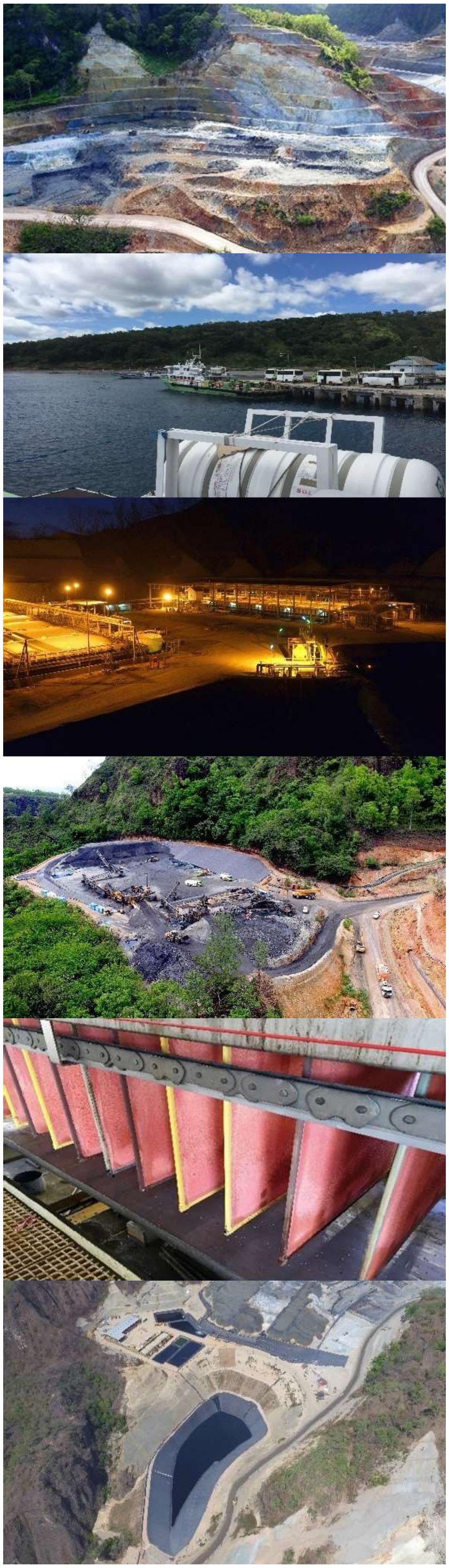

# FINDERS RESOURCES LIMITED

ABN 82 108 547 413

HALF YEAR FINANCIAL REPORT
SIX MONTHS ENDED 30 JUNE 2017

# Directors' Review

Managing Director Barry Cahill commented: "The June 2017 half year result consolidates what has been a transformational period for Finders, and has confirmed the Company as a significant copper producer amongst its ASX-listed copper peers with robust financial and production metrics. Finders' focus now turns to debt reduction and extending the mine life beyond the current 7 years, with drilling underway testing for extensions to the Lerokis Ore Reserve, before commencing at the Meron massive sulphide deposit which adjoins the Kali Kuning mine site."

## WETAR COPPER PROJECT (FINDERS 74.1%)

### Production Report

Both the 3,000 t.p.a. and the 25,000 t.p.a. plants operated in line with expectations during the reporting period, as summarised in the following table.

| | | Half Year 2016 | Half Year 2017 |
|---|---|---|---|
| Ore stacked | t | 525,435 | **1,063,254** |
| Grade | % Cu | 2.36 | **1.58** |
| Metal stacked[1] | t Cu | 12,427 | **16,749** |
| Copper stripped | t Cu | 1,636 | **12,929** |
| Copper sold[2] | t Cu | 1,427 | **14,572** |
| Copper sale price | US$/lb Cu | 2.15 | **2.60** |

1. Includes ore stacked to heap and stockpile leach pads.
2. Includes 990 tonnes of copper which has been invoiced but not received as at 30 June 2017

Ore and waste mining continued at Kali Kuning and has progressed through the higher, northern part of the open pit. Ore tonnes and grades mined were in line with those estimated in the Ore Reserve, with reconciliations remaining positive for the project to date with an additional 4% copper metal extracted. The copper grade will continue to improve as mining advances into the massive sulphide portion of the orebody.

Ore crushing and stacking rates increased after the wet season following improvements in blasting fragmentation. Leaching capacity was successfully expanded with the completion of extensions to several of the existing leach pads.

