



**RIFT VALLEY
RESOURCES LIMITED**

ACN: 121 985 395

Half Year Financial Report
31 December 2016

CORPORATE DIRECTORY

DIRECTORS

Stephen Dobson, Non-Executive Chairman
Geoff Gilmour, Managing Director
Gregory Cunnold, Technical Director
Akram Aziz , Non-Executive Director

COMPANY SECRETARY

Scott Mison

REGISTERED OFFICE

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ASX CODE

RVY

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SHARE REGISTRY

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AUDITORS

Ernst and Young
11 Mounts Bay Rd, Perth WA 6000

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity for the half-year ended 31 December 2016.

DIRECTORS

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

Steven Dobson	Non-Executive Chairman (appointed 2 November 2016)
Geoff Gilmour	Managing Director
Graeme Clatworthy	Non-Executive Director (resigned 15 February 2017)
Gregory Cunnold	Technical Director
Akram Aziz	Non-Executive Director

REVIEW OF OPERATIONS

The consolidated entity incurred an operating loss after income tax of \$618,730 (31 December 2015: \$393,289) for the half-year ended 31 December 2016.

OZANGO PROJECT, ANGOLA (RIFT VALLEY 70%)

OZANGO CONCESSION

A concession wide stream sediment program continued over the Ozango project during the period. This first pass will collect over 600 samples to complete a geochemical screen over the 3,762km² concession on a nominal 5km² catchment area. An ultrafine (-63 µm) sample is being collected at site and submitted for multi element analysis, as received. Sampling has been prioritized to target structures and deformation zones, interpreted from satellite imagery, in the initial stages before completing the remainder of the project area. The programme will be completed during the March quarter.

LONGONJO RARE EARTH PROSPECT

During the period, a metallurgical desktop study was carried out for the Longonjo rare earth oxide (REO) prospect. Using data from the beneficiation testwork on the trench composite sample (see ASX announcement "***Metallurgical Testwork Update Longonjo Prospect – 27th August 2015***") which successfully demonstrated that the mineralization can be physically upgraded producing concentrate grades of up to 19.4% REO.

A beneficiation process (Figure 1) was subsequently developed that incorporating the following stages:

- Crushing and grinding.
- De-sliming.
- Flotation.

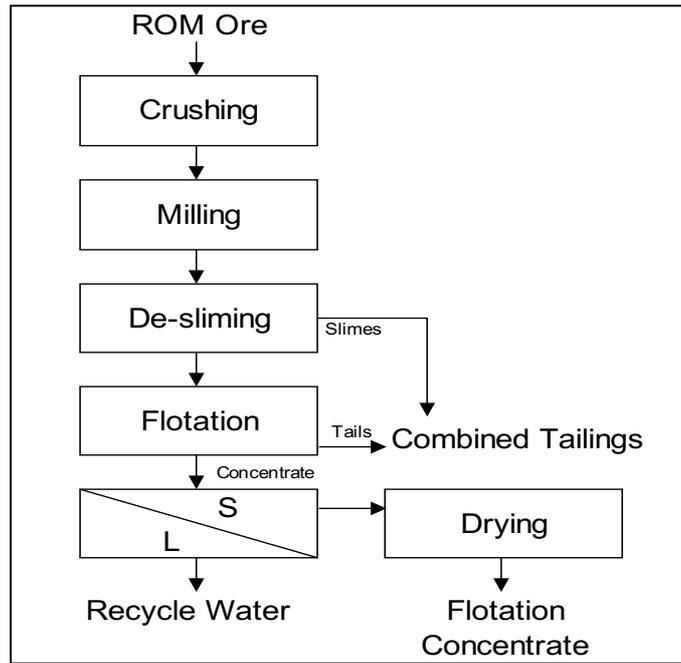


Figure 1: Block flow diagram of the tested beneficiation flowsheet

Hydrometallurgical testwork was undertaken on a composite flotation concentrate evaluating various extraction routes. As the rare earths are largely associated with refractory monazite minerals, a “cracking” process is required in order to extract the rare earths. Two cracking processes were tested:

- A sulphuric acid bake at elevated temperatures followed by water leaching.
- A caustic conversion using hot caustic soda followed by hydrochloric acid leaching.

The results are summarised in Table 1 with respect to the dissolution, or “recovery”, of key rare earths and gangue elements to the leach solution.

