

AZUMAH RESOURCES LIMITED

ABN 72 112 320 251

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2018

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 2018 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 2018

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AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

DIRECTORS' REPORT

Your directors are pleased to present their report on Azumah Resources Limited for the half-year ended 31 December 2018.

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

Ms Debra Bakker (appointed 18 July 2018)

Mr Linton Putland (appointed 18 July 2018)

Mr Geoffrey Jones (resigned 18 July 2018)

REVIEW AND RESULTS OF OPERATIONS

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

	2018	
	Revenues	Results
	\$	\$
Results	20,213	(1,389,782)

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 Julie approximately 80km to the east.

Several satellite deposits including Aduane, Kunche Northwest, Yagha, Julie West, Danyawu, Alpha/Bravo, Josephine and Collette have also been discovered and delineated.

To date, the Company has estimated a JORC 2012 Mineral Resource of 2.5Moz of gold grading 1.6g/t Au, including 1.6Moz Measured and Indicated grading 1.8g/t Au. These are evenly distributed between the Kunche-Bepkong and Wa East (Julie deposit etc.) camps.

In January 2019, an Ore Reserve estimate of 1,028,000oz (18Mt at 1.77g/t Au) (JORC 2012) was reported. A 2015 Feasibility Study, and a 2016 capital costs update to that, is being updated with finalisation scheduled for Q3 2019.

Mineral Resources have been progressively grown through a focused, systematic approach to the exploration of the Company's 2,400km² licence holdings. These encompass large tracts of prospective Birimian terrain, the rocks that host the majority of West Africa's gold mines.

Much of the tenure is covered in soil, alluvium or laterite, so most discoveries have been 'blind'. Azumah anticipates Mineral Resources will substantially grow as it continues to generate new and test its extensive pipeline of existing targets.

Azumah's current exploration strategy is driven by its aim to materially increase its existing Ore Reserve base and demonstrate attractive Project economics. This will enhance funding capability and solidly underpin a development decision expected later in 2019.

Azumah has two 15-year Mining Leases over its principal deposits (Ghana government holds a 10% free carried interest in their 'rights and obligations' and is also entitled to a 5% gross gold royalty).

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DIRECTORS' REPORT (continued)

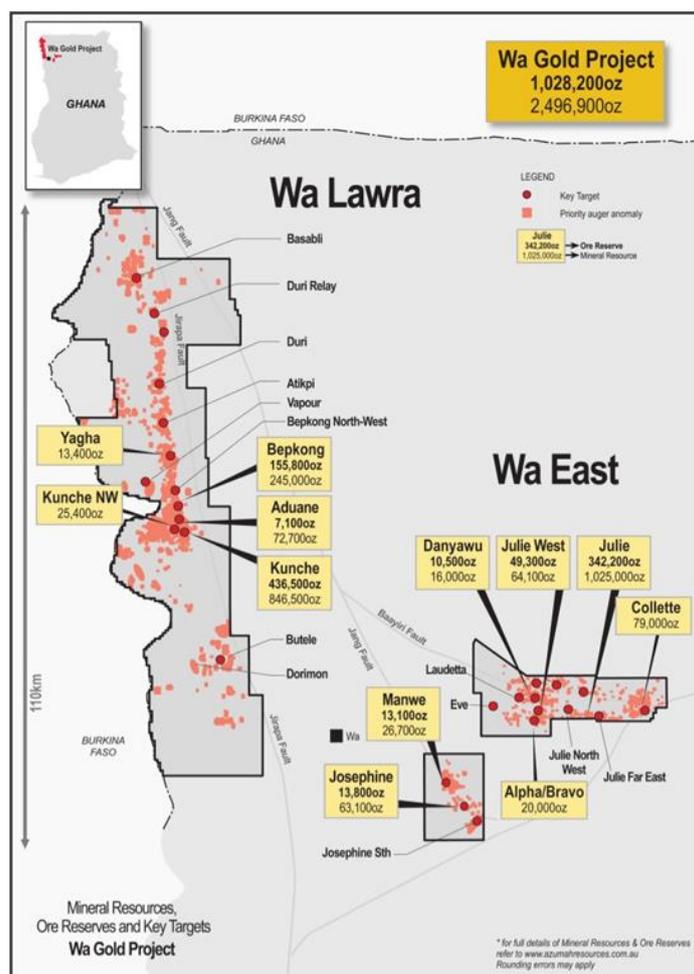
No technical, social or environmental impediments to development have been identified, no communities need to be relocated and rehoused, and there is strong support from key stakeholders for the Project.

