



CANNINDAH RESOURCES LIMITED

ABN 35 108 146 694

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CANNINDAH RESOURCES LIMITED

DIRECTORS' REPORT

The Directors of Cannindah Resources Limited (the Group) present their Report, together with the financial statements of the Consolidated Entity, being the Group and its Controlled Entities (the Group) for the half year ended 31 December 2018.

Directors

The names of the Directors in office during the half year and until the date of this report are set out below. All Directors held office for the whole of the period unless otherwise stated.

Thomas J Pickett – Executive Chairman
Laurie Johnson – Non- executive Director
Geoff Missen – Non- executive Director

Review of Operations

The loss for the Group for the half year ended 31 December 2018 was \$1,223,005 (2017: loss of \$432,245). The loss included the impairment of exploration expenditure of \$671,854 relating to the Borium Project and Mt Cannindah EPM 25537 for which proceedings to relinquish the tenements had commenced prior to the period end.

Operating and Financial Activities

During the six-month period to 31 December 2018, the Group focussed its activities on the exploration of the Piccadilly mining lease and related tenements; on the investigation of diversification opportunities and the raising of capital and loan funds to support those activities.

Exploration

Exploration activities during the period included:

- Development of an exploration target for the Piccadilly mining lease by Minjar (refer ASX Announcement of 10 October 2018).
- Identification of several faults likely to contain displaced gold mineralisation and a semicircular overprint zone that coincides with an IP chargeability anomaly previously announced by the Group.
- Conduct of a ground based magnetic survey across the area within the mining lease where high grade gold was sampled in previous surveys (refer ASX Announcement of 22 August 2017). The purpose of the survey was to provide closer spaced survey lines to potentially identify shoot controls which will enable drilling to be targeted more effectively particularly in the large IP anomaly to the south of the mining lease.
- Continuing its ore purchase agreement with Minjar with a small load being collected and processed. The Group is continuing discussions with parties interested in obtaining gold ore for processing.

The Piccadilly project has significant exploration potential that continues to get larger as more work is completed, with the La Meridian Cu-Au porphyry target remaining untested by drilling. The historically identified Myrtlevalle skarn mineralisation remains poorly tested to date and numerous IP anomalies require further exploration work. The Group intends to focus its exploration effort on the large IP anomaly to the south of the Mining Lease area. The area within the defence ground, which is yet to be adequately tested by ground-based exploration methods, will also be further explored with a view to increasing the potential size of the exploration target.

Diversification Opportunities

The Group pursued diversification opportunities in the hemp product sector following the recent success of other listed entities involved in pursuing similar opportunities. During the period a

distribution agreement was executed with Annabis SRO granting the right to distribute Annabis Hemp products (see ASX release 8 November 2018). At period end the Group was conducting its due diligence in relation to the Annabis products and in this regard had engaged the services of a consultant to provide insight into whether the products are compliant for the Australian market.

Financial Activities

During the period, the Company issued 5,633,334 shares to sophisticated and professional investors to raise \$169,000 and a further 11,000,000 shares to extinguish a \$200,000 short-term unsecured loan plus interest and fees which had been drawn down early in the period.

At 31 December 2018, the Group had an unsecured short-term loan from a sophisticated and professional investor of \$123,550 inclusive of interest and fees.

Strategy

In accordance with its strategy, the Group continues to investigate and evaluate new opportunities within the mining and exploration sector and other sectors as appropriate. The Group is currently evaluating its options with respect to projects with which it may become involved during the 2019 calendar year.

Going Concern

As disclosed in the financial statements, the Group incurred a loss of \$1,223,005 and had net cash outflows from operating and investment activities (exploration expenditure) of \$484,809 for the six months ended 31 December 2018. As at this date, the Group's current liabilities also exceeded its current assets by \$4,030,306 including the secured loan of \$3,463,990.

At 31 December 2018, the Group had secured and unsecured loans with private investors (the Lenders) which have been used to fund the Group's ongoing exploration and administration costs. The secured facility of \$3,463,990 is due for repayment in May 2019. The short-term unsecured loan was largely repaid following the period end. The Group has remained in constant communication with the Lenders and continues to investigate a number of options to meet further repayment requirements including converting debt to equity, potential asset sales, capital raisings and if necessary further loan extensions. These discussions are on-going.

The Directors note that additional funds will be required for the Group to operate and conduct exploration activities over the next 12 months. It is expected that these funds will be obtained through additional capital raisings, borrowings and potential ore sales. In this regard, in March 2019, the Group issued 13.3 million shares to raise \$200,000 and secured an additional \$150,000 in a three-month short-term loan. The Group has considerable remaining security placement capacity under Listing Rules 7.1 and 7.1A, totalling 28.6 million shares. The Group has been able to raise capital in the past as required to support its activities and is continuing its discussions with sophisticated and professional investors.

As noted above, in accordance with its strategy, the Group continues to investigate and evaluate new opportunities within the mining and exploration sector and other sectors as appropriate. These opportunities include potential transactions or asset sales which would, if successful, inject substantial funds into the Group both for short term working capital requirements and for exploration expenditure.

