

# **AZUMAH RESOURCES LIMITED**

**ABN 72 112 320 251**

## **INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2016**

**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 2016 and any public announcements made by Azumah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**AZUMAH RESOURCES LIMITED****31 DECEMBER 2016**

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## AZUMAH RESOURCES LIMITED

31 DECEMBER 2016

### DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity consisting of Azumah Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

#### DIRECTORS

The names of the directors who held office during or since the end of the half-year, to the date of this report, are:

Mr Michael Atkins

Mr Stephen Stone

Mr Geoffrey Jones

Mr William LeClair

#### REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2016	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss	66,261	(2,194,616)

Azumah Resources Limited is a Perth-based, ASX-listed (ASX: AZM) company focused on exploring and developing its regional scale Wa Gold Project in the Upper West Region of Ghana, West Africa.

Three main deposits have been discovered and extensively drilled at Kunche and Bepkong, adjacent to the Black Volta River and Ghana's border with Burkina Faso, and at Julie ~80km to the east. Several satellite deposits, including Aduane and Collette, have also been delineated.

To date the Company has defined a JORC 2012 Mineral Resource of **2.1Moz of gold grading 1.5g/t Au** including 1.4Moz Measured and Indicated grading 1.7g/t Au with these evenly distributed between Kunche-Bepkong and Wa East (Julie)(Table 2).

The Julie West licence, acquired from Castle Minerals Limited (ASX: CDT) (refer AZM ASX release dated 27<sup>th</sup> April 2016) hosts the Julie West and Danyawu prospects for which an update to JORC 2012 standard has confirmed for Julie West a Mineral Resource of 52,000oz Au Indicated and 4,000oz Au Inferred and for Danyawu a Mineral Resource of 13,000oz Au Inferred.

Mineral Resources have grown progressively through focused exploration of the Company's **2,400km<sup>2</sup>** licence holdings which encompass large tracts of prospective Birimian terrain, the rocks that host the majority of West Africa's gold mines. Azumah anticipates Mineral Resources will continue to grow through the systematic testing of its pipeline of specific targets, prospects and many areas of interest.

Azumah has completed a Feasibility Study for a mining operation based on an **initial seven-year life** and **producing ~90,000oz Au per year** from the open pit mining and treatment of ore through a nominal **1.2 million tonnes per year carbon-in-leach (CIL) processing plant** (1.8Mtpa treating softer oxide material). The plant will be located adjacent to the Kunche deposit and incorporate a flotation and regrind circuit to treat Julie primary and some transitional ore which will be hauled by road to the processing plant.

## AZUMAH RESOURCES LIMITED

31 DECEMBER 2016

### DIRECTORS' REPORT (continued)

A JORC 2012 Ore Reserve of 624,000oz Au (9.1Mt at 2.14g/t Au) has been defined based on recently completed studies. The designed optimised pits also contain Inferred Resources of 28,000oz Au. Extensive metallurgical test work has been undertaken to confirm a high average overall gold recovery of ~92% for the Kunche, Bepkong and Julie deposits (Table 1).

Azumah has had **two, 15-year Mining Leases** granted over its key deposits (Ghana government holds a 10% free carried interest in their 'rights and obligations' and is also entitled to a 5% gross gold royalty) and is now moving to obtain environmental operating permits.

No technical, social or environmental impediments to development have been identified, no communities need to be rehoused and there is a generally strong support from stakeholders for the Project. Whilst the region has no other major industry, the Project benefits from excellent regional infrastructure including **grid power to site**, good quality bituminised and non-bituminised roads, easy access to water, a 2km sealed airstrip at the regional centre of Wa and good general communications.

Azumah holds a **16.5%** interest in its neighbour and junior Ghana explorer, **Castle Minerals Limited** which has ~**10,000km<sup>2</sup>** of licences adjacent to Azumah.