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.

HIGHLIGHTS:

- ▶ Mineral Resources increased by 21% or 433,900oz to 2.5Moz (49.2Mt at 1.6g/t Au) (refer Table B);
- ▶ The discovery and subsequent confirmation of the new 'blind' high-grade Eastern Lode at the Bepkong deposit. This remains open to the north, south and importantly given the structurally controlled orogenic-style of mineralisation, most likely to a much greater depth;
- ▶ High-grade mineralisation was also extended 75m deeper to 200m below surface at the Kunche deposit; and
- ▶ 65% increase in Ore Reserve to 1,028,200oz (18Mt at 1.77g/t Au) announced in January 2019 (refer Table A), along with an update of the progress on the Feasibility Study for the Project, which is under the technical management of joint venture partner Ibaera Capital ("Ibaera").

Wa Gold Project Mineral Resources, Ore Reserves, key targets and prospects



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DIRECTORS' REPORT (continued)

Competent Persons' Statements

The information in this report that relates to Mineral Resources for the Julie, Kunche, Aduane, Kunche NW, Yagha, Julie West, Danyawu, Alpha/Bravo, Josephine and Manwe deposits is extracted from the Company's ASX announcement dated 28 September 2018 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed and that the form and context in which the Competent Person's findings are presented have not been materially altered.

The information in this report that relates to Mineral Resources for the Bepkong and Collette deposits is extracted from the Company's ASX announcement dated 2 September 2014 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed and that the form and context in which the Competent Person's findings are presented have not been materially altered.

The information in this report that relates to Ore Reserves is extracted from the Company's ASX announcement dated 30 January 2019 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement, that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed and that the form and context in which the Competent Person's findings are presented have not been materially altered.

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

Forward-Looking Statement

All statements other than statements of historical fact included in this document including, without limitation, statements regarding 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 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.

Table A: Ore Reserve summary – 30 January 2019

(As at January 2019)	Proved			Probable			Total		
	Tonnes (Mt)	Grade g/t Au	Gold oz	Tonnes (Mt)	Grade g/t Au	Gold Oz	Tonnes (Mt)	Grade g/t Au	Gold oz
Kunche	8.0	1.51	388,600	0.9	1.65	47,900	8.9	1.52	436,500
Bepkong	2.4	1.65	124,400	0.7	1.41	31,300	3.0	1.59	155,800
Aduane				0.2	1.11	7,100	0.2	1.11	7,100
Julie	1.2	2.11	83,600	3.6	2.24	258,600	4.8	2.21	342,200
Julie West				0.4	3.59	49,300	0.4	3.59	49,300
Danyawu				0.1	4.63	10,500	0.1	4.63	10,500
Josephine				0.3	1.29	13,800	0.3	1.29	13,800
Manwe				0.2	1.91	13,100	0.2	1.91	13,100
Total	11.6	1.60	596,700	6.4	2.09	431,500	18.0	1.77	1,028,200

Numbers have been rounded

AZUMAH RESOURCES LIMITED

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DIRECTORS' REPORT (continued)

