

QUEENSLAND MINING CORPORATION LIMITED

A.B.N. 61 109 962 469

**HALF-YEARLY REPORT
31 DECEMBER 2016**



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DIRECTORS' REPORT

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the Group') consisting of Queensland Mining Corporation Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during the six month period ended 31 December 2016 (Reporting Period).

Current Directors

The names of directors who held office during or since the end of the half year:

Dr Lakshman Jayaweera
Mr Jun Qiu
Mr Eddy Wu
Mrs Joyce Wang (Alternate to Mr Jun Qiu)

Company Secretary

The name of company secretary who held office during or since the end of the half year:

Mr Pipvide Tang

Report of Operations

The Company's exploration strategy remains focused on the increase of leachable copper resources within the White Range project area. The activities undertaken during the current reporting period mainly include the completion of 13 RC holes for 1,446m in the Copper Canyon prospect in south Cloncurry. In addition, bedrock geochemical drilling of 313 shallow holes for 1,921m and some XRF based termite mound sampling were carried out to define drill targets in alluvium-covered areas of the prospect. The Copper Canyon prospect is located approximately 25km south of Cloncurry and falls within the northeastern part of MDL204 and extends into the southeast of EPM 15740.

1. Bedrock geochemical drill sampling

A bedrock RC program was completed at the Copper Canyon prospect in August 2016 with the aim of defining new areas of copper or molybdenum mineralisation under thin alluvial cover. The program straddled the boundary between MDL 204 and EPM 15740 and consisted of 313 shallow holes (between 4m and 17m) for a total of 1,921m. A termite mound sampling program was completed in conjunction with this, to provide consistent geochemical coverage over the whole of the prospect.

Several targets were identified, including a large copper anomaly in the southern end of the prospect and two smaller molybdenum anomalies in the northern end. These areas were tested with follow-up RC drilling in early October with initial encouraging results.

2. Termite mound sampling

Termite mound sampling was completed over the western margins of the Copper Canyon prospect where topography is too steep for RAB drilling and soil sampling was unlikely to be successful due to the amount of scree. The program consisted of 310 samples, spaced at 20m, with 100m line spacings. Samples were analysed in the field using a portable XRF device, allowing very rapid collection of the data in a cost efficient manner.

Results outlined several copper anomalies that correlate well with the bedrock drilling results. In addition, one molybdenum anomaly was also defined and again this correlated well with the bedrock drilling results. This anomaly was tested by two RC holes in the most recent drilling program with one hole reporting 15m @ 0.10% Mo from 28m in silicified and variably pyritic shale.

3. RC drilling October 2016

QMC completed a second RC drilling program at Copper Canyon in early October of 2016, consisting of 13 holes for a total of 1,446m. The program was designed to follow up intersections from earlier drilling, including the bedrock RC program completed in August 2016. The drilling has intersected additional high grade molybdenum mineralisation, with associated gold and silver, as well as zones of anomalous copper. The highlights from the assay results include:

- 8m @ 0.70% Mo, 1.59g/t Au, and 37ppm Ag, including 2m @ 2.16% Mo, 4.57g/t Au and 90g/t Ag from 69m in Hole CC16RC11
- 19m @ 0.30% Cu and 0.14g/t Au from 28m in Hole CC16RC12
- 2m @ 1.19% Cu from 91m in Hole CC16RC16
- 4m @ 0.70% Cu and 0.45g/t Au from 83m in Hole CC16RC17
- 15m @ 0.10% Mo from 48m in Hole CC16RC18
- 4m @ 0.27% Cu, 2.19g/t Au, and 873ppm Co from 61m in Hole CC16RC21

The second round of drilling at Copper Canyon North did not return the same quality of intersections as the first round. However, it has significantly increased our knowledge of the prospect. It has also indicated that the structural geology is quite complex and the controls on mineralisation are still poorly understood, leaving some scope for re-interpretation. Furthermore, the molybdenum intersected in hole CC16RC18 is a new zone that is still open along strike and down dip and additional drilling is warranted to outline this new mineralised zone. The Company's technical team will review the drill results during the west season and the outcome will assist in planning follow-up programs to realise the full potential of the Copper Canyon prospect.