Both the 25,000 t.p.a. SX-EW plant and the acid neutralisation plant continued to perform well despite some operating difficulties during the wet season. The SX-EW plant is now operating consistently above nameplate capacity as a result of ongoing optimisation work, sustaining an annualised production rate of circa 27,000 t.p.a during the June quarter. Performance of the 3,000 t.p.a. SX-EW plant improved, and this trend is expected to continue as refurbishment works are completed during the second half of 2017.

For the half year, 14,572 tonnes of copper cathode was sold, with 50% as LME Grade A Cathode attracting a premium to the LME copper price. The balance was sold as Standard Grade Copper at or around the LME copper price. Copper cathode as finished product (produced but not sold) at the end of the reporting period was 1,729 tonnes. This copper cathode is either at site awaiting shipment, in transit to Surabaya (the major export port) or at Surabaya.

The C1 cash cost for the reporting period was US$1.03 per pound of copper produced, which is below the forecast life of mine cost estimate of US$1.05 per pound. The AISC cost was US$1.36 per pound of copper produced, which benefited from modest levels of capital and exploration expenditure during the first half of the year.

Finders increased its economic ownership in the Wetar Project from 72% to 74.1% during the half year. The interest of Posco Daewoo Corporation was diluted to 20.9% with Finders' Indonesian partner remaining at 5%.

### Exploration and Project Development

A multi-purpose drill rig arrived on site in late April for the Lerokis project pre-development program to resolve areas of complex geology and grade distribution prior to finalising the design of the Lerokis open pits.

During the reporting period, 5 RC holes were completed in Zone 1S at Lerokis with several significant intersections reported (refer to June 2017 Quarterly Activities Report).

## OH&S

The Lost Time Injury Frequency Rate for the first half was zero and the Total Recordable Injury Frequency Rate was 4.7.

Safety systems development continued to focus on prevention of incidents and improving the safety culture of employees and contractors

## WETAR COMMUNITY DEVELOPMENT

The Company runs community development programs that target local health and economic development. These programs are regularly reviewed by the Company with the assistance of an independent consultant to ensure that they continue to be appropriate, effective and likely to deliver enduring benefits.
Current community development programs include:

- Agricultural initiatives, including vegetable growing and chicken farming, to supplement the requirements of the Wetar Project.

- Local community employment initiatives, inclusive of island villages further afield of the operation, which now account for around 50% of the Company's employees at the Wetar Project.
- Maintaining staffing levels at the local health centre and two medical posts to reduce the dependency on the Project's Site Clinic.
- The maintenance of the emergency airstrip for medical evacuation of both employees and local residents.
- Allocation of 10% of the available passenger seats to the local community on marine vessels servicing the Wetar Project.

## WETAR ENVIRONMENTAL MANAGEMENT

The Group is committed to mitigating the environmental impact of its operations. This includes policies and processes to assess the impact of and control new disturbances, monitoring environmental interactions and remediating areas of disturbance once activity has ceased in those areas. The Company continues to comply with its approval and reporting obligations with the relevant Indonesian authorities.

No non-compliance events were reported for the half-year.

## FINANCE REVIEW

The consolidated profit after income tax for the half year was $41.746 million (2016: loss of $22.270 million).

The Group recorded $119.703 million (2016: $8.549 million) from copper sales during the 6 months.

The Group previously entered into a Senior Facilities Agreement with BNP Paribas, Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation and Societe Generale ("the Senior lenders") which provides for a US$162 million commitment from the Senior Lenders consisting of:

| Facility | Drawn down 30 June 2017 US$'000 | Drawn down 31 December 2016 US$'000 |
|---|---|---|
| Term loan facility | 65,500 | 78,000 |
| Cost overrun facility | 5,954 | 5,954 |
| VAT working capital facility | 3,086 | 7,381 |
| | **74,540** | **91,335** |

The book value of the hedges entered into by BTR as at 30 June 2017 is summarised in the following table (AU$ million):

| | |
|---|---|
| Copper hedging | 18.9 |
| Fuel hedging | 1.2 |
| **Total** | **20.1** |

As at 30 June 2017, the Group had cash of AU$4.384 million.