During the reporting period, Azumah:

#### EXPLORATION:

- ▶ **Completed** 93-hole, 5,885m multi-target, aircore and RC drilling campaigns at high-priority targets;
- ▶ **Delivered** four discoveries proximal to main ore deposits and proposed mining infrastructure;
- ▶ **Intersected** 12m at 5.28g/t Au from 49m, 7m at 5.14g/t Au from surface, 9m at 3.64g/t Au from 55m and 8m at 2.53g/t Au from 70m in extension and infill drilling at the evolving Manwe discovery. This work also confirmed strike continuity over 200m and excellent depth upside;
- ▶ **Discovered** primary mineralisation over a strike of at least 200m at Manwe South and returned intercepts of 2m at 22.99g/t Au from 44m, 4m at 2.14g/t Au from 16m and 9m at 2.01g/t Au from 22m;
- ▶ **Confirmed** existing prospect **Josephine** as a consistently mineralised system over a strike of 400m and to a vertical depth of 130m where it remains open. All 19 holes intersected mineralisation with best intercepts including 10m at 7.43g/t Au from 97m (incl. 2m at 28.95g/t Au), 5m at 3.46g/t Au from 89m, 13m at 2.43g/t Au from 74m, 12m at 1.66g/t Au from 149m, 1m at 12.70g/t Au from 92m and 18m at 1.05g/t Au from 49m;
- ▶ **Tested** for and confirmed primary mineralisation at **Madam's Farm**, a 1km line of artisanal workings with better intercepts including 2m at 3.29g/t Au from 32m and 4m at 2.20g/t Au from 34m;
- ▶ **Identified** new targets at recently acquired Julie West licence and obtained 3m at 9.78g/t Au from 12m in first-pass drilling at **Georgie** geochemical target;
- ▶ **Drill tested** but obtained mediocre results from a low-order Yagha North geochemical anomaly and a high-risk Bepkong IP geophysics anomaly; and
- ▶ **Continued** project-wide auger-based geochemical sampling programmes to identify, confirm or extend new targets.

#### PROJECT DEVELOPMENT:

- ▶ **Increased** Mineral Resources by 69,000oz grading 4.4g/t Au to 2.1Moz through JORC 2012 update of Julie West and Danyawu prospects;

## AZUMAH RESOURCES LIMITED

31 DECEMBER 2016

### DIRECTORS' REPORT (continued)

- ▶ **Commenced** update of water monitoring and community profiling information in accordance with EPA licencing process requirements following successful public forums with stakeholders expressing strong endorsement for project;
- ▶ **Reviewed** production scheduling and plant throughput optimisation to enhance cash flows; and
- ▶ **Progressed** Project funding and development joint venture discussions with several interested parties.

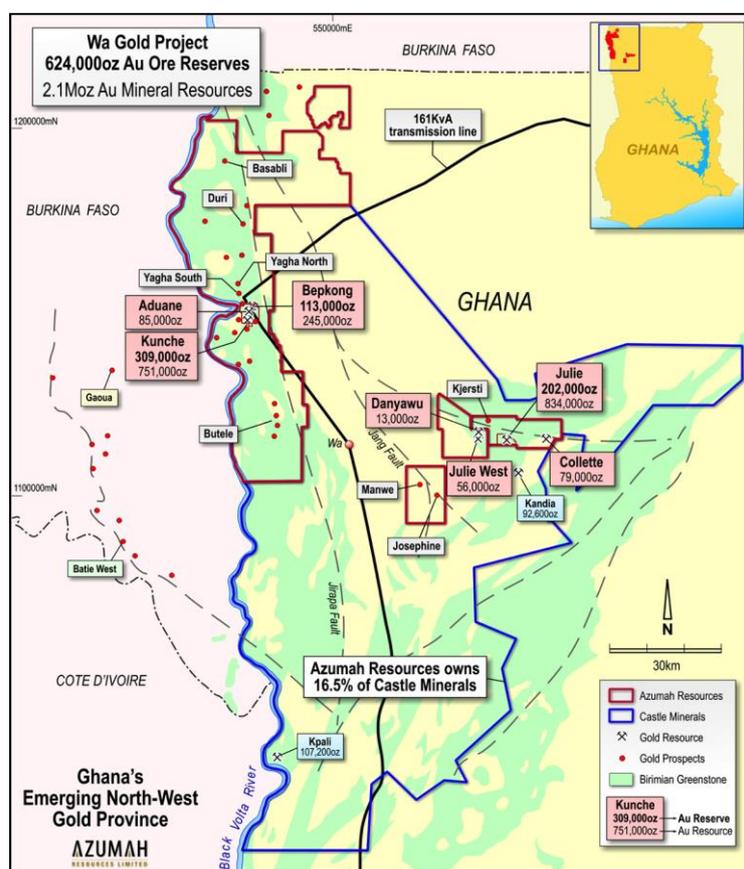
#### CORPORATE:

- ▶ **Increased** working capital by \$4.65M (before costs) through a heavily oversubscribed Share Purchase Plan (completed subsequent to end of previous reporting period) that raised \$3.15M and Share Placements that raised an additional \$1.5M;
- ▶ **Redeemed** \$2M Converting Note provided by Ausdrill Limited through payment of \$1M cash and issue of 22.72M shares at \$0.044 each; and
- ▶ **Loaned** Castle Minerals Limited (16.5% interest) \$250,000, repayable in one year or earlier upon receipts of funds from other sources or in lieu of Azumah's commitment to pay same amount upon assignment of Julie West prospecting licence.

#### SUBSEQUENT TO THE END OF THE REPORTING PERIOD:

- ▶ **Received** from Castle Minerals full repayment with interest of the \$250,000 Azumah loan (final payment was received on 9<sup>th</sup> January 2017).

#### *Wa Gold Project – Licences, Key Deposits and Prospects (Refer also to Tables 1 and 2)*

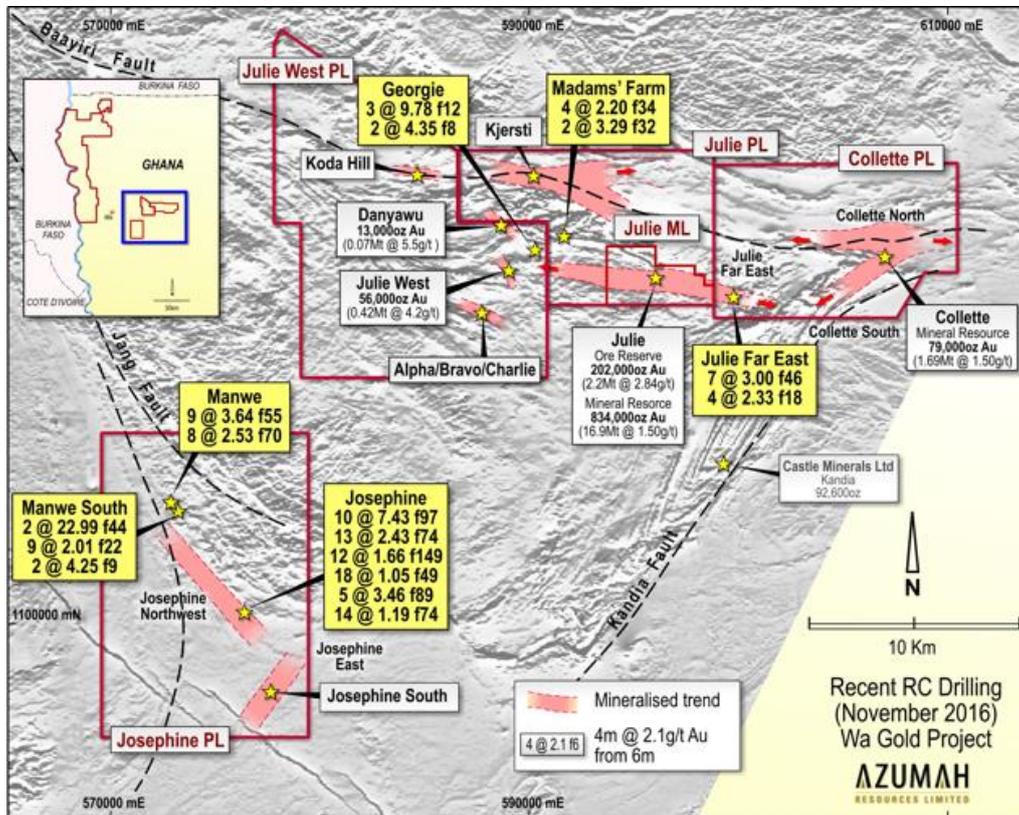


**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**DIRECTORS' REPORT (continued)**

*Wa East Licences: Summary of Best RC Drilling Intercepts from Josephine, Manwe, Manwe South, Julie Far East, Kjersti, Madam's Farm and Georgie (refer to Tables 1 and 2)*