Table 1: Acid Bake and Caustic Conversion Results

	Leach Dissolution						
	REO (%)	CeO ₂ (%)	Nd ₂ O ₃ (%)	Pr ₆ O ₁₁ (%)	Fe ₂ O ₃ (%)	U ₃ O ₈ (%)	ThO ₂ (%)
Acid Bake Route	83.7	77.5	89.1	89.0	14.7	45.0	39.5
Caustic Conversion Route	64.1	27.5	90.1	90.0	76.4	70.2	56.8

The acid bake route was selected for the following reasons:

- Achieved good dissolution of the high value Nd and Pr rare earths
- Lower dissolution of gangue metals such as iron, thorium and uranium
- Lower reagent consumption
- Simple and proven flowsheet that has been demonstrated commercially

The simplified hydrometallurgical route is shown in Figure 2.

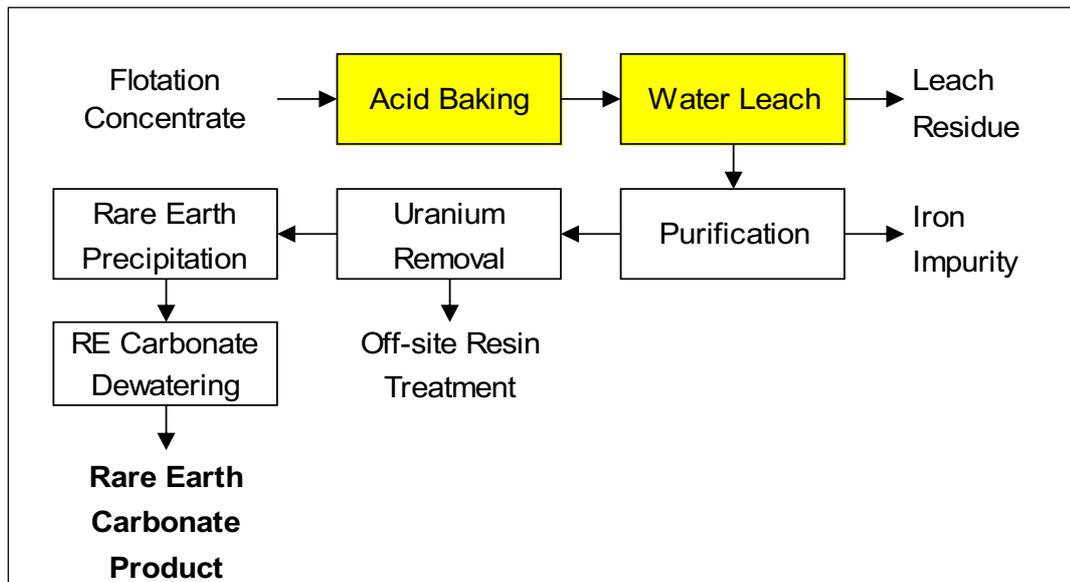


Figure 2: Block flow diagram of the recommended hydrometallurgical flowsheet (tested stages shaded)

The overall recommended flowsheet is shown pictorially in Figure 3 overleaf.

The proposed final product is a mixed rare earth carbonate that will be sold or toll treated at a third party refinery. There is also the potential to create greater revenue should the company decide to build an extraction facility to produce separated rare earth oxides on the back of the proposed hydrometallurgical plant.