# Consolidated Statement of Comprehensive Income

| | Note | Six months ended 30 June 2017 $'000 | Six months ended 30 June 2016 $'000 |
|---|---|---|---|
| Sales | | 119,703 | 8,549 |
| Interest income | | 13 | 23 |
| Raw materials and consumables used | | (45,201) | (23,265) |
| Changes in finished goods and WIP inventory | | 6,537 | 8,836 |
| Personnel costs | | (7,666) | (9,854) |
| Administrative costs | | (1,361) | (738) |
| Financing costs | | (5,494) | (781) |
| Depreciation and amortisation | | (23,197) | (1,756) |
| Exchange loss | | (43) | (488) |
| Royalty expense | | (646) | (441) |
| Other income/(expense) | 2 | (9,062) | (1,099) |
| **Profit/(loss) before income tax** | | **33,583** | **(21,014)** |
| Income tax benefit/(expense) | 4 | 8,163 | (1,256) |
| **Profit/(loss) for the half-year** | | **41,746** | **(22,270)** |
| **Other comprehensive income** | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods* | | | |
| Adjustments from translation of foreign controlled entities | | (7,970) | (494) |
| Gain/(loss) on cashflow hedges | | (8,620) | (6,402) |
| Tax effect on cashflow hedges | | 2,175 | 1,601 |
| *(Gain)/loss on cashflow hedges reclassified to profit or loss* | | | |
| (Gain)/loss on realised cashflow hedges | | (7,643) | 1,479 |
| Tax effect on realised cashflow hedges | | 1,911 | (370) |
| **Other comprehensive income/(loss) net of tax** | | **(20,147)** | **(4,186)** |
| **Total comprehensive income/(loss) for the half-year** | | **21,599** | **(26,456)** |
| | | | |
| **Profit/(loss) for the half-year attributable to:** | | | |
| Owners of Finders Resources Ltd | | 33,332 | (15,953) |
| Non-controlling interests | | 8,414 | (6,317) |
| | | **41,746** | **(22,270)** |
| **Total comprehensive profit/(loss) attributable to:** | | | |
| Owners of Finders Resources Ltd | | 18,478 | (20,244) |
| Non-controlling interests | | 3,121 | (6,212) |
| | | **21,599** | **(26,456)** |
| | | | |
| **Earnings per share** | | **Cents** | **Cents** |
| Basic earnings per share | | 4.38 | (2.37) |
| Diluted earnings per share | | 4.31 | (2.37) |

*The accompanying notes form part of these financial statements.*

## Consolidated Statement of Financial Position

| | Note | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 4,384 | 4,879 |
| Receivables | 2 | 18,857 | 6,885 |
| Financial assets | | 116 | 63 |
| Inventories | 3 | 45,037 | 39,329 |
| Other assets | | 868 | 485 |
| **Total current assets** | | **69,262** | **51,641** |
| | | | |
| **Non-current assets** | | | |
| Receivables | 2 | 3,223 | 14,296 |
| Financial assets | | 1,237 | 1,344 |
| Deferred tax asset | 4 | 23,191 | 11,627 |
| Plant and equipment | 5 | 124,069 | 145,336 |
| Development expenditure | 6 | 71,201 | 83,791 |
| **Total non-current assets** | | **222,921** | **256,394** |
| **TOTAL ASSETS** | | **292,183** | **308,035** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 7 | 31,503 | 41,703 |
| Borrowings | 8 | 40,472 | 42,669 |
| Provisions | | 584 | 742 |
| Hedge derivative liability | 9 | 12,661 | 8,403 |
| **Total current liabilities** | | **85,220** | **93,517** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 8 | 53,157 | 78,888 |
| Provisions | | 10,605 | 13,036 |
| Hedge derivative liability | 9 | 7,480 | 8,537 |
| **Total non-current liabilities** | | **71,242** | **100,461** |
| **TOTAL LIABILITIES** | | **156,462** | **193,978** |
| **NET ASSETS** | | **135,721** | **114,057** |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 10 | 168,182 | 168,182 |
| Reserves | 11 | 44,514 | 60,745 |
| Accumulated losses | | (111,504) | (144,836) |
| **Equity attributable to owners of Finders Resources Limited** | | **101,192** | **84,091** |
| Non-controlling interest | 12 | 34,529 | 29,966 |
| **TOTAL EQUITY** | | **135,721** | **114,057** |

