity as owners	-	-	51,948	51,948
Balance at 31 December 2016	18,405,791	(10,074,966)	2,640,848	10,971,673

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

**COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Half-year	
	2017	2016
	\$	\$
Cash Flows from Operating Activities		
Cash receipts in the course of operations (incl. GST)	17,033	23,735
Interest received	4,021	15,518
Interest paid	(376)	(1,199)
Payments to suppliers and employees (incl. GST)	(253,788)	(245,750)
Net cash outflow from operating activities	(233,110)	(207,696)
Cash Flows from Investing Activities		
Payments for exploration and evaluation activities	(610,927)	(579,154)
Security deposits recovered / (paid)	(2,396)	2,548
Payments for property, plant and equipment	-	(11,197)
Net cash (outflow) inflow from investing activities	(613,323)	(587,803)
Cash Flows from Financing Activities		
Proceeds from issues of shares	2,870,000	-
Cost of share issues	(162,281)	-
Proceeds from borrowings	-	23,156
Repayment of borrowings	(5,764)	(11,594)
Net cash inflow (outflow) from financing activities	2,701,955	11,562
Net increase /(decrease) in cash and cash equivalents	1,855,522	(783,937)
Cash and cash equivalents at the beginning of the half-year	554,633	2,116,674
Exchange difference on cash	(580)	2,499
Cash and cash equivalents at the end of the half-year	2,409,575	1,335,236

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

COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR REPORT

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Coppermoly Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group for the current or prior periods.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 Annual Financial Report for the financial year ended 30 June 2017, unless otherwise stated.

Going concern

The Group incurred a net loss of \$236,969 for the half-year ended 31 December 2017. As at 31 December 2017 the Group had cash reserves of \$2,409,575; working capital of \$816,894; and net assets of \$12,811,434. The company has not generated revenues from operations. The Group has a liability of \$1,361,119 (including accrued interest) for convertible notes. The Group has also committed to re-acquire Barrick (PNG Exploration) Limited's ("Barrick") interest in the tenements EL1043 and EL2379 for a final payment of \$4,500,000 to be paid no later than six months after the commencement of commercial production at the West New Britain Project, in addition to its exploration commitments under its other licences. Refer to note 4 for further details on the required payment to re-acquire the tenements from Barrick.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the company to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the company's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Group has funded its activities through issuance of equity securities and it is expected that the Group will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

**COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR REPORT (continued)

Key judgements – exploration & evaluation assets

The Consolidated Entity had one exploration tenement that had expired as at 31 December 2017. The Consolidated Entity lodged an application for renewal within the required timeline and received notification on 8 February 2018 that the licence has been renewed for a two year period ending on 10 September 2019. Management continued to capitalise exploration & evaluation costs on the basis that they expected the application for the rights to tenure to be granted.

NOTE 2. FAIR VALUE MEASUREMENTS

The carrying values of the Group's financial assets and financial liabilities approximate their fair values as at 31 December 2017.

NOTE 3. SEGMENT INFORMATION

Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. Accordingly, the consolidated entity is treated as one operating segment.

The financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole. There have been no changes in the operating segments during the period.

NOTE 4. MINERAL EXPLORATION AND EVALUATION ASSETS

	31-Dec-17	31-Dec-16
	\$	\$
Papua New Guinea		
Balance at the beginning of the half-year	11,652,157	10,975,314
Expenditure capitalised during the period	652,639	770,662
Capitalised expenditure written-off during the period	-	(592,833)
Foreign currency exchange differences	(343,989)	228,233
Balance at the end of the half-year	<u>11,960,807</u>	<u>11,381,376</u>

Exploration Licences:

- **EL 1043 Mt Nakru** has a two year term ending on 7 December 2018.
- **EL 2379 Simuku** has a two year term ending on 10 September 2019.
- **EL 2514 Makmak** has a two year term ending on 11 September 2019.

The ultimate recoupment of the costs carried forward for exploration and evaluation is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.

**COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

NOTE 4. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

West New Britain Project Exploration Licences

In October 2009 the Group signed a Letter Agreement with Barrick (PNG Exploration) Limited (**Barrick**) to sole fund \$20 million to earn up to 72% interest in Coppermoly Limited's tenements (Mt Nakru and Simuku) (**WNB Projects**) on the island of New Britain in Papua New Guinea. Barrick earned 72% equity in January 2012. In May 2012 Barrick advised Coppermoly of its intention to divest its interest in the WNB Projects.