Table B: Mineral Resource Estimate – JORC Code 2012 – updated 28 September 2018

Deposit	Cutoff Au g/t	Measured			Indicated			Measured + Indicated			Inferred			Grand Total		
		Tonnes (Kt)	Au g/t	Ounces	Tonnes (Kt)	Au g/t	Ounces	Tonnes (Kt)	Au g/t	Ounces	Tonnes (Kt)	Au g/t	Ounces	Tonnes (Kt)	Au g/t	Ounces
Wa-Lawra:																
Kunche	0.5	8,835	1.6	446,000	3,404	1.3	145,000	12,239	1.5	591,000	7,616	1.0	255,700	19,855	1.3	846,500
Bepkong**	0.5	2,220	1.8	128,000	1,700	1.3	73,000	3,920	1.6	201,000	1,170	1.2	44,000	5,090	1.5	245,000
Aduane	0.5				322	1.2	12,800	322	1.2	12,800	1,491	1.3	59,900	1,812	1.3	72,700
Kunche NW	0.5										694	1.1	25,400	694	1.1	25,400
Yagha	0.5										333	1.3	13,400	333	1.3	13,400
Wa East:																
Julie*	0.5	1,490	2.1	101,000	9,300	1.9	572,100	10,790	1.9	673,000	6,360	1.7	352,000	17,150	1.9	1,025,000
Collette**	0.5										1,690	1.5	79,000	1,690	1.5	79,000
Julie West	1.0				455	4.0	58,900	455	4.0	58,900	68	2.4	5,100	523	3.8	64,100
Danyawu	1.0				105	4.2	14,200	105	4.2	14,200	38	1.5	1,800	143	3.5	16,000
Alpha/Bravo	1.0										148	4.2	20,000	148	4.2	20,000
Josephine	1.0				709	1.5	34,500	709	1.5	34,500	580	1.5	28,600	1,290	1.5	63,100
Manwe	1.0				257	2.1	17,300	257	2.1	17,300	192	1.5	9,400	450	1.9	26,700
Total		12,545	1.7	675,000	16,252	1.8	927,800	28,797	1.8	1,602,700	20,380	1.4	894,300	49,178	1.6	2,496,900

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

*Julie resources completed by CSA 2018. **Bepkong and Collette resources from ASX announcement 2 September 2014.

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 7.

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



Stephen Stone
 Managing Director
 Perth, 15 March 2019

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 2018,

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.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2019

AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Note	Half-year	
		2018	2017
		\$	\$
REVENUE AND OTHER INCOME			
Revenue		20,213	11,284
Other income		-	337,817
Net gain on deconsolidation of subsidiaries	5(c)	-	4,391,357
EXPENDITURE			
Depreciation expense		(4,008)	(89,111)
Salaries and employee benefits expense		(343,297)	(448,222)
Exploration expenditure		(2,133)	(479,664)
Impairment of receivables	3	(111,847)	(382,146)
Administration expenses		(476,698)	(586,964)
Share-based payments expense	6(b)	(95,246)	(374,500)
Share of net losses of joint venture and associate accounted for using the equity method		(376,766)	(534,303)
		(1,389,782)	1,845,548
(LOSS)/PROFIT BEFORE INCOME TAX			
Income tax benefit/(expense)		-	-
		(1,389,782)	1,845,548
(LOSS)/PROFIT FOR THE HALF-YEAR AFTER TAX			
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		-	(60,957)
Share of associates' exchange differences on translation of foreign operations		13,496	(93,279)
<i>Items that have been reclassified to profit or loss</i>			
Exchange differences realised on deconsolidation of foreign operations		-	(1,307,001)
Other comprehensive income for the period, net of tax		13,496	(1,461,237)
		(1,376,286)	384,311
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED			
Basic and diluted (loss)/earnings per share (cents)		(0.2)	0.3

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

AZUMAH RESOURCES LIMITED**31 DECEMBER 2018****STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		1,436,011	2,323,713
Trade and other receivables		174,127	191,914
TOTAL CURRENT ASSETS		1,610,138	2,515,627
NON-CURRENT ASSETS			
Investments accounted for using the equity method	4	-	363,270
Property, plant and equipment		5,492	9,499
TOTAL NON-CURRENT ASSETS		5,492	372,769
TOTAL ASSETS		1,615,630	2,888,396
CURRENT LIABILITIES			
Trade and other payables		165,835	157,561
TOTAL CURRENT LIABILITIES		165,835	157,561
TOTAL LIABILITIES		165,835	157,561
NET ASSETS		1,449,795	2,730,835
EQUITY			
Contributed equity	6	107,284,327	107,284,327
Reserves		4,785,746	4,677,004
Accumulated losses		(110,620,278)	(109,230,496)
TOTAL EQUITY		1,449,795	2,730,835