**Table 1: Ore Reserve Summary**

Ore Reserves Summary							
(As at August 2015)	Proved		Probable		Total		Gold To Mill Oz Au
	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	
Kunche	4.91	1.92	0.05	3.11	4.97	1.94	309,000
Bepkong	1.79	1.84	0.11	1.97	1.90	1.85	113,000
Julie	0.29	2.45	1.93	2.89	2.21	2.84	202,000
<b>Total</b>	<b>7.00</b>	<b>1.92</b>	<b>2.09</b>	<b>2.85</b>	<b>9.08</b>	<b>2.14</b>	<b>624,000</b>

Values have been rounded. NB: The Ore Reserve excludes 28,000oz inferred gold deemed 'Mining Inventory'

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## DIRECTORS' REPORT (continued)

**Table 2: Mineral Resource Estimate**

Deposit	Measured			Indicated			Inferred			Total		
	Tonnes (M)	Grade g/t Au	Gold oz	Tonnes (M)	Grade g/t Au	Gold oz	Tonnes (M)	Grade g/t Au	Gold oz	Tonnes (M)	Grade g/t Au	Gold oz
Kunche	8.42	1.7	468,000	2.24	1.4	99,000	4.86	1.2	183,000	15.52	1.5	751,000
Bepkong	2.22	1.8	128,000	1.70	1.3	73,000	1.17	1.2	44,000	5.09	1.5	245,000
Aduane							1.77	1.5	85,000	1.77	1.5	85,000
Julie	0.89	1.4	41,000	10.06	1.6	507,000	5.98	1.5	286,000	16.93	1.5	834,000
Julie West				0.38	4.2	52,000	0.03	4.0	4,000	0.41	4.2	56,000
Danyawu				0.07	5.5	13,000				0.07	5.5	13,000
Collette							1.69	1.5	79,000	1.69	1.5	79,000
<b>Total</b>	<b>11.52</b>	<b>1.7</b>	<b>637,000</b>	<b>14.45</b>	<b>1.6</b>	<b>744,000</b>	<b>15.50</b>	<b>1.4</b>	<b>681,000</b>	<b>41.49</b>	<b>1.5</b>	<b>2,063,000</b>

*Note: Values have been rounded. A lower cut-off of 0.5g/t Au was used for Kunche, Bepkong, Aduane, Julie and Collette, and a lower cut-off of 1.0g/t Au was used for Julie West and Danyawu*

### Competent Persons' Statement

The scientific and technical information in this report that relates to the geology of the deposits and exploration results is based on information compiled by **Mr Stephen Stone**, who is a full-time employee (Managing Director) of Azumah Resources Ltd. Mr Stone is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stone is the Qualified Person overseeing Azumah's exploration projects and has reviewed and approved the disclosure of all scientific or technical information contained in this announcement that relates to the geology of the deposits and exploration results.

Statements of Competent Persons for the various Mineral Resource Estimates, Ore Reserve Estimates and Process Metallurgy can all be found on the Company's website at [http://www.azumahresource.com.au/projects-competent\\_persons.php](http://www.azumahresource.com.au/projects-competent_persons.php)

### Forward-Looking Statement

All statements other than statements of historical fact included on this website including, without limitation, statements regarding future plans and objectives of Azumah, are forward-looking statements. Forward-looking statements can be identified by words such as 'anticipate', 'believe', 'could', 'estimate', 'expect', 'future', 'intend', 'may', 'opportunity', 'plan', 'potential', 'project', 'seek', 'will' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Azumah that could cause Azumah's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained on this website will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Azumah does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained on this website, except where required by applicable law and stock exchange listing requirements.

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**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* is set out on page 9.

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

A handwritten signature in black ink, appearing to read 'S. Stone', with a horizontal line extending to the right.