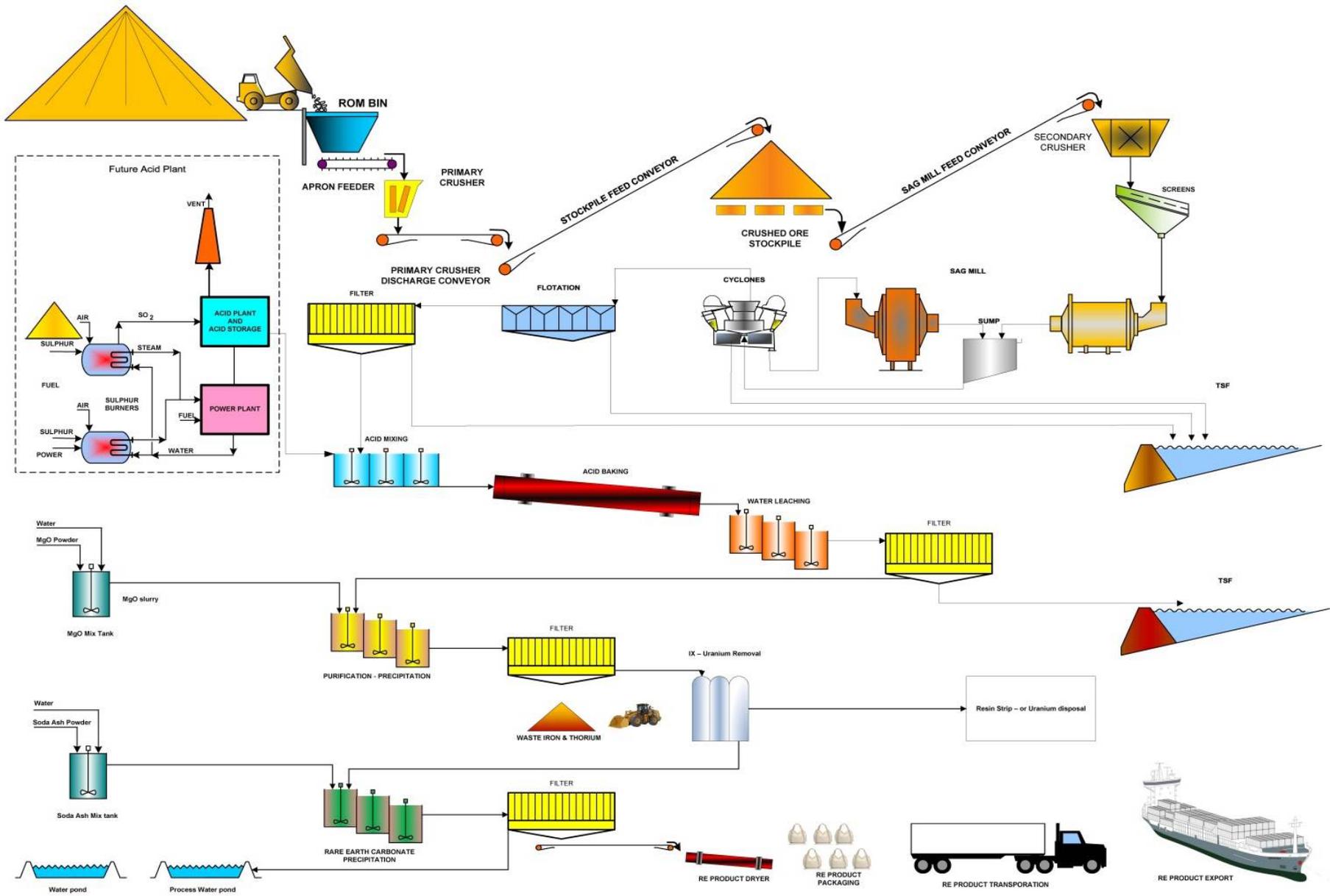


Figure 3 – Overall Flowsheet

MIYABI PROJECT, TANZANIA (RIFT VALLEY 100%)

Ongoing RC drilling during the period, at the Company's 100% owned Miyabi project, returned further significant gold intersections. Of note were the results from the Sid (IP) anomaly (Figure 4). This prospect was generated and categorised as a high priority drill target from the recent data base migration and geophysical interpretation conducted by the company.