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

AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Contributed Equity	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2017	103,361,606	4,312,544	1,364,676	(107,133,706)	1,905,120
Profit for the period	-	-	-	1,845,548	1,845,548
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(60,957)	-	(60,957)
Share of joint venture's and associate's exchange differences on translation of foreign operations	-	-	(93,279)	-	(93,279)
Exchange differences realised on deconsolidation of foreign operations	-	-	(1,307,001)	-	(1,307,001)
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	(1,461,237)	1,845,548	384,311
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	2,330,264	-	-	-	2,330,264
Share issue transaction costs	(183,520)	-	-	-	(183,520)
Share-based payments expense	-	374,500	-	-	374,500
BALANCE AT 31 DECEMBER 2017	105,508,350	4,687,044	(96,561)	(105,288,158)	4,810,675
BALANCE AT 1 JULY 2018	107,284,327	4,690,500	(13,496)	(109,230,496)	2,730,835
Loss for the period	-	-	-	(1,389,782)	(1,389,782)
OTHER COMPREHENSIVE INCOME					
Share of joint venture's and associate's exchange differences on translation of foreign operations	-	-	13,496	-	13,496
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	13,496	(1,389,782)	(1,376,286)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Share-based payments expense	-	95,246	-	-	95,246
BALANCE AT 31 DECEMBER 2018	107,284,327	4,785,746	-	(110,620,278)	1,449,795

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

AZUMAH RESOURCES LIMITED**31 DECEMBER 2018****STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Half-year	
	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on exploration interests	(5,251)	(461,460)
Payments to suppliers and employees	(794,122)	(1,006,409)
Interest received	23,518	9,177
Net cash (outflow) from operating activities	(775,855)	(1,458,692)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash disposed on deconsolidation of subsidiaries	-	(10,556)
Payments for property, plant and equipment	-	(7,214)
Loans to joint venture and associate	(111,847)	(313,813)
Net cash (outflow) from investing activities	(111,847)	(331,583)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares (net of costs)	-	2,146,744
Net cash inflow from financing activities	-	2,146,744
Net (decrease)/increase in cash and cash equivalents	(887,702)	356,469
Cash and cash equivalents at the beginning of the half-year	2,323,713	750,912
Effects of exchange rate changes on cash and cash equivalents	-	28
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	1,436,011	1,107,409

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

AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS

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

This interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2018 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 unless otherwise stated.

Going concern

For the half-year ended 31 December 2018 the Company recorded a net loss of \$1,389,782 (2017: \$1,845,548 profit) and had net cash outflows from operating activities of \$775,855 (2017: \$1,458,692).

The Company will however be required to raise additional funding to continue to support the exploration programs of its joint venture entity as budgeted and for ongoing working capital requirements.

The ability of the entity to continue as a going concern is dependent on securing additional funding through raising of debt or equity.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have reviewed the Company's financial position and are of the opinion that there are sufficient funds to meet the entity's working capital requirements as at the date of this report.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company currently has sufficient cash resources to fund its requirements; and
- The Directors expect the Company to be successful in securing additional funds through debt or equity issues, when and if required.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

The Directors are satisfied that the going concern basis of preparation is appropriate.

New and amended standards adopted by the Company

In the half-year ended 31 December 2018, the Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 9 *Financial Instruments and related amending Standards*;
- AASB 15 *Revenue from Contracts with Customers and related amending Standards*; and
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*.

AASB 9 Financial Instruments and related amending Standards

In the current year, the Company has applied AASB 9 *Financial Instruments* (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard.

Additionally, the Company adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures*.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Company has applied AASB 15 *Revenue from Contracts with Customers* (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

Impact of standards issued but not yet applied by the Company

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. 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 Company accounting policies.

NOTE 2: SEGMENT INFORMATION

For management purposes, the Company 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 Company's mineral assets in this geographic location.

Segment performance matches the Company's financial statements.

AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: PROFIT AND LOSS INFORMATION

	Half-year	
	2018	2017
	\$	\$
Profit/(loss) for the half-year before income tax includes the following specific expenses:		
<i>Impairment of receivables</i>		
Impairment of trade and other receivables of a subsidiary prior to deconsolidation	-	2,013
Impairment of loan to joint venture (refer note 10)	111,847	380,133
Total impairment expense	111,847	382,146

NOTE 4: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of equity-accounted investments has changed as follows:

	31 December 2018	30 June 2018
	\$	\$
Beginning of the period	363,270	126,931
Addition of investment in Azumah Resources GH Ltd (note 5)	-	3,918,300
Share of joint venture's and associate's other comprehensive income for the period	(363,270)	(3,681,961)
End of the period	-	363,270

AZUMAH RESOURCES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5: DECONSOLIDATION OF SUBSIDIARIES (Prior Period)

(a) Description

On 1 September 2017 the Company executed an Earn-In and Shareholders Agreement (**EISA**) with private equity group Ibaera Capital GP Limited (**Ibaera**), whereby Ibaera can earn in two stages over two years up to a 47.5% direct interest in the Company's Wa Gold Project for an expenditure of US\$13.5 million. An Amended EISA dated 30 October 2017 was subsequently executed, under which the Commencement Date was 3 November 2017.