**Stephen Stone**  
Managing Director  
Perth, 3 March 2017

## DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AZUMAH RESOURCES LIMITED

As lead auditor for the review of Azumah Resources Limited for the half-year ended 31 December 2016, 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 Azumah Resources Limited and the entities it controlled during the period.



Phillip Murdoch  
Director

BDO Audit (WA) Pty Ltd  
Perth, 3 March 2017

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Half-year	
	2016	2015
	\$	\$
<b>REVENUE AND OTHER INCOME</b>		
Revenue	25,857	18,839
Other income	40,404	-
<b>EXPENDITURE</b>		
Depreciation expense	(45,094)	(119,245)
Salaries and employee benefits expense	(221,176)	(217,117)
Exploration expenditure	(1,656,986)	(823,776)
Impairment of receivables	(90,508)	(24,228)
Impairment of financial assets	-	(77,189)
Administration expenses	(243,087)	(373,825)
Finance costs	(40,537)	(278,092)
Share-based payments income/(expense)	45,567	(65,553)
Share of net loss of associate accounted for using the equity method	(9,056)	-
	<b>(2,194,616)</b>	(1,960,186)
<b>LOSS BEFORE INCOME TAX</b>		
Income tax benefit/(expense)	-	-
	<b>(2,194,616)</b>	(1,960,186)
<b>LOSS FOR THE HALF-YEAR AFTER TAX</b>		
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net (loss) on revaluation of financial assets	-	(57,874)
Impairment of financial assets included in loss for the period	-	77,189
Exchange differences on translation of foreign operations	42,805	217,783
Share of associate's exchange differences on translation of foreign operations	262	-
Other comprehensive income for the period, net of tax	43,067	237,098
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED</b>	<b>(2,151,549)</b>	(1,723,088)
Basic and diluted loss per share (cents)	<b>(0.4)</b>	(0.5)

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

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	31 December 2016 \$	30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		827,175	1,031,143
Trade and other receivables		209,545	136,730
Other current receivables		1,020,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>2,056,720</b>	<b>1,167,873</b>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method	3	120,100	128,894
Property, plant and equipment		1,802,258	1,775,482
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,922,358</b>	<b>1,904,376</b>
<b>TOTAL ASSETS</b>		<b>3,979,078</b>	<b>3,072,249</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		687,443	385,685
Borrowings	4	-	2,222,013
<b>TOTAL CURRENT LIABILITIES</b>		<b>687,443</b>	<b>2,607,698</b>
<b>TOTAL LIABILITIES</b>		<b>687,443</b>	<b>2,607,698</b>
<b>NET ASSETS</b>		<b>3,291,635</b>	<b>464,551</b>
<b>EQUITY</b>			
Contributed equity		103,361,606	98,337,406
Reserves		5,764,468	5,766,968
Accumulated losses		(105,834,439)	(103,639,823)
<b>TOTAL EQUITY</b>		<b>3,291,635</b>	<b>464,551</b>

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

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Contributed Equity	Share-Based Payments Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2015</b>	96,142,775	4,268,528	(19,315)	1,227,603	(99,584,983)	2,034,608
Loss for the period	-	-	-	-	(1,960,186)	(1,960,186)
OTHER COMPREHENSIVE INCOME						
Net loss on revaluation of financial assets	-	-	(57,874)	-	-	(57,874)
Impairment of financial assets included in loss for the period	-	-	77,189	-	-	77,189
Exchange differences on translation of foreign operations	-	-	-	217,783	-	217,783
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	-	-	19,315	217,783	(1,960,186)	(1,723,088)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	990,420	-	-	-	-	990,420
Share issue transaction costs	(26,800)	-	-	-	-	(26,800)
Share-based payments expense	-	65,553	-	-	-	65,553
<b>BALANCE AT 31 DECEMBER 2015</b>	<b>97,106,395</b>	<b>4,334,081</b>	<b>-</b>	<b>1,445,386</b>	<b>(101,545,169)</b>	<b>1,340,693</b>
<b>BALANCE AT 1 JULY 2016</b>	<b>98,337,406</b>	<b>4,358,111</b>	<b>-</b>	<b>1,408,857</b>	<b>(103,639,823)</b>	<b>464,551</b>
Loss for the period	-	-	-	-	(2,194,616)	(2,194,616)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	-	-	-	43,067	-	43,067
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	-	-	-	<b>43,067</b>	<b>(2,194,616)</b>	<b>(2,151,549)</b>
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	<b>5,228,503</b>	-	-	-	-	<b>5,228,503</b>
Share issue transaction costs	<b>(204,303)</b>	-	-	-	-	<b>(204,303)</b>
Share-based payments expense	-	<b>(45,567)</b>	-	-	-	<b>(45,567)</b>
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>103,361,606</b>	<b>4,312,544</b>	<b>-</b>	<b>1,451,924</b>	<b>(105,834,439)</b>	<b>3,291,635</b>