Reacquisition Deed

The remaining key term of the renegotiated Reacquisition Deed with Barrick is as follows:

- The Group may acquire the remaining nominal 28% interest in the WNB Projects, which the Company has a binding agreement to acquire, by making a payment of AUD \$4,500,000, payable no later than the date that is 6 months after the commencement of commercial production at the WNB Projects. Barrick do not have to contribute any further costs to exploration or development of the projects nor are they entitled to any profits from the projects.

NOTE 5. BORROWINGS

	31-Dec-17	30-Jun-17
	\$	\$
Unsecured:		
Convertible notes (a)	1,114,033	1,175,520
Accrued interest	247,086	204,740
Other borrowings	-	5,764
	<u>1,361,119</u>	<u>1,386,024</u>

a. Convertible notes

The terms of the convertible notes are as follows:

	<u>Convertible notes</u>
Re-issue Date:	19 December 2017
Maturity Date:	19 December 2018
Number of Notes:	60,000,000
Note Face Value:	\$1,200,000
Conversion Price:	Convertible into ordinary shares \$0.02 at the note holders option being 60,000,000 shares.

Repayment upon maturity: The outstanding principle amounts of the convertible notes (being the outstanding issue price of the convertible notes to the extent that they have not been converted) will be repaid by the Company. The terms of the notes were varied on 19 October 2016 to extend the Maturity Date to 19 December 2017. The terms of the notes were again varied on 31 October 2017 to further extend the Maturity Date to 19 December 2018.

The notes may be repaid by Coppermoly any time prior to the Maturity Date subject to Coppermoly paying the note holder a break fee equal to 5% of the repayment amount.

Interest: The convertible notes bear interest at 7%. The effective interest rate is 15%.

**COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

NOTE 5. BORROWINGS (continued)

	31-Dec-17	30-Jun-17
	\$	\$
The convertible notes are presented in the consolidated statement of financial position as follows:		
Face value of notes issued	1,200,000	1,200,000
Equity portion	(283,103)	(194,214)
Cost of convertible note issue	(13,739)	(13,739)
Fair value of notes issued	<u>903,158</u>	<u>992,047</u>
Unwinding of interest expense	210,875	183,473
Repayment of convertible notes	-	-
Convertible note liability	<u>1,114,033</u>	<u>1,175,520</u>

NOTE 6. CONTRIBUTED EQUITY

	Half-year ended 31-Dec-17 Number of Shares	Half-year ended 31-Dec-16 Number of Shares	Half-year ended 31-Dec-17 \$	Half-year ended 31-Dec-16 \$
Opening Balance	<u>1,093,817,806</u>	760,484,473	<u>19,065,353</u>	18,405,791
Issues of ordinary shares during the half-year				
Private Placement – Shenzhen Beilite Jades Ltd	273,333,333		2,870,000	
Shares issued in lieu of accrued directors fees	10,510,349		147,145	-
Less costs of raising capital			(161,069)	-
Contributed Equity	<u>1,377,661,488</u>	760,484,473	<u>21,921,429</u>	18,405,791

The Shares issued in lieu of accrued directors fees were as issued at \$0.025 each for a total of \$262,759 as first announced to the ASX on 10 April 2017 and as further detailed in the 2017 AGM Notice of Meeting. The Shares in lieu of accrued directors fees were issued on 11 December 2017 when the fair value of Coppermoly Shares was \$0.014 each. The fair value of all Shares issued in lieu of accrued directors fees on 11 December 2017 was \$147,145.

The difference between the carrying amount of the accrued directors fees and the fair value of the Shares issued in lieu of accrued directors fees has been recognised on the consolidated statement of profit or loss.

NOTE 7. CONTINGENCIES

(i) West New Britain Projects

Refer to Note 4. The Group has completed an agreement to re-acquire Barrick's interests in the West New Britain Projects.

The Group may acquire Barrick's remaining nominal 28% interest in the West New Britain Projects by making a payment of AUD \$4,500,000, payable no later than the date that is 6 months after the commencement of commercial production at the West New Britain Projects.

(ii) There have been no further changes in contingent liabilities since the end of the previous annual reporting period (30 June 2017).

NOTE 8. DIVIDENDS

There was no dividend paid or recommended during the reporting period.

NOTE 9. EVENTS AFTER THE REPORTING PERIOD

There have been no events since 31 December 2017 that impact upon the financial report.

**COPPERMOLY LIMITED & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Coppermoly Limited will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read 'K J Grice', with a small dot at the end.

Kevin Grice
Director
Bundall Qld
Dated: 12 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Coppermoly Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Coppermoly 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, 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 *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 Pty Ltd



T R Mann
Director

Brisbane, 12 March 2018