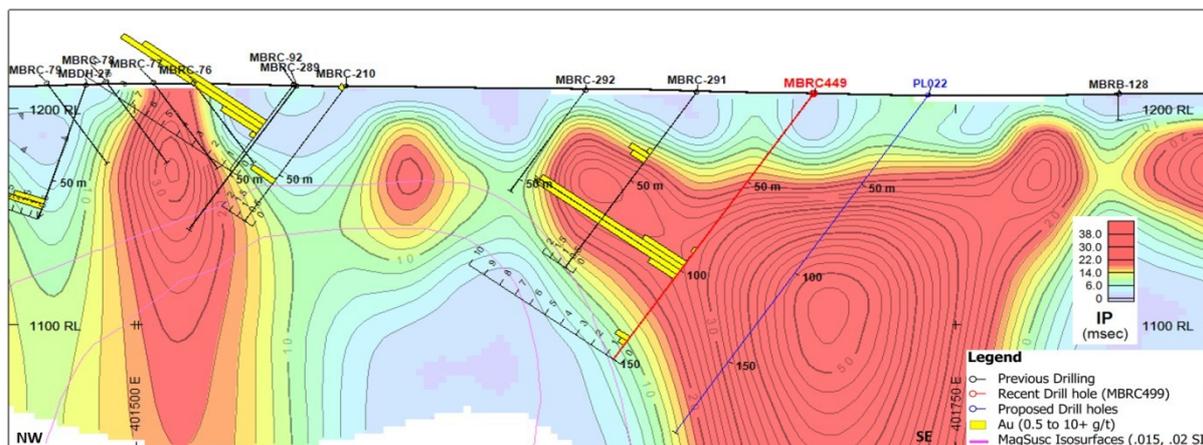


Figure 4 – Sid IP Anomaly

At the Shambani prospect, drilling tested the western extents of known gold mineralisation. Composite samples returned significant intersections, including 6 meters @ 5.03 g/t Au from 81 meters. Results to date support the theory that the two defined mineralised envelopes delineated to date at Shambani, may join in a fold closure to the west.

Current Mineral Resources are tabulated in Table 2. A drill-hole location plan detailing the new drill intercepts in context with previous drilling and resource envelopes, is presented below (Figure 5). A full list of new drilling results is presented in Table 3.

Deposit	Indicated		Inferred		Total		
	Mt	g/t	Mt	g/t	Mt	g/t	Ounces
Dalafuma	0.5	5.4	0.7	3.1	1.2	4.1	166,700
Faida	3.3	1.4	2.2	1.2	5.5	1.3	241,100
Kilimani	2.7	1.3	1.0	1.4	3.7	1.3	156,700
Ngaya			1.7	1.1	1.7	1.1	57,700
Shambani	0.5	1.8	1.6	1.0	2.1	1.2	81,300
Total	7.0	1.7	7.2	1.4	14.2	1.5	703,500