*The accompanying notes for part of these financial statements.*

## Consolidated Statement of Changes in Equity

| | Note | Share capital $'000 | Accumulated losses $'000 | Equity reserve $'000 | Hedging derivative reserve $'000 | Foreign currency translation reserve $'000 | Share based payments reserve $'000 | Other reserve $'000 | Non-controlling interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance 1 January 2017** – previously reported | | **168,182** | **(143,241)** | **6,045** | **18,007** | **19,841** | **821** | **695** | **43,707** | **114,057** |
| Adjustments | | - | (1,595) | 15,179 | - | 157 | - | - | (13,741) | - |
| **Balance 1 January 2017** – adjusted balance | | **168,182** | **(144,836)** | **21,224** | **18,007** | **19,998** | **821** | **695** | **29,966** | **114,057** |
| Profit for the period | | - | 33,332 | - | - | - | - | - | 8,414 | 41,746 |
| Other comprehensive income | | - | - | - | (8,504) | (6,350) | - | - | (5,293) | (20,147) |
| **Total comprehensive income** | | **-** | **33,332** | **-** | **(8,504)** | **(6,350)** | **-** | **-** | **3,121** | **21,599** |
| *Transactions with owners recorded directly in equity:* | | | | | | | | | | |
| Share based payments | | - | - | - | - | - | 65 | - | - | 65 |
| Equity contribution | | - | - | (1,442) | - | - | - | - | 1,442 | - |
| **Balance as at 30 June 2017** | | **168,182** | **(111,504)** | **19,782** | **9,503** | **13,648** | **886** | **695** | **34,529** | **135,721** |
| | | | | | | | | | | |
| **Balance 1 January 2016** – previously reported | | **156,884** | **(135,699)** | **6,045** | **32,250** | **17,767** | **695** | **585** | **9,070** | **87,597** |
| Adjustments | | - | - | 32,334 | - | - | - | - | (32,334) | - |
| **Balance 1 January 2016** – adjusted balance | | **156,884** | **(135,699)** | **38,379** | **32,250** | **17,767** | **695** | **585** | **(23,264)** | **87,597** |
| Loss for the period | | - | (15,953) | - | - | - | - | - | (6,317) | (22,270) |
| Other comprehensive income | | - | - | - | (4,722) | 442 | - | (11) | 105 | (4,186) |
| **Total comprehensive income** | | **-** | **(15,953)** | **-** | **(4,722)** | **442** | **-** | **(11)** | **(6,212)** | **(26,456)** |
| *Transactions with owners recorded directly in equity:* | | | | | | | | | | |
| Share based payments | | - | - | - | - | - | 68 | - | - | 68 |
| Equity contribution (adjusted) | | - | - | (7,931) | - | - | - | - | 52,745 | 44,814 |
| **Balance as at 30 June 2016** | | **156,884** | **(151,652)** | **30,448** | **27,528** | **18,209** | **763** | **574** | **23,269** | **106,023** |

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Cash Flows

| | Note | Six months ended 30 June 2017 $'000 | Six months ended 30 June 2016 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 101,037 | 7,311 |
| Payments to supplier and employees | | (70,832) | (32,082) |
| Interest received | | 13 | 23 |
| **Net cash provided by / (used in) operating activities** | | **30,218** | **(24,748)** |
| **Cash flows from investing activities** | | | |
| Payment for plant and equipment | | (1,624) | (347) |
| Payments for development expenditure | | (2,140) | (47,722) |
| **Net cash used in investing activities** | | **(3,764)** | **(48,069)** |
| **Cash flows from financing activities** | | | |
| (Repayment)/draw down of borrowings | | (21,310) | 72,106 |
| Payments for interest and other costs of financing | | (4,391) | (4,700) |
| **Net cash (used in) / provided by in financing activities** | | **(25,701)** | **67,406** |
| **Net increase / (decrease) in cash held** | | **753** | **(5,411)** |
| Cash and cash equivalents at beginning of period | | 4,879 | 33,728 |
| Exchange rate effect | | (1,248) | (689) |
| **Cash and cash equivalents at end of period** | | **4,384** | **27,628** |

*The accompanying notes for part of these financial statements.*

# Notes to the Financial Statements

## 1. Basis of preparation

Finders Resources is a public company incorporated and domiciled in Australia whose shares are traded on the Australian Stock Exchange (ASX:FND).

This condensed general purpose interim financial report for the half year reporting period ended 30 June 2017 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Act 2001* and was authorised for issue in accordance with a resolution of directors on 13 September 2017.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 31 December 2016 and any public announcements by Finders 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, except as described below.

**Change in accounting policies, accounting standards and interpretations**
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2017 affected any of the amounts or disclosures in the current period or any prior period presented.
The Group has not elected to early adopt any new or amended standards or interpretations that are issued.

**Rounding of amounts to the thousand dollars**
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

**Comparative numbers**
Where applicable, comparatives have been adjusted to disclose them on the same basis as the current period.