4. Write-off of Mt Norma assets

The Company's Mt Norma assets consist of 1 EPM, 8 mining leases and one copper sulphate processing plant located approximately 30km southeast of Cloncurry. The assets were acquired from the former Cudoco in the middle of 2007 but have been kept under care and maintenance since August 2008. In order to focus on the development of the White Range project and reduce the holding costs, QMC has decided to dispose of the assets with a nominal consideration or surrender the EA by completing the required rehabilitation in the near future. As the result of this decision, an impairment and rehabilitation expense of \$6,564,397 was charged to the profit and loss in the period under review.

Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Guojian Xu, a Member of Australasian Institute of Mining and Metallurgy. Dr Xu is a consultant to Queensland Mining Corporation Limited through Redrock Exploration Services Pty Ltd. Dr Xu has sufficient experience deemed relevant to the style of mineralization 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 Results, Mineral Resources and Ore Reserves. Dr Xu consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The lead auditor's independence declaration under s307C of the Corporation Act 2001 is set out on page 4 of this report.

This report is signed in accordance with a resolution of the Board of Directors.



Eddy Wu
Director and CEO
Sydney, 6 March 2017

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF QUEENSLAND MINING CORPORATION LIMITED

As lead auditor for the review of Queensland Mining Corporation 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 Queensland Mining Corporation Limited and the entities it controlled during the period.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 6 March 2017

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

	Note	Consolidated	
		31.12.2016	31.12.2015
		\$	\$
Interest received		42,389	43,982
Other income		102,046	27,797
Profit on sale of mining tenements		-	20,846
Accountancy fees		-	(20,805)
Auditor's remuneration		(29,053)	(30,000)
Compliance fees		(22,682)	(2,974)
Depreciation expense		(46,792)	(51,557)
Exploration expense		(73,229)	(79,544)
Employee benefit expense		(236,585)	(248,189)
Impairment of assets	6	(6,564,397)	-
Insurance		(17,524)	(14,485)
Legal costs		(31,173)	(46,782)
Marketing & investor relations expense		(21,049)	(20,013)
Rental expense		(70,462)	(62,036)
Travel expense		(16,754)	(9,743)
Other expense		(7,879)	(13,902)
		<hr/>	<hr/>
Loss before income tax expense		(6,993,144)	(507,405)
Income tax expense		-	-
		<hr/>	<hr/>
Loss for the period after income tax expense		(6,993,144)	(507,405)
Other comprehensive income for the period		-	-
		<hr/>	<hr/>
Total comprehensive income for the period attributable to owners of Queensland Mining Corporation Limited		(6,993,144)	(507,405)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share from loss attributable to ordinary holders of the parent			
Basic and diluted EPS (cents)		(0.26)	(0.03)

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

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

	Note	Consolidated	
		31.12.2016	30.06.2016
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		4,323,302	964,656
Trade and other receivables		40,236	34,991
Total current assets		<u>4,363,538</u>	<u>999,647</u>
Non-current assets			
Mining licences	7	13,331,761	14,600,113
Exploration and evaluation	8	8,306,734	11,403,497
Plant and equipment		62,253	622,754
Total non-current assets		<u>21,700,748</u>	<u>26,626,364</u>
Total assets		<u>26,064,286</u>	<u>27,626,011</u>
LIABILITIES			
Current liabilities			
Trade and other payables		285,966	71,420
Mine rehabilitation provision		500,000	-
Total current liabilities		<u>785,966</u>	<u>71,420</u>
Total liabilities		<u>785,966</u>	<u>71,420</u>
Net assets		<u>25,278,320</u>	<u>27,554,591</u>
EQUITY			
Issued capital	9	85,610,799	80,893,926
Share option reserve		34,000	34,000
Accumulated losses		(60,366,479)	(53,373,335)
Total equity		<u>25,278,320</u>	<u>27,554,591</u>