The EISA provides for Azumah to retain a 57.5% ownership interest and Ibaera the ability to obtain a 42.5% ownership interest in ARG by spending US\$11.25 million (**Initial Earn-In Funding**) (or the completion of a feasibility study). Up to an additional 5% ownership interest may be obtained (in defined circumstances) by Ibaera spending a further US\$2.25 million. From the commencement date Ibaera have been issued Series A Redeemable Convertible Preference Shares (**RCPS**) in ARG that will convert to ordinary shares in ARG upon satisfaction of the Initial Earn-In Funding. The RCPS have participative and voting rights in the proportion that the contributed funding bears to the Initial Earn-In Funding. At 31 December 2018 this equated to a 24.4% interest in ARG (30 June 2018: 13.3%).

The contractual rights contained in the EISA include the appointment of two members to ARG's board of directors by Ibaera (Azumah have two appointees also, including the chairman who has a casting vote except in those instances designated as requiring a unanimous vote over the relevant activities of ARG), and unanimous voting requirements over the relevant activities of ARG. These rights have created a situation whereby Azumah and Ibaera, from the Commencement Date, have joint control of ARG, thereby creating a joint venture. Hence, from the Commencement Date, Azumah has deconsolidated its former subsidiary ARG, and the two other entities within the ARG consolidated group.

Azumah's continuing investment in the joint venture will be treated as an investment accounted for using the equity method. The fair value upon initial recognition of this investment has been determined as the amount of the Initial Earn-In Funding that Ibaera is committed to spend prior to having the option of voluntarily withdrawing from the EISA. This amount is US\$3 million. Subsequently, Azumah will recognise its share of the joint venture's profit or loss and other comprehensive income in accordance with the Company's existing accounting policies.

Contemporaneously with the execution of the EISA, Azumah also entered a Loan Assignment Deed with Ibaera whereby 42.5% of the benefits of Azumah's loan to ARG have been assigned to Ibaera for consideration of US\$1. The loan is USD denominated, unsecured, interest free (until the commencement of project development), with repayment set for 31 October 2027. The loan balance on the Commencement Date was US\$63,433,908 (A\$81,178,674), with that amount fully impaired by Azumah as at that date. If the EISA is terminated or Ibaera withdraw, the benefit of the loan assignment is transferred back to Azumah for US\$1.

The fair value of Azumah's financial liability to Ibaera upon initial recognition of the loan assignment has been determined as the US\$1 that Azumah is contractually obligated to deliver if the EISA is terminated or Ibaera withdraw.

Total increase in the loan advances from Ibaera into ARG from the inception of the earn-in to 31 December 2018 amounted to \$6,020,392 (US\$4,605,837).

Until such time that ARG has the financial resources to repay the loan (i.e. when it goes into production) any future advances from Ibaera into ARG (which creates a loan receivable by Azumah from ARG) and the corresponding Azumah financial liability to Ibaera, will have a fair value of nil.

AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5: DECONSOLIDATION OF SUBSIDIARIES (Prior Period) (continued)

(b) Critical accounting estimates and judgements

Accounting for this transaction has required management to exercise a high degree of judgement over the following areas:

Classification of joint control

From the Commencement Date of the EISA, Azumah and Ibaera have two appointee's each on the board of directors of ARG. The EISA also stipulates decisions of ARG's board that require unanimous approval, which the Company has determined creates substantive rights over the relevant activities of ARG. This has resulted in joint control over ARG, resulting in deconsolidation by Azumah of the ARG consolidated group, and the subsequent recognition of an investment in a joint venture.

Fair value on initial recognition of joint venture

The fair value on initial recognition of the Company's retained interest in ARG, which was 100% at date of disposal, has been determined using management's judgement on the contractual provisions of the EISA. Ibaera is committed to a minimum spend of US\$3 million, after which time it is possible for them to voluntarily withdraw from the EISA with no further obligation. This has been determined as being representative of the fair value of the Company's investment in ARG.