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

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Half-year	
	2016	2015
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on exploration interests	(1,418,122)	(801,677)
Payments to suppliers and employees	(504,805)	(518,706)
Interest received	9,131	21,720
Interest paid	(40,328)	-
Proceeds from release of security bond	-	40,000
<b>Net cash (outflow) from operating activities</b>	<b>(1,954,124)</b>	<b>(1,258,663)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchases of available-for-sale financial assets	-	(486)
Payments for term deposits	(1,020,000)	-
Payments for property, plant and equipment	(19,348)	-
Loan to associate	(250,000)	-
Repayment of loan by associate	196,856	-
<b>Net cash (outflow) from investing activities</b>	<b>(1,092,492)</b>	<b>(486)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issues of ordinary shares (net of costs)	3,842,382	883,200
Repayment of borrowings	(1,000,000)	-
<b>Net cash inflow from financing activities</b>	<b>2,842,382</b>	<b>883,200</b>
Net (decrease) in cash and cash equivalents	(204,234)	(375,949)
Cash and cash equivalents at the beginning of the half-year	1,031,143	2,198,304
Effects of exchange rate changes on cash and cash equivalents	266	601
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>827,175</b>	<b>1,822,956</b>

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

## AZUMAH RESOURCES LIMITED

31 DECEMBER 2016

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

This consolidated interim financial report for the half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated 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 2016 and any public announcements made by Azumah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### New and amended standards adopted by the Group

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the interim reporting period.

#### Impact of standards issued but not yet applied by the Group

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

#### NOTE 2: SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Ghana, West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit or loss and cash flows and is measured in accordance with the Group's accounting policies.

	Half-year	
	2016	2015
Exploration Segment	\$	\$
Segment revenue	-	-
Reconciliation of segment revenue to total revenue before tax:		
Interest revenue	25,857	18,839
Gain on modification of converting notes	40,404	-
<b>Total revenue and other income</b>	<b>66,261</b>	<b>18,839</b>

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 2: SEGMENT INFORMATION (continued)**

	<b>Half-year</b>	
<b>Segment results</b>	<b>(1,603,873)</b>	<b>(845,202)</b>
<b>Reconciliation of segment result to net loss before tax:</b>		
Depreciation	(5,276)	(11,740)
Finance costs	(40,537)	(278,092)
Impairment of financial assets	-	(77,189)
Share of net loss of associate	(9,056)	-
Other corporate and administration	(535,874)	(747,963)
<b>Net loss before tax</b>	<b>(2,194,616)</b>	<b>(1,960,186)</b>
	<b>31 December</b>	<b>30 June 2016</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Segment operating assets</b>	<b>1,900,543</b>	<b>1,820,823</b>
<b>Reconciliation of segment operating assets to total assets:</b>		
Other corporate and administration assets	2,078,535	1,251,426
<b>Total assets</b>	<b>3,979,078</b>	<b>3,072,249</b>
Total assets includes additions to property, plant and equipment:		
Exploration segment	4,410	-
Other corporate and administration	14,938	3,126
	<b>19,348</b>	<b>3,126</b>
<b>Segment operating liabilities</b>	<b>599,543</b>	<b>257,372</b>
<b>Reconciliation of segment operating liabilities to total liabilities:</b>		
Other corporate and administration liabilities	87,900	2,350,326
<b>Total liabilities</b>	<b>687,443</b>	<b>2,607,698</b>