**Correction of classification of non-current assets and accumulated depreciation**
In the 31 December 2016 financial report, costs capitalised in development expenditure associated with the 25,000 tonne per year copper processing plant were transferred to plant and equipment upon the commencement of commercial production at the plant during the year. Subsequent to the release of the 31 December 2016 financial report, it has been identified that certain costs should not have been transferred from development expenditure to plant and equipment, and that the depreciation relating to costs that were transferred to plant and equipment was recorded against capitalised development expenditure. As a result the following adjustments have been made to the amounts disclosed as the 31 December 2016 comparatives in this half-year financial report:

- A decrease to the cost of plant and equipment of $38.599 million from the amount previously disclosed in the 31 December 2016 financial report and an increase to the cost for development expenditure for the same amount; and
- An increase in accumulated depreciation for plant and equipment of $7.319 million from the amount previously disclosed in the 31 December 2016 financial report and a decrease in accumulated depreciation for development expenditure for the same amount.

These adjustments had no impact on net assets, equity, total current assets, total non-current assets or total assets as at 31 December 2016, or on net profit, comprehensive income, cash flows or earnings per share for the year then ended. They also had no impact on any period prior to the year ended 31 December 2016.

**Correction of non-controlling interests**

During the current period, it was determined that amounts previously disclosed as equity attributable to non-controlling interests were incorrect as a result of the Group incorrectly accounting for changes in the equity interests in partially owned subsidiaries which did not impact control.

As a result, the following adjustments have been made to the amounts disclosed in the comparative financial information in the consolidated statement of financial position and consolidated statement of changes in equity:

- 1 January 2016
  A decrease in equity attributable to non-controlling interests of $32.334 million and a corresponding increase in equity reserves relating to prior period changes in equity interests to correctly record the difference between the non-controlling interests share of net assets or liabilities and the consideration received for the change in interest.
- Period ended 30 June 2016
  A decrease in the equity reserve of $7.931 million and a corresponding increase to non-controlling interest in connection with the NCI's interest in the increase in net assets arising from Finders Resources contributions during the period:

| | Equity reserve A$'000 | Non-controlling interest A$'000 |
|---|---|---|
| Equity contribution as previously reported | - | 44,814 |
| Adjustment | (7,931) | 7,931 |
| Equity contribution as adjusted | (7,931) | 52,745 |

- 1 January 2017
  A decrease in the equity attributable to non-controlling interests of $13.741 million, an increase in accumulated losses attributable to Finders Resources of $1.595 million and an increase in equity reserves of $15.336 million relating to the accumulated changes in equity interests and the incorrect allocation of total comprehensive income to the non-controlling interest in the second half of 2016.

These adjustments had no impact on assets, liabilities or total equity as at 31 December 2016 or 31 December 2015 nor on net profit, comprehensive income, cash flows or earnings per share for the half-year ended 30 June 2016.

## 2. Receivables

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| *Current* | | |
| Trade debtors | 8,108 | - |
| VAT receivable[(a)] | 7,491 | 5,504 |
| Other receivable | 3,258 | 1,381 |
| | **18,857** | **6,885** |
| Non-current | | |
| VAT receivable[(a)] | 3,165 | 12,899 |
| Other receivable | 58 | 1,397 |
| | **3,223** | **14,296** |

(a) An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. In the six months to 30 June 2017 an allowance of impairment of $8,817,000 (year ended 31 December 2016: $612,000) has been recognised in other expenses in relation to uncertainty associated with the recoverability of receivables due to the delays in collections.

## 3. Inventories

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| *Inventories, at cost* | | |
| Raw materials and consumables | 11,083 | 10,050 |
| Work in progress | 28,286 | 20,224 |
| Finished goods | 5,668 | 9,055 |
| | **45,037** | **39,329** |

## 4. Income tax

| | Six months ended 30 June 2017 $'000 | Six months ended 30 June 2016 $'000 |
|---|---|---|
| *Reconciliation of income tax expense to prima facie tax payable* | | |
| Profit/(loss) before income tax | 33,583 | (21,014) |
| Income tax expense/(benefit) calculated at tax rate of 30% (2016: 30%) | 10,075 | (6,304) |
| | | |
| Tax effect of amounts which are not assessable or deductible in calculating taxable income: | | |
| Share based payments | 19 | 20 |
| Other non-deductible expenditure | 492 | 610 |
| Difference in overseas tax rate | (1,723) | 1,051 |
| Tax benefit not brought to account | - | 5,879 |
| Previously unrecognised deferred tax assets now brought to account* | (17,026) | - |
| **Income tax expense/(benefit)** | (8,163) | 1,256 |

*During the six months ended 30 June 2017, the Group recognised $16.215 million of deferred tax assets (2016: nil) relating to tax losses that had not previously been brought to account as the Wetar Copper Project achieved nameplate capacity production and therefore it is considered probable that sufficient taxable income will be generated to utilise these losses.