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

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

Consolidated	Issued Capital \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	80,803,582	-	(51,158,223)	29,645,359
<i>Transactions with owners in their capacity as owners</i>				
Share capital issued	34,091	-	-	34,091
Share issue cost	(1,654)	-	-	(1,654)
Options issued	-	34,000	-	34,000
	80,836,019	34,000	(51,158,223)	29,711,796
Total comprehensive income for the period	-	-	(507,405)	(507,405)
Balance at 31 December 2015	80,836,019	34,000	(51,665,628)	29,204,391
Balance at 1 July 2016	80,893,926	34,000	(53,373,335)	27,554,591
<i>Transactions with owners in their capacity as owners</i>				
Share capital issued	4,743,824	-	-	4,743,824
Share issue cost	(26,951)	-	-	(26,951)
	85,610,799	34,000	(53,373,335)	32,271,464
Total comprehensive income for the period	-	-	(6,993,144)	(6,993,144)
Balance at 31 December 2016	85,610,799	34,000	(60,366,479)	25,278,320

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

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

	Consolidated	
	31.12.2016	31.12.2015
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	96,801	27,797
Payments to suppliers and employees (inclusive of GST)	(277,753)	(510,115)
Interest received	42,389	43,982
Net cash used in operating activities	<u>(138,563)</u>	<u>(438,336)</u>
Cash flows from investing activities		
Proceeds from sale of mining tenements	-	60,000
Payment for exploration and evaluation and mining licences	(1,185,573)	(1,264,813)
Net cash used in investing activities	<u>(1,185,573)</u>	<u>(1,204,813)</u>
Cash flows from financing activities		
Proceeds from issue of shares	4,709,733	-
Shares issue transaction costs	(26,951)	(1,654)
Net cash from/(used by) financing activities	<u>4,682,782</u>	<u>(1,654)</u>
Net increase/(decrease) in cash and cash equivalents	3,358,646	(1,644,803)
Cash and cash equivalents at beginning of the period	<u>964,656</u>	<u>3,364,105</u>
Cash and cash equivalents at the end of the period	<u>4,323,302</u>	<u>1,719,302</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 1: Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These financial statements cover Queensland Mining Corporations Limited as a consolidated entity consisting of Queensland Mining Corporation Limited and the entities it controlled at the end of, or during the period and was authorised for issue in accordance with a resolution of Directors on 6 March 2017.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half year financial report should be read in conjunction with the annual financial report of Queensland Mining Corporations Limited as at 30 June 2016 and any public announcement made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Queensland Mining Corporations Limited is a public company, listed on the Australian Stock Exchange, incorporated and domiciled in Australia. The Company's operations comprise exploration for and evaluation of copper and gold resources within the Cloncurry region of Queensland.

a) Basis of preparation

The financial report has been prepared on the historical cost basis except as disclosed in the notes to the annual financial report.

b) Significant accounting policies

The half-year financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2016.

Certain prior year comparatives have been reclassified to conform to the current reporting period presentation.

Critical accounting estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the 30 June 2016 annual report.

New and revised accounting requirements applicable to the current half-year reporting period

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

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

Note 2: Contingent liabilities and commitments

There are no significant changes to the contingent liabilities and commitments from the 30 June 2016 Annual Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 3: Going concern

The Group made an operating loss of \$6,993,144 (2015: \$507,405) and its net cash outflow from operations was \$138,563 (2015: \$438,336) for the half-year ended 31 December 2016.

Notwithstanding the above, the directors have prepared the half-year ended 31 December 2016 financial statements on a going concern basis on the following key factors:

- a) The Group has a cash balance of \$4.3m at 31 December 2016;
- b) The cash flow forecasts prepared by the Directors indicates that the Group will have sufficient cash to meet its debts as and when they are due over a period no less than 12 months from the date of the approval of these half year financial statements without the need to carry out any additional capital raising.

Note 4: Operating segment

Geographical information

The consolidated entity only has one geographical segment as all exploration licences issued to the Group lie within the Cloncurry region of Queensland, Australia.

Note 5: Dividend

No dividend has been declared or is payable.

