

Freehill Mining Limited

ABN 27 091 608 025

Interim Report - 31 December 2017

Freehill Mining Limited
Corporate directory
31 December 2017

Directors	Frank Terranova Raymond Charles Mangion Paul Davies
Registered office	88 Miller Street West Melbourne VIC 3003
Principal place of business	88 Miller Street West Melbourne VIC 3003
Share register	Automic Registry Services Level 12, Bourke Street Melbourne, Victoria 3000
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne, Victoria 3000
Stock exchange listing	Freehill Mining Limited shares are listed on the Australian Securities Exchange (ASX code: FHS)
Website	www.freehillmining.com

Freehill Mining Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Freehill Mining Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- operating the Yerbas Buenas mine in Chile.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,336,200 (31 December 2016: \$1,266,035).

Significant changes in the state of affairs

During the half-year the company has issued 26,084,792 fully paid ordinary shares raising \$336,000 and extinguishing liabilities totalling \$1,756,115.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

The sum of January and February sales exceeded total sales for the previous six months. Reconfiguration plant and additional plant capacity is providing significant ongoing improvement in production outcomes.

The Company has signed a contract with Korean explosives group Hanwha to allow the site to trial some of their new explosives at no cost to the Company. This will provide significant cost saving to the Company over the next 3 months. As at lodgement date of this report Hanwha are on site and commencing their work.

Since 31 December 2017, the company has issued 6,085,921 fully paid ordinary shares which were applied to extinguishing current liabilities including convertible notes and other liabilities of \$464,955.

The Company has raised a further A\$885,000 since December 31st and is continuing to look to diversify its sources of capital and extend its maturity profile.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Davies

16 March 2018

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Freehill Mining Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

Paul A Ransom

P A RANSOM

Partner

Dated: 16 March 2018
Melbourne, Victoria

Freehill Mining Limited

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General information

The financial statements cover Freehill Mining Limited as a consolidated entity consisting of Freehill Mining Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Freehill Mining Limited's functional and presentation currency.

Freehill Mining Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

88 Miller Street
Melbourne, Victoria 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2018.

Freehill Mining Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	Consolidated Dec 17 \$	Dec 16 \$
Revenue	3	102,539	67
Expenses			
Mine production costs		(29,304)	-
Corporate and administration expenses		(535,914)	(1,120,383)
Other expenses		(57,823)	(19,209)
Finance costs	4	<u>(815,698)</u>	<u>(126,510)</u>
Loss before income tax expense		(1,336,200)	(1,266,035)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of Freehill Mining Limited		(1,336,200)	(1,266,035)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>790,783</u>	-
Other comprehensive income for the half-year, net of tax		<u>790,783</u>	-
Total comprehensive income for the half-year attributable to the owners of Freehill Mining Limited		<u><u>(545,417)</u></u>	<u><u>(1,266,035)</u></u>
		Cents	Cents
Basic earnings per share	14	(0.40)	(0.97)
Diluted earnings per share	14	(0.40)	(0.97)

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

Freehill Mining Limited
Statement of financial position
As at 31 December 2017

	Note	Consolidated Dec 17 \$	Consolidated Jun 17 \$
Assets			
Current assets			
Cash and cash equivalents		427,995	40,684
Trade and other receivables		727,366	492,521
Other		15,248	11,219
Total current assets		<u>1,170,609</u>	<u>544,424</u>
Non-current assets			
Mining	5	<u>11,437,732</u>	<u>7,384,963</u>
Total non-current assets		<u>11,437,732</u>	<u>7,384,963</u>
Total assets		<u>12,608,341</u>	<u>7,929,387</u>
Liabilities			
Current liabilities			
Trade and other payables	6	1,785,484	880,974
Borrowings	7	<u>2,928,782</u>	<u>1,286,648</u>
Total current liabilities		<u>4,714,266</u>	<u>2,167,622</u>
Non-current liabilities			
Borrowings	8	<u>474,966</u>	-
Total non-current liabilities		<u>474,966</u>	-
Total liabilities		<u>5,189,232</u>	<u>2,167,622</u>
Net assets		<u>7,419,109</u>	<u>5,761,765</u>
Equity			
Issued capital	9	12,360,326	10,280,380
Convertible notes	10	122,815	-
Reserves		665,430	(125,353)
Accumulated losses		<u>(5,729,462)</u>	<u>(4,393,262)</u>
Total equity		<u>7,419,109</u>	<u>5,761,765</u>

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

Freehill Mining Limited
Statement of changes in equity
For the half-year ended 31 December 2017

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total deficiency in equity \$
Balance at 1 July 2016	16,821,001	320,681	(17,545,410)	(403,728)
Loss after income tax expense for the half-year	-	-	(1,266,035)	(1,266,035)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,266,035)	(1,266,035)
<i>Transactions with owners in their capacity as owners:</i>				
Issuing of convertible loans	-	171,952	99,474	271,426
Balance at 31 December 2016	<u>16,821,001</u>	<u>492,633</u>	<u>(18,711,971)</u>	<u>(1,398,337)</u>