## 5. Plant and equipment

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| Plant and equipment at cost | 153,650 | 163,216 |
| *Less:* | | |
| Accumulated depreciation | (24,631) | (12,624) |
| Impairment | (4,950) | (5,256) |
| | **124,069** | **145,336** |
| *Movements:* | | |
| Opening net book value | 145,336 | 22,341 |
| Additions | 703 | - |
| Asset reclassification from development expenditure | - | 123,024 |
| Depreciation charge | (12,359) | (1,224) |
| Exchange rate effect | (9,611) | 1,195 |
| Closing net book value | **124,069** | **145,336** |

## 6. Development expenditure

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| Development expenditure | 89,354 | 92,365 |
| *Less:* | | |
| Accumulated amortisation | (18,153) | (8,574) |
| | **71,201** | **83,791** |
| *Movements:* | | |
| Opening net book value | 83,791 | 144,259 |
| Additions | 1,682 | 73,701 |
| Asset reclassification from development expenditure | - | (123,024) |
| Amortisation charge | (10,838) | (12,543) |
| Exchange rate effect | (3,434) | 1,398 |
| Closing net book value | **71,201** | **83,791** |

## 7. Trade and other payables

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| **Current** | | |
| Trade creditors and accruals | 31,503 | 41,703 |

## 8. Borrowings

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| **Current** | | |
| Loan (secured)[a] | 40,472 | 42,669 |
| | | |
| **Non-current** | | |
| Loan (secured)[a] | 53,157 | 78,888 |

### a) Loan (secured)

The Group has signed a Senior Secured Project Finance Facility Agreement with a syndicate of banks. Under the agreement, the banking syndicate has agreed to provide loan facilities totalling US$162 million consisting of:

| Facility | Interest rate (LIBOR + %) | Drawn down 30 June 2017 $'000 | Drawn down 31 December 2016 $'000 |
|---|---|---|---|
| Term loan facility | 5.50% | 85,218 | 107,772 |
| Cost overrun facility | 6.25% | 7,746 | 8,227 |
| VAT working capital facility | 5.50% | 4,015 | 10,199 |
| | | **96,979** | **126,198** |
| Less deferred borrowing costs | | (3,350) | (4,641) |
| | | **93,629** | **121,557** |

The facilities have first ranking security over the Wetar Copper Project.

**Principal repayment – Maturity analysis**

| | 0 - 6 months $'000 | 6 - 12 months $'000 | 12 - 24 months $'000 | 24+ months $'000 | Total $'000 |
|---|---|---|---|---|---|
| Term loan facility | 14,311 | 22,118 | 48,789 | - | 85,218 |
| Cost overrun facility | - | - | 7,746 | - | 7,746 |
| VAT working capital facility | 4,015 | - | - | - | 4,015 |
| | **18,326** | **22,118** | **56,535** | **-** | **96,979** |

## 9. Hedging derivative assets and liabilities

The Group has entered into forward contracts in respect of –

a) 13,415 tonnes of copper to be produced from the Wetar Copper Project. The contracts are at an average price of US$4,851 per tonne and cover the period from July 2017 to March 2019. At 30 June 2017, the contracts have a fair value of AU$18.964 million reflected as a derivative liability and the movement has been recognised in the hedge reserve.
b) 63,432 barrels of Singapore Gas Oil (High Speed Diesel) to be used at the Wetar Copper Project. The contracts are at an average price of US$73.83 per barrel and cover the period from July 2017 to December 2017. At 30 June 2017, the contracts have a fair value of AU$1.177 million, reflected as a derivative liability and the movement has been recognised in the hedge reserve.

The forward contracts are designated and qualify as cashflow hedges to hedge the Group's exposure to variability of cashflows arising from its future copper sales and diesel purchases.

The fair value of the forward contracts is determined by reference to current forward commodity prices, which is categorised as level 2 of the fair value hierarchy. The principal inputs to the valuation are commodity prices, volatilities and discount rates. Commodity prices are determined by reference to published prices.