As a result of the above, the Directors are confident that based on recent experience, the required additional funds can be obtained.

Accordingly, the Directors believe that the going concern basis is the appropriate basis for the preparation of the financial report. If for any reason the Group is unable to continue as a going concern, it would impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Subsequent Events

On 14 March 2019, the Group advised the ASX that it has issued 13.3 million fully paid ordinary shares at 1.5 cents each to raise a total of \$200,000. The Group also secured an additional \$150,000 in a three-month short-term loan. The funds are to be used to further exploration at the Piccadilly project and for working capital, including the repayment of creditors.

Other than as disclosed in the going concern paragraph, no other matters or circumstances have arisen since 31 December 2018, which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

Signed in accordance with a resolution of the Directors pursuant to section 306(3) (a) of the Corporations Act 2001.

Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

Signed in accordance with a resolution of the Directors pursuant to section 306(3) (a) of the Corporations Act 2001.



Thomas J Pickett
Executive Chairman
15 March 2019
Gold Coast

Auditor's Independence Declaration

To the Directors of Cannindah Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Cannindah Resources Limited for the half-year ended 31 December 2018, I declare that, 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 conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner – Audit & Assurance

Brisbane, 15 March 2019

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CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
for the half year ended 31 December 2018

		Consolidated Half year ended 31 December 2018 \$	Half year ended 31 December 2017 \$
	Note		
Revenue			
Revenue and other income	2	12,122	82,778
Expenses			
Employee benefits expense		(91,062)	(92,108)
Exploration & evaluation expenditure w/off		(671,854)	-
Depreciation and amortisation expense		-	(401)
Administrative expenses		(162,349)	(221,076)
Finance Expenses		(309,862)	(201,438)
Loss before income tax expense		(1,223,005)	(432,245)
Income tax expense		-	-
Profit / (Loss) attributable to members of the Group		(1,223,005)	(432,245)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income / (loss) for the year attributable to the members of the Group		(1,223,005)	(432,245)
Basic earnings and diluted earnings per share (cents per share)		(0.77)	(0.37)

The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	Consolidated 31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	31,718	10,461
Trade and other receivables		18,298	85,966
Total Current Assets		50,016	96,427
NON CURRENT ASSETS			
Financial assets		83,337	81,837
Exploration and evaluation expenditure	4	4,559,383	5,018,623
Total non-Current Assets		4,642,720	5,100,460
TOTAL ASSETS		4,692,736	5,196,887
CURRENT LIABILITIES			
Trade and other payables		437,491	484,564
Provisions		55,291	44,232
Borrowings - Secured		3,463,990	3,215,188
Borrowings - Unsecured		123,550	-
Total Current Liabilities		4,080,322	3,743,984
TOTAL LIABILITIES		4,080,322	3,743,984
NET ASSETS		612,414	1,452,903
EQUITY			
Contributed equity	5	48,031,936	47,649,420
Reserves		395,614	395,614
Accumulated losses		(47,815,136)	(46,592,131)
TOTAL EQUITY		612,414	1,452,903

The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year ended 31 December 2018

	Share Capital	Convertible Notes	Reserves	Accumulated Losses	Total
	\$		\$	\$	\$
2018					
Balance at 1 July 2018	47,649,420	-	395,614	(46,592,131)	1,452,903
Shares issued during the period (net of costs)	382,516	-	-	-	382,516
Loss attributable to members of the Group	-	-	-	(1,223,005)	(1,223,005)
Balance at 31 December 2018	48,031,936	-	395,614	(47,815,136)	612,414
2017					
Balance at 1 July 2017	46,692,113	225,000	395,614	(45,402,990)	1,909,737
Shares issued during the period (net of costs)	302,397	-	-	-	302,397
Convertible notes converted to shares	225,000	(225,000)	-	-	-
Loss attributable to members of the Group	-	-	-	(432,245)	(432,245)
Balance at 31 December 2017	47,219,510	-	395,614	(45,835,235)	1,779,889

The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 31 December 2018

	Consolidated	
	Half year ended 31 December 2018	Half year ended 31 December 2017
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
R&D refund received	-	96,661
Receipts from customers	6,632	82,338
Interest received	5,490	441
Payments to suppliers and employees	(254,050)	(360,261)
Net cash provided by (used in) operating activities	(241,928)	(180,821)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditure	(242,881)	(307,829)
Net cash provided by (used in) investing activities	(242,881)	(307,829)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	382,516	302,397
Net proceeds from borrowings	123,550	-
Net cash provided by (used in) financing activities	506,066	302,397
Net increase / (decrease) in cash and cash equivalents during the period	21,257	(186,253)
Cash and cash equivalents at beginning of period	10,461	318,478
Cash and cash equivalents at end of period	31,718	132,225

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The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2018

1. Basis of Preparation and Accounting Policies

This general purpose financial report for the interim 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*. AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report of Cannindah Resources Limited as at 30 June 2018, together with any public announcements made by Cannindah Resources Limited during the interim reporting period in accordance with the continuous disclosure obligations of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted are consistent with those of the previous financial period as disclosed in the 30 June 2018 annual report.