**NOTE 3: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The carrying amount of equity-accounted investments has changed as follows in the half-year to 31 December 2016:

	<b>Half-year</b>
	<b>2016</b>
	<b>\$</b>
Beginning of the period	<b>128,894</b>
Share of associate's other comprehensive income for the period	<b>(8,794)</b>
End of the period	<b>120,100</b>

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 4: BORROWINGS**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Convertible notes	-	2,222,013

The parent issued 2,000,000 8% convertible notes for \$2,000,000 on 29 January 2014. Prior to extensions (see below), the notes were convertible into ordinary shares of the parent entity at any time prior to the expiry date (1 February 2016), at the option of the holder, at \$0.05 per share. Azumah had the option to repay the notes on expiry, and pay periodic interest, in cash or by the issue of ordinary shares. The issue price of shares required to settle interest payments was 90% of the 15-day volume weighted average price (VWAP) of Azumah's shares traded on ASX prior to the interest payment date. The issue price of shares at expiry upon Azumah's election to convert was the greater of (i) \$0.014, or (ii) 90% of the 30-day VWAP of Azumah's shares preceding the expiry date. Azumah also had the right to require conversion prior to expiry at \$0.05 per share if the 30-day VWAP of Azumah's shares exceeded \$0.075.

During the 2016 financial year, the expiry date was extended, firstly to 1 May 2016, and finally to 1 August 2016, at which time the converting notes were redeemed through the payment of \$1 million cash and the issue of 22,727,273 ordinary shares at \$0.044 per share. Accrued interest due at redemption was paid in cash. All other terms remained the same. The effect of these modifications resulted in a gain of \$77,880 to the Group, recognised in other income during the 2016 financial year, a gain of \$40,404 to the Group on settlement, recognised in other income during the current reporting period, and a reduction in the effective interest rate from 27% to 22%.

	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Face value of notes issued	-	2,000,000
Other equity securities – value of conversion rights	-	(560,000)
	-	1,440,000
Fair value adjustment <sup>(1)</sup>	-	394,944
Interest paid	-	387,069
	-	2,222,013

(1) Interest expense is calculated by applying the effective interest rate of 22% to the liability component. The effective interest rate is the rate that exactly discounts estimated future cash payments (in this case \$2,222,222) through the expected life of the financial instrument (in this case 2.5 years) to the net carrying amount of the financial liability (in this case \$1,440,000).

The initial fair value of the liability portion of the notes was determined as the proceeds less the value of the conversion rights. The liability is subsequently recognised at fair value until extinguished on conversion or maturity of the notes, with the fair value at maturity estimated to be \$2,222,222 being the face value plus the premium to recognise conversion at 90% of VWAP. The value of conversion rights is recognised in shareholders' equity, and not subsequently remeasured, and was calculated using the Black-Scholes European Option Pricing Model on the issue date.

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 5: CHANGES IN EQUITY SECURITIES ON ISSUE**

<b>Ordinary Share Capital</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
	<b>Shares</b>	<b>\$</b>	<b>Shares</b>	<b>\$</b>
<b>As at 1 July</b>	<b>464,727,332</b>	<b>97,777,406</b>	393,850,639	95,582,775
<b>Issued during the half-year</b>				
Issued on vesting of performance rights <sup>(1)</sup>	<b>2,700,000</b>	-	-	-
Issued as consideration for interest due on convertible notes	-	-	3,496,504	80,420
Issued on conversion of convertible notes	<b>22,727,273</b>	<b>1,181,818</b>	-	-
Transferred from other equity securities on conversion of convertible notes <sup>(2)</sup>	-	<b>560,000</b>	-	-
Issued for cash @ 2.3 cents per share	-	-	39,565,217	910,000
Issued via share purchase plan	<b>71,506,802</b>	<b>3,146,299</b>	-	-
Issued for cash @ 4.4 cents per share <sup>(3)</sup>	<b>20,904,550</b>	<b>900,386</b>	-	-
Less transaction costs	-	<b>(204,303)</b>	-	(26,800)
<b>As at 31 December</b>	<b>582,565,957</b>	<b>103,361,606</b>	436,912,360	96,546,395

- (1) These performance rights vested on 30 June 2016 and \$67,500 was included in contributed equity at that date. The shares were issued on 1 July 2016.
- (2) The value of the conversion rights recorded upon initial recognition of the convertible notes has been transferred to ordinary share capital at the time of their redemption.
- (3) \$19,400 was received prior to 30 June 2016 in relation to shares issued on 1 July 2016.