The maturity profile of the forward contracts is as follows:

**Copper and fuel swaps – Maturity analysis**

| | 0 – 6 months $'000 | 6 – 12 months $'000 | 12 – 24 months $'000 | 24 + months $'000 | Total $'000 |
|---|---|---|---|---|---|
| Copper | 5,829 | 5,655 | 7,480 | - | 18,964 |
| Fuel | 1,177 | - | - | - | 1,177 |
| **Net receive / (pay)** | **7,006** | **5,655** | **7,480** | **-** | **20,141** |

## 10. Issued capital

| | 30 June 2017 '000 | 31 December 2016 '000 | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|---|---|
| **Contributed equity** | | | | |
| Issued and paid up shares | 761,267 | 761,267 | 162,997 | 162,997 |
| Employee incentive reserved shares [a)] | 11,100 | 11,400 | - | - |
| Converting notes [b)] | - | - | 5,185 | 5,185 |
| | **772,367** | **772,667** | **168,182** | **168,182** |

| | | |
|---|---|---|
| *Movement:* | | |
| At beginning of reporting period | 772,667 | 673,667 |
| Placement of shares | - | 100,000 |
| Cancellation of reserved shares | (300) | (1,000) |
| **At end of reporting period** | **772,367** | **772,667** |

### a) Employee incentive shares

The Company has issued incentive shares to employees and executive directors under the Finders Employee Share Plan as well as incentive shares to the Non-Executive Chairman on similar terms to the plan. This share-based compensation under which the employees and directors purchase shares funded by limited recourse loans from the Company is accounted for as a share based payment and expensed over the expected life of the options inherent in the arrangement with a corresponding credit to the share-based payments reserve.

### b) Converting notes

The Company raised US$5,500,000 from Standard Bank Plc in 2012 pursuant to mandatory Converting Notes, which will convert into 12,248,538 shares in the Company on or before 16 March 2018 at a conversion price of A$0.427 per share. The Notes will convert into shares and have been treated as equity for accounting purposes.

### c) Unlisted options

The company granted the following options to lenders in consideration for the interest-bearing loan facility. There were no new issues during the period (2016: nil). During the period 22,587,144 options expired prior to their exercise. All of the remaining unexpired options are vested and exercisable.

| Grant date | Expiry date | Exercise price | 30 June 2017 '000 | 31 December 2016 '000 |
|---|---|---|---|---|
| 6 June 2012 | 5 June 2017 | $0.3500 | - | 22,857 |
| 22 October 2012 | 22 October 2017 | $0.2556 | 31,299 | 31,299 |
| | | | **31,299** | **54,156** |

## 11. Reserves

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| **Reserves** | | |
| Equity reserve [a)] | 19,782 | 21,224 |
| Hedging derivative reserve | 9,503 | 18,007 |
| Foreign currency translation reserve | 13,648 | 19,998 |
| Share based payment reserve | 886 | 821 |
| Other reserve | 695 | 695 |
| | **44,514** | **60,745** |

**a) Equity reserve**

During the period ended 30 June 2017, the Group increased its interest in PT Batutua Tembang Raya and its subsidiaries to 74.1%.

## 12. Operating segments

The consolidated entity's operations are situated in two geographical locations, being Australia and Indonesia. Its minerals business is based in Indonesia where it is currently producing copper cathode from its 28,000 tonnes per annum Wetar Copper Project. It is also conducting mineral exploration on Wetar Island. Corporate activities are based in Australia and are not considered an operating segment.

**Operating segment**

| | Copper mining | | Total | |
|---|---|---|---|---|
| | Six months ended 30 June 2017 $'000 | Six months ended 30 June 2016 $'000 | Six months ended 30 June 2017 $'000 | Six months ended 30 June 2016 $'000 |
| **Revenue** | | | | |
| Sales revenue | 119,703 | 8,549 | 119,703 | 8,549 |
| Interest income | | | 13 | 23 |
| **Total revenue** | | | **119,716** | **8,572** |
| **Result** | | | | |
| Segment result | 34,944 | (20,925) | 34,944 | (20,925) |
| Income tax expense | 8,163 | (1,256) | 8,163 | (1,256) |
| **Post-tax segment result** | **43,107** | **(22,181)** | **43,107** | **(22,181)** |
| Administration expenses | | | (1,361) | (89) |
| **Profit / (loss) after income tax** | | | **41,746** | **(22,270)** |

| | Copper mining | | Total | |
|---|---|---|---|---|
| | 30 June 2017 $'000 | 31 December 2016 $'000 | June 2017 $'000 | 31 December 2016 $'000 |
| **Assets** | | | | |
| Segment assets | 291,713 | 305,202 | 291,713 | 305,202 |
| Unallocated assets [a)] | | | 470 | 2,833 |
| Total assets | | | **292,183** | **308,035** |
| **Liabilities** | | | | |
| Segment liabilities | 155,959 | 193,622 | 155,959 | 193,622 |
| Unallocated liabilities [a)] | | | 503 | 356 |
| Total liabilities | | | **156,462** | **193,978** |

a) Unallocated assets represent largely cash held by the parent company. Unallocated liabilities represent trade creditors and provisions.