Going Concern

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

As disclosed in the financial statements, the Group incurred a loss of \$1,223,005 and had net cash outflows from operating and investment activities (exploration expenditure) of \$484,809 for the six months ended 31 December 2018. As at this date, the Group's current liabilities also exceeded its current assets by \$4,030,306 including the secured loan of \$3,463,990

At 31 December 2018, the Group had secured and unsecured loans with private investors (the Lenders) which have been used to fund the Group's ongoing exploration and administration costs. The secured facility of \$3,463,990 is due for repayment in May 2019. The short-term unsecured loan was largely repaid following the period end. The Group has remained in constant communication with the Lenders and continues to investigate a number of options to meet further repayment requirements including converting debt to equity, potential asset sales, capital raisings and if necessary further loan extensions. These discussions are on-going.

The Directors note that additional funds will be required for the Group to operate and conduct exploration activities over the next 12 months. It is expected that these funds will be obtained through additional capital raisings, borrowings and potential ore sales. In this regard, in March 2019, the Group issued 13.3 million shares to raise \$200,000 and secured an additional \$150,000 in a three-month short-term loan. The Group has considerable remaining security placement capacity under Listing Rules 7.1 and 7.1A, totalling 28.6 million shares. The Group has been able to raise capital in the past as required to support its activities and is continuing its discussions with sophisticated and professional investors.

As noted above, in accordance with its strategy, the Group continues to investigate and evaluate new opportunities within the mining and exploration sector and other sectors as appropriate. These opportunities include potential transactions or asset sales which would, if successful, inject substantial funds into the Group both for short term working capital requirements and for exploration expenditure.

As a result of the above, the Directors are confident that based on recent experience, the required additional funds can be obtained.

Accordingly, the Directors believe that the going concern basis is the appropriate basis for the preparation of the financial report. If for any reason the Group is unable to continue as a going

CANNINDAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2018

concern, it would impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

	Consolidated	
	Half year	Half year
	ended 31	ended 31
	December 2018	December 2017
	\$	\$
2. Revenue and Other Income		
The following items are relevant in explaining the financial performance for the period:		
Sales	6,632	82,337
Interest received from other persons	5,490	441
Total revenue and other income	12,122	82,778

3. Cash and Cash Equivalents

	Consolidated	
	31 December	30 June
	2018	2018
	\$	\$
Cash at bank and on hand	31,718	10,461

4. Exploration Expenditure

Movements in the exploration and evaluation expenditure asset for the six months ended 31 December 2018 were as follows:

	Half year	Half year
	ended 31	ended 31
	December	December
	2018	2017
	\$	\$
Balance at 30 June	5,018,623	4,158,351
Exploration expenditure during the period	212,614	375,287
Current year expenditure written off	(1,994)	-
Capitalised expenditure written off	(669,860)	-
Balance at 31 December	4,559,383	4,533,638

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of projects or alternatively through the sale of the areas of interest.

CANNINDAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2018

5. Contributed Equity

Movements in contributed equity during the six months ended 31 December 2018, were as follows:

	No of Shares	\$
Opening balance	151,219,278	47,649,420
Placements at 3.0 cents per share	5,633,334	169,000
Placement at 2.2 cents per share	11,000,000	242,000
Issue costs	-	(28,484)
Balance at 31 December 2018	167,852,612	48,031,936

6. Expenditure Commitments and Contingent Liabilities

There were no other significant changes to the commitments and contingencies disclosed in the most recent annual financial report.

7. Subsequent Events

On 14 March 2019, the Group advised the ASX that it has issued 13.3 million fully paid ordinary shares at 1.5 cents each to raise a total of \$200,000. The Group also secured an additional \$150,000 in a three-month short-term loan. The funds are to be used to further exploration at the Piccadilly project and for working capital, including the repayment of creditors.

Other than as disclosed in these financial statements, no matters or circumstances have arisen since 31 December 2018, which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

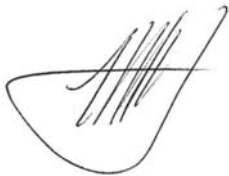
CANNINDAH RESOURCES LIMITED

DIRECTORS' DECLARATION

The Directors of the Group declare that:

1. The financial statements and notes:
 - a). comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Group 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 Board of Directors.



Thomas J Pickett
Executive Chairman
15 March 2019
Gold Coast

Independent Auditor's Review Report

To the Members of Cannindah Resources Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Cannindah Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, 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 Cannindah Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$1,223,005 during the half year ended 31 December 2018 and incurred operating cash outflows from operating and investing activities of \$484,809 for the period to date. As of 31 December 2018, the Group's current liabilities exceeded its current assets by \$4,030,306. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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 gives a true and fair view and 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 Group'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 Cannindah Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M S Bell
Partner – Audit & Assurance

Brisbane, 15 March 2019