Consolidated	Issued capital \$	Convertible notes \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	10,280,380	-	(125,353)	(4,393,262)	5,761,765
Loss after income tax expense for the half-year	-	-	-	(1,336,200)	(1,336,200)
Other comprehensive income for the half-year, net of tax	-	-	790,783	-	790,783
Total comprehensive income for the half-year	-	-	790,783	(1,336,200)	(545,417)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 9)	2,079,946	-	-	-	2,079,946
Issuing of convertible loans, net of transactions costs	-	122,815	-	-	122,815
Balance at 31 December 2017	<u>12,360,326</u>	<u>122,815</u>	<u>665,430</u>	<u>(5,729,462)</u>	<u>7,419,109</u>

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

Freehill Mining Limited
Statement of cash flows
For the half-year ended 31 December 2017

	Note	Consolidated	
		Dec 17	Dec 16
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(420,526)	(63,822)
Interest received		29	67
Other revenue		102,510	-
Interest and other finance costs paid		<u>(278,988)</u>	<u>-</u>
Net cash used in operating activities		<u>(596,975)</u>	<u>(63,755)</u>
Cash flows from investing activities			
Loan to Freehill Investments Pty Ltd		-	(1,048,985)
Payments for mine assets		(3,105,098)	-
Pre full scale receipts offset against mine assets		<u>417,260</u>	<u>-</u>
Net cash used in investing activities		<u>(2,687,838)</u>	<u>(1,048,985)</u>
Cash flows from financing activities			
Proceeds from issue of shares	9	336,000	-
Proceeds from borrowings		3,188,767	1,077,871
Share issue transaction costs		(12,168)	-
Repayment of borrowings		(50,000)	-
Proceeds from issue of convertible notes disclosed as equity		<u>209,525</u>	<u>-</u>
Net cash from financing activities		<u>3,672,124</u>	<u>1,077,871</u>
Net increase/(decrease) in cash and cash equivalents		387,311	(34,869)
Cash and cash equivalents at the beginning of the financial half-year		<u>40,684</u>	<u>38,829</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>427,995</u></u>	<u><u>3,960</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these 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 the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$1,336,200 and had net operating cash outflows of \$596,975 for the half year ended 31 December 2017. As at that date, the consolidated entity had a net working capital deficiency of \$3,543,657 (current liabilities exceeded current assets). This financial profile indicates a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern.

The directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern due to the following factors:

- Since 31 December 2017, the company raised loan funding of \$885,000 in order to provide additional working capital;
- The company is in ongoing discussions with a number of potential lenders and investors and anticipates being able to raise further capital as needed to fund its operations;
- Since 31 December 2017, the company has issued 6,085,921 fully paid ordinary shares which were applied to extinguishing current liabilities including convertible notes and other liabilities of \$464,955;
- The company is currently in discussion with representatives of Yaniv Equity LP regarding tranche two of their facility and expects to complete negotiations in the coming weeks. There is further funding of US 1.25 million proposed under this facility;
- The company continues to develop and expand production with the short term output target of 22,000 tonnes per month. Sales have totalled approximately \$640,000 (including recoverable local indirect taxes) in January and February; and
- The company recently signed an agreement with Korean explosives group, Hanwha, which is expected to provide cost savings over the next 3-4 months.

In the event that the consolidated entity is unsuccessful in the matters set out above, there is material uncertainty as to whether the company will continue as a going concern and therefore whether it will realise assets and discharge liabilities in the normal course of business and at the amounts shown in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment: Chilean Mining. This operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Freehill Mining Limited
Notes to the financial statements
31 December 2017

Note 3. Revenue

	Consolidated	
	Dec 17	Dec 16
	\$	\$
Interest	29	67
Other revenue	102,510	-
	<u>102,539</u>	<u>67</u>

Note 4. Expenses

Finance costs includes \$752,793 of fundraising commissions in relation to the issue of the convertible notes (refer to Note 7). Of this amount \$511,290 was settled through the issue of shares in the company (Refer to Note 9). A further amount of \$86,710 was recognised directly to equity. (Refer to Note 10).

Note 5. Non-current assets - mining

	Consolidated	
	Dec 17	Jun 17
	\$	\$
Mining - at cost	9,641,303	5,675,169
Tenement assets - at cost	1,612,311	1,496,130
Mining plant and equipment - at cost	224,626	228,170
Less: Accumulated amortisation	(40,508)	(14,506)
	<u>184,118</u>	<u>213,664</u>
	<u>11,437,732</u>	<u>7,384,963</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Mining asset \$	Tenement assets \$	Mining plant & equipment \$	Total \$
Balance at 1 July 2017	5,675,169	1,496,130	213,664	7,384,963
Additions	3,708,549	-	-	3,708,549
Exchange differences	674,845	116,181	5,432	796,458
Mining receipts offset against the carrying value of assets	(417,260)	-	-	(417,260)
Amortisation expense	-	-	(34,978)	(34,978)
	<u>9,641,303</u>	<u>1,612,311</u>	<u>184,118</u>	<u>11,437,732</u>