(c) Details of the gain on deconsolidation of subsidiaries

	Half-year	
	2018	2017
	\$	\$
Fair value of investment retained in AZG	-	3,918,300
Carrying amount of net assets disposed	-	(833,944)
Gain on deconsolidation before income tax and reclassification of foreign currency translation reserve	-	3,084,356
Reclassification of foreign currency translation reserve	-	1,307,001
Income tax	-	-
Net gain on deconsolidation of subsidiaries	-	4,391,357

The carrying amounts of assets and liabilities as at the date of deconsolidation (3 November 2017) were:

	3 November 2017
	\$
Cash	10,556
Other receivables	22,671
Property, plant and equipment	1,390,328
Total assets	1,423,555
Trade and other payables	(589,611)
Total liabilities	(589,611)
Net assets	833,944

AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 6: CHANGES IN EQUITY SECURITIES ON ISSUE

(a) Ordinary Share Capital

	2018 Shares	2018 \$	2017 Shares	2017 \$
As at 1 July	782,153,101	107,284,327	582,565,957	103,361,606
Issued during the half-year				
Issued for cash @ 2 cents per share	-	-	116,513,192	2,330,264
Less transaction costs	-	-	-	(183,520)
As at 31 December	782,153,101	107,284,327	699,079,149	105,508,350

(b) Options

	Number of options	
	2018	2017
As at 1 July	38,000,000	-
Issued, expiring 13 November 2021, exercisable at \$0.03	10,000,000	35,000,000
Issued, expiring 31 January 2021, exercisable at \$0.03	1,500,000	-
As at 31 December	49,500,000	35,000,000

During the 2018 half-year, 10,000,000 options with an exercise price of 3 cents and expiring on 13 November 2021 were issued to Directors after approval at the 2018 annual general meeting. These options vested on the date of issue and the full expense of \$94,000 has been recognised in the statement of profit or loss and other comprehensive income for the period ended 31 December 2018. The fair value of the options granted during the half-year was 0.9 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2018
Exercise price (cents)	3.0
Life of the options (years)	3.0
Underlying share price (cents)	2.2
Expected share price volatility	77.43%
Risk free interest rate	1.94%

Also, during the 2018 half-year, 1,500,000 options with an exercise price of 3 cents and expiring on 31 January 2021 were issued to a consultant. Options issued to the consultant related to services provided similar to that of an employee and were issued as a reward and incentive for past and future performance. On this basis the options were valued at the fair value of the equity instrument issued not the market value of services provided. These options will only vest if the 10-day volume weighted average price of Azumah's shares traded on ASX is greater than 6 cents. As vesting of the options is subject to a market condition the full expense of \$1,246 has been recognised in the statement of profit or loss and other comprehensive income for the period ended 31 December 2018. The fair value of the options granted during the half-year was 0.1 cents. The price was calculated by using a Trinomial Barrier Option Calculator applying the following inputs:

	2018
Exercise price (cents)	3.0
Barrier price (cents)	6.0
Life of the options (years)	2.4
Underlying share price (cents)	2.0
Expected share price volatility	35%
Risk free interest rate	2.05%

AZUMAH RESOURCES LIMITED

31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7: CONTINGENCIES

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

NOTE 8: DIVIDENDS

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

NOTE 9: COMMITMENTS

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

NOTE 10: RELATED PARTY TRANSACTIONS

Loan to Joint Venture Entity

Azumah Resources Limited has provided an unsecured, interest free (until the commencement of project development) loan to Azumah Resources GH Ltd. Refer to note 4, ARG was formerly a subsidiary of Azumah, but is now a joint venture that is accounted for using the equity method. The loan is denominated in USD and is not repayable until 31 October 2027. The balance of the loan at 31 December 2018 was \$94,758,162 (US\$68,039,745) and has been fully impaired by Azumah. The movement in the carrying value of the loan for the period from deconsolidation of subsidiaries to the reporting date is shown below:

	Half-year	
	2018	2017
	\$	\$
Opening value at deconsolidation of subsidiaries	-	-
Loans advanced	111,847	380,133
Impairment charge	(111,847)	(380,133)
Closing value	-	-

NOTE 11: EVENTS AFTER REPORTING DATE

No matter or circumstance has arisen since 31 December 2018, 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 2018

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 8 to 18 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 Company's financial position as at 31 December 2018 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, 15 March 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azumah Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Azumah Resources Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant 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 Company is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the company's financial position as at 31 December 2018 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 Company's ability to continue as a going concern and therefore the Company 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 Company's financial position as at 31 December 2018 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 the Company, 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 Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch

Director

Perth, 15 March 2019