**Performance Rights**

	<b>Number of performance rights</b>	
	<b>2016</b>	<b>2015</b>
<b>As at 1 July</b>	<b>5,875,000</b>	4,075,000
Performance rights issued, expiring 30 June 2016	-	3,450,000
Performance rights (expired)/issued, expiring 30 December 2016	<b>(5,875,000)</b>	9,750,000
Performance rights expired/cancelled, expiring 30 November 2015	-	(75,000)
<b>As at 31 December</b>	-	<b>17,200,000</b>

During the 2015 half-year, 3,450,000 performance rights expiring on 30 June 2016 were issued to employees. These rights vest on the expiry date upon continuation of employment. The fair value of 2.5 cents per right was calculated by reference to the closing share price on the date of grant. 2,700,000 employee rights vested on 30 June 2016, with the shares issued on 1 July 2016. The balance of 750,000 employee rights expired unvested on 30 June 2016.

## **AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

#### **NOTE 5: CHANGES IN EQUITY SECURITIES ON ISSUE (continued)**

Also during the 2015 half-year, 1,500,000 performance rights expiring on 30 December 2016 were issued to a contractor and 8,250,000 performance rights expiring on 30 December 2016 were issued to Directors after approval at the 2015 annual general meeting. 3,875,000 of these rights were to vest on the completion of a material transaction or the introduction of a joint venture partner for the Wa Project ("Condition A"). 2,000,000 of these rights were to vest on a greater than 20% increase in JORC resource and/or reserves ("Condition B"). The weighted average fair value of 2.9 cents per right was calculated by reference to the closing share price on the dates of grant. The performance rights subject to Conditions A and B expired unvested on 30 December 2016. The previously recognised expense of \$45,567 in relation to these rights was written-back to the profit or loss during the current reporting period.

The remaining 3,875,000 rights had a market-related performance vesting condition, being the obtainment of a 20-day volume weighted average price (VWAP) of the Company's shares of 5 cents. The market-related performance condition was satisfied during the 2016 financial year, with shares issued upon vesting of the performance rights on 27 May 2016.

#### **NOTE 6: CONTINGENCIES**

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

#### **NOTE 7: DIVIDENDS**

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

#### **NOTE 8: COMMITMENTS**

There have been no significant changes to commitments since the last annual reporting date.

## **AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

#### **NOTE 9: RELATED PARTY TRANSACTIONS**

During the half-year the Group provided short-term funding by way of a loan facility of \$250,000 to the Group's associate, Castle Minerals Limited ("Castle"). The key terms and conditions of the loan are as follows:

- The loan is unsecured.
- Interest is charged at the rate of 8% per annum.
- The loan is to be repaid on the earlier of:
  - a) The date Castle receives any funding relating to the sale of equity;
  - b) The date on which Castle receives the proceeds from the sale of any of its assets;
  - c) The date upon which the obligation of the Group, pursuant to the assignment of the Julie West Agreement, becomes due and payable: and
  - d) 30 September 2017.

An amount of \$196,856 was repaid during the half-year, with the balance outstanding at the reporting date being \$55,694. This balance, plus the accrued interest, was repaid during January 2017.

#### **NOTE 10: EVENTS AFTER REPORTING DATE**

No matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2016**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 10 to 19 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Azumah Resources 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.



**Stephen Stone**  
Managing Director  
Perth, 3 March 2017

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azumah Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azumah Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 ended on that date, notes comprising a statement of 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's 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 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Azumah Resources 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 Azumah Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review 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 Azumah Resources Limited is not in accordance with the Corporations Act 2001 including:

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

Yours faithfully,

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch  
Director

Perth, 3 March 2017