Freehill Mining Limited
Notes to the financial statements
31 December 2017

Note 6. Current liabilities - trade and other payables

	Consolidated	
	Dec 17	Jun 17
	\$	\$
Trade payables	904,477	35,000
Purchase agreement payable	411,212	521,427
Interest payable	6,892	1,919
Other payables	462,903	322,628
	<u>1,785,484</u>	<u>880,974</u>

Note 7. Current liabilities - borrowings

	Consolidated	
	Dec 17	Jun 17
	\$	\$
Convertible notes payable	2,203,860	-
Short term loans	724,922	1,286,648
	<u>2,928,782</u>	<u>1,286,648</u>

During the period the Company undertook 2 convertible note issues as described in the Company's Operations and Capital Raising Update issued on December 18th last. The two raisings separately are identified as the Series 1 Offer and the Yaniv Offer.

The Series 1 Offer is fully drawn to \$1.445 million for a term of one year, and interest is payable at 12% per annum.

The Yaniv Offer initial tranche of US\$755,000 is fully drawn for a term of one year. Since Balance date Yaniv have converted AUD\$191,182 of their convertible note to shares. Interest is payable at 12.5% per annum.

Note 8. Non-current liabilities - borrowings

	Consolidated	
	Dec 17	Jun 17
	\$	\$
Convertible notes payable	<u>474,966</u>	<u>-</u>

In September the Company arranged a convertible loan facility to support its acquisition of the Muzard tenements. While providing for the commitment to meet the Principal and interest obligations under the Muzard purchase agreement the facility also provided for further drawings to meet ongoing capital needs at the lenders discretion. Interest is payable at 3% per month capitalising to maturity or repayment.

The total facility amount is \$US 474,000 and is for a term of 2 years.

Note 9. Equity - issued capital

	Consolidated			
	Dec 17	Jun 17	Dec 17	Jun 17
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>357,871,692</u>	<u>331,786,900</u>	<u>12,360,326</u>	<u>10,280,380</u>

Freehill Mining Limited
Notes to the financial statements
31 December 2017

Note 9. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	331,786,900		10,280,380
Shares issued to settle liabilities	7 August 2017	548,705	\$0.091	50,000
Shares issued	12 September 2017	4,200,000	\$0.080	336,000
Shares issued to extinguish short term loans	12 September 2017	12,843,068	\$0.080	1,027,445
Shares issued to settle liabilities	8 November 2017	825,000	\$0.080	66,000
Shares issued for loan establishment fee	19 December 2017	7,475,000	\$0.080	598,000
Shares issued on conversion of convertible notes	21 December 2017	193,019	\$0.076	14,669
Less cost of capital raising		-	\$0.000	(12,168)
Balance	31 December 2017	<u>357,871,692</u>		<u>12,360,326</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 10. Equity - convertible notes

	Consolidated	
	Dec 17	Jun 17
	\$	\$
Convertible instruments disclosed as equity, net of transaction costs	<u>122,815</u>	<u>-</u>

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Related party transactions

Parent entity

Freehill Mining Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties other directors fees during the current and previous financial half-year.

Freehill Mining Limited
Notes to the financial statements
31 December 2017

Note 12. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	Dec 17	Jun 17
	\$	\$
Current payables:		
Unpaid directors' fees	121,125	-

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 13. Events after the reporting period

The sum of January and February sales exceeded total sales for the previous six months. Reconfiguration plant and additional plant capacity is providing significant ongoing improvement in production outcomes.

The Company has signed a contract with Korean explosives group Hanwha to allow the site to trial some of their new explosives at no cost to the Company. This will provide significant cost saving to the Company over the next 3 months. As at lodgement date of this report Hanwha are on site and commencing their work.

Since 31 December 2017, the company has issued 6,085,921 fully paid ordinary shares which were applied to extinguishing current liabilities including convertible notes and other liabilities of \$464,955.

The Company has raised a further A\$885,000 since December 31st and is continuing to look to diversify its sources of capital and extend its maturity profile.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 14. Earnings per share

	Consolidated	
	Dec 17	Dec 16
	\$	\$
Loss after income tax attributable to the owners of Freehill Mining Limited	<u>(1,336,200)</u>	<u>(1,266,035)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>332,222,285</u>	<u>130,458,424</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>332,222,285</u>	<u>130,458,424</u>
	Cents	Cents
Basic earnings per share	(0.40)	(0.97)
Diluted earnings per share	(0.40)	(0.97)

Freehill Mining Limited
Directors' declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Paul Davies

16 March 2018

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
FREEHILL MINING LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Freehill Mining Limited which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2017 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 Freehill Mining Limited, 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 Freehill Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 Freehill Mining 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 2017 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred losses of \$1,336,200 and had net cash outflows from operating activities of \$596,975 for the half-year ended 31 December 2017. As of that date, the consolidated entity had net working capital deficiency of \$3,543,657. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



RSM AUSTRALIA PARTNERS



P A RANSOM

Partner

Dated: 16 March 2018
Melbourne, Victoria