**Geographical information - Indonesia**

| | Revenue from sales to external customers | | Non-current assets | |
|---|---|---|---|---|
| | Six months ended 30 June 2017 $'000 | Six months ended 30 June 2016 $'000 | 30 June 2017 $'000 | 31 December 2016 $'000 |
| Revenue | 119,703 | 8,549 | | |
| Plant and equipment | | | 124,044 | 145,305 |
| Development expenditure | | | 71,201 | 83,791 |
| **Indonesia** | **119,703** | **8,549** | **195,245** | **229,096** |

* Non-current assets for this purpose consist of plant and equipment and development expenditure.

## 13. Commitments

### Capital commitments

The Group has entered into contracts for the construction and development of the Wetar Copper Project. The capital commitments at balance date are set out below.

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| *Capital expenditure contracted for at the reporting date, but not recognised as liabilities as follows:* | | |
| **Plant and equipment** | | |
| - Payable within 1 year | 25,472 | 35,594 |
| - Payable later than 1 year but not later than 5 years | 565 | 9,570 |
| | **26,037** | **45,164** |

### Operating leases

The group leases offices and equipment under an operating lease. The operating lease commitments at balance date are set out below.

| | 30 June 2017 $'000 | 31 December 2016 $'000 |
|---|---|---|
| *Commitments for minimum lease payments in relation to non-cancellable operating leases as follows:* | | |
| - Payable within 1 year | 7,760 | 9,007 |
| - Payable later than 1 year but not later than 5 years | 7,344 | 9,743 |
| | **15,104** | **18,750** |

## 14. Contingent liabilities

In 2011, PT Batutua Tembaga Raya ("BTR"), a subsidiary of the Company, entered into a contract for the purchase and refurbishment of six marine fuel oil generators for use at the Wetar Copper Project. The contract amounted to approximately US$8.6 million, of which the subsidiary has paid US$3.8 million (including storage charges).

In September 2014, BTR terminated the contract following breaches of the contract identified by BTR.

An arbitration process between BTR and the contractor was commenced in 2015.

The matter was heard before the arbitrator in April 2016 in Hong Kong. Judgement has provided for payment to the contractor of US$ 1.6 million plus interest and costs, which have been estimated to be US$0.8 million. After taking into account the estimated recovery value of the generators, a provision for US$1.7million was been recognised at 30 June 2017.

## 15. Events after balance date

There have been no significant events reported after balance date.

# Directors' Declaration

In the opinion of the Directors:

1. the financial statements and notes set out on pages XX to XX are in accordance with the Corporations Act 2001 and:
   a. comply with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

Gary Comb
**Chairman**

Perth
19 September 2017

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# Independent auditor's review report to the members of Finders Resources Limited

## Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of Finders Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
19 September 2017



TH:RH:FINDERS:023

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## Auditor's independence declaration to the Directors of Finders Resources Limited

As lead auditor for the review of Finders Resources Limited for the six months ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional code in relation to the review.

This declaration is in respect of Finders Resources Limited and the entities it controlled during the period.

Ernst + Young

Ernst & Young

T S Hammond
Partner
19 September 2017



TH:RH:FINDERS:024

## Corporate Directory

| | | |
|---|---|---|
| Directors | Gary E Comb | Non-Executive Chairman |
| | Barry J Cahill | Managing Director |
| | Gavin A Caudle | Non-Executive Director |
| | Gordon T Galt | Non-Executive Director |
| | Michael R Anderson | Alternate for Gordon Galt |
| | Douglas L P Tay | Alternate for Gavin Caudle |
| Secretary | Susan Hunter | |
| Registered Office | 25 Colin Street<br>West Perth WA 6005<br>Telephone: + (61 8) 6555 3996<br>Facsimile: + (61 8) 6555 3998<br>Email: info@findersresources.com | |
| Website | www.findersresources.com | |
| Stock Exchange Listing | ASX: FND | |
| Auditor | Ernst & Young<br>11 Mounts Bay Road<br>Perth WA 6000 | |
| Share Registry | Boardroom Pty Limited<br>Grosvenor Place<br>Level 12, 225 George Street<br>Sydney NSW 2000 Australia<br>Telephone –<br>1300 737 760 (within Australia)<br>+61 2 9290 9600 (outside Australia) | |
| Australian Business Number | 82 108 547 413 | |