Note 6: Impairment of assets

	31.12.2016	31.12.2015
	\$	\$
Impairment of plant and equipment	513,709	-
Impairment of mining licences	1,268,352	-
Impairment of exploration and evaluation	4,782,336	-
	<u>6,564,397</u>	<u>-</u>

The Company's Mt Norma assets consist of 1 EPM, 8 mining leases and one copper sulphate processing plant located approximately 30km southeast of Cloncurry. The assets were acquired from the former Cudoco in the middle of 2007 but have been kept under care and maintenance since August 2008. In order to focus on the development of the White Range project and reduce the holding costs, The Company has decided to dispose of the assets with a nominal consideration or surrender the EA by completing the required rehabilitation in the near future. As the result of this decision, an impairment and rehabilitation expense of \$6,564,397 was charged to the profit and loss in the period under review.

	31.12.2016	30.06.2016
	\$	\$
At cost	17,062,209	17,062,209
Less: Impairment	<u>(3,730,448)</u>	<u>(2,462,096)</u>
	<u>13,331,761</u>	<u>14,600,113</u>

Reconciliation

Reconciliations of the written down values at the beginning and end of the reporting period and previous financial year are set out below:

Opening balance	14,600,113	14,533,967
Additions	-	66,146
Less: Impairment	<u>(1,268,352)</u>	
Balance at the end of period	<u>13,331,761</u>	<u>14,600,113</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 8: Non-current assets – Exploration and evaluation expenditure

	31.12.2016	30.06.2016
	\$	\$
At cost	27,264,080	25,578,507
Less: R&D incentives	(871,900)	(871,900)
Less: Impairment	(18,085,446)	(13,303,110)
	<u>8,306,734</u>	<u>11,403,497</u>

Reconciliation

Reconciliations of the written down values at the beginning and end of the reporting period and previous financial year are set out below:

Opening balance	11,403,497	1,077,611
Additions	1,685,573	1,608,261
Less: Disposal	-	(77,641)
Less: Impairment	(4,782,336)	(1,120,550)
Less: R&D incentives	-	(84,184)
Balance at the end of period	<u>8,306,734</u>	<u>11,403,497</u>

Note 9: Equity – Issued capital

2,944,825,090 fully paid ordinary shares

(30.6.2016: 1,760,573,636 fully paid ordinary shares)

85,610,799	<u>80,893,926</u>
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Movement in ordinary share capital

Details	Date	No. of shares	Value \$
Balance	30 Jun 2015	1,748,382,729	80,803,582
Issue of shares at \$0.0054 per share	7 Sep 2015	6,313,148	34,091
Issue of shares at \$0.0058 per share	2 Feb 2016	5,877,759	34,091
Share issue transaction costs, net of tax			(3,308)
Adjust transaction costs overstated in prior year			25,470
Balance	30 Jun 2016	<u>1,760,573,636</u>	<u>80,893,926</u>
Issue of shares at \$0.004 per share	4 Aug 2016	1,137,942,404	4,551,770
Issue of shares at \$0.004 per share	29 Aug 2016	31,990,850	127,963
Issue of shares at \$0.005 per share	29 Aug 2016	6,818,200	34,091
Issue of shares at \$0.004 per share	23 Sep 2016	7,500,000	30,000
Share issue transaction costs, net of tax			(26,951)
Balance	31 Dec 2016	<u>2,944,825,090</u>	<u>85,610,799</u>

Note 10: Event after the reporting date

On 25 January 2017 the Company issued 10,653,438 ordinary shares to Redrock Exploration Services Pty Ltd as full settlement of \$72,443 exploration consultancy services provided.

On 1 March 2017 the Company announced a general meeting will be held on 4 April 2017 for shareholders to consider a 10 to 1 consolidation of the issued capital of the company.

Other than those disclosed above, the Directors are not aware of any other matters or circumstances that have arisen since the end of the period that has significantly affected or may significantly affect the operations of the Group, the results of its operations or the state of its affairs.

DIRECTORS' DECLARATION

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 2016 and of its performance for the financial half-year ended on that date; and
- at the date of this declaration, there are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities to which they are, or may become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Eddy Wu
Director and CEO

Date this 6 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Queensland Mining Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Queensland Mining Corporation Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Queensland Mining Corporation 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 Queensland Mining Corporation 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 Queensland Mining Corporation 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*.

BDO East Coast Partnership

A handwritten signature in black ink that reads 'Gareth Few'. Above the signature, the letters 'BDO' are written in a cursive, handwritten style.

Gareth Few
Partner

Sydney, 6 March 2017