Table 2 – Miyabi Gold Project July 2015 Mineral Resources at 0.5g/t Au Cut-off

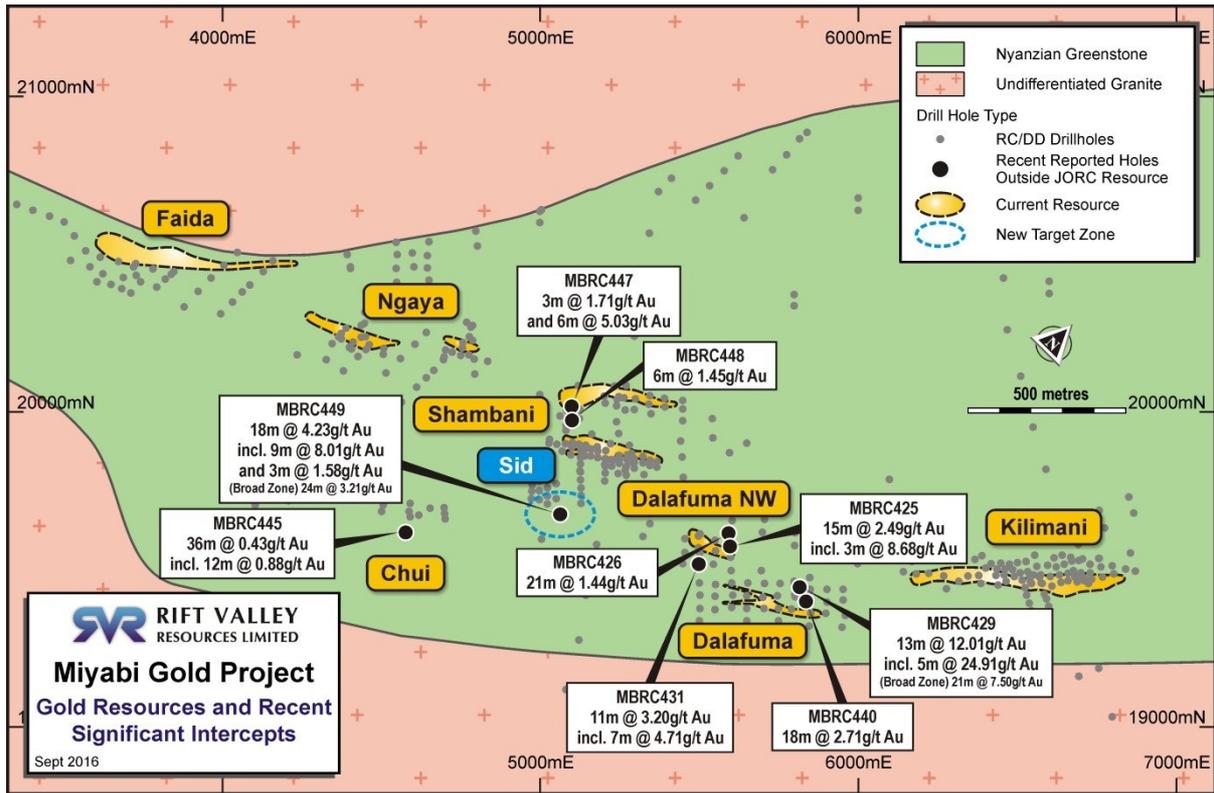


Figure 5 – drill hole location plan

The drilling programme at Miyabi ceased in December 2016 with extensional drilling at Dalafuma and Shambani being carried out. Results of which will be compiled for an updated resources estimation in the March quarter. Some 31 holes were drilled in total for an advance of 4558 meters. Rift Valley also drilled a water bore for the local community. A good flow of potable water was developed alleviating a dire need.



Miyabi Significant Intercepts 2016 Drilling : > 1.0 ppm Au											
Project	Prospect	SiteID	East	North	RL	Dip	Azim	Depth	Depth	Width	AuPPM
								From	To		
Miyabi	Shambani	MBRC446	401500	9577832	1192	-55	315				
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	15	18	3	1.71
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	66	69	3	1.9
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	81	87	6	5.03
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	72	75	3	1.58
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	105	108	3	1.49
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	141	144	3	2.19
Miyabi	Sid	MBRC449	401702	9577539	1193	-55	315	96	105	9	8.01
Miyabi	Sid	MBRC449	401702	9577539	1193	-55	315	138	141	3	1.58

Miyabi Significant Intercepts 2016 Drilling : > 0.5 ppm Au											
Project	Prospect	SiteID	East	North	RL	Dip	Azim	Depth	Depth	Width	AuPPM
								From	To		
Miyabi	Chui	MBRC445	401400	9577155	1186	-54.5	0	99	111	12	0.882
Miyabi	Shambani	MBRC446	401500	9577832	1192	-55	315				
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	15	18	3	1.71
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	66	75	9	0.86
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	81	87	6	5.03
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	72	75	3	1.58
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	99	117	18	0.627
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	138	144	6	1.45
Miyabi	Sid	MBRC449	401702	9577539	1193	-55	315	87	105	18	4.23
Miyabi	Sid	MBRC449	401702	9577539	1193	-55	315	138	141	3	1.58

Miyabi Significant Intercepts 2016 Drilling : > 0.25 ppm Au											
Project	Prospect	SiteID	East	North	RL	Dip	Azim	Depth	Depth	Width	AuPPM
								From	To		
Miyabi	Chui	MBRC445	401400	9577155	1186	-54.5	0	84	120	36	0.426
Miyabi	Shambani	MBRC446	401500	9577832	1192	-55	315	54	60	6	0.265
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	6	18	12	0.563
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	42	45	3	0.37
Miyabi	Shambani	MBRC447	401486	9577807	1192	-55	315	51	108	57	0.821
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	63	78	15	0.546
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	84	87	3	0.29
Miyabi	Shambani	MBRC448	401519	9577777	1196	-55	315	93	153	60	0.456
Miyabi	Sid	MBRC449	401702	9577539	1193	-55	315	84	108	24	3.211
Miyabi	Sid	MBRC449	401702	9577539	1193	-55	315	117	144	27	0.319

Table 3 – Significant Intercepts

Intercept Scheme Parameters	
Lower Cutoff	0.5 ppm Au
Upper Cut	None
Minimum Grade of intercept:	0.5 ppm Au
Minimum Width of Intercept:	1m
Downhole Widths reported	
Max. Contiguous Waste	3m

New Licence

A new prospecting licence, PL/10908/2016 has been issued replacing PL/11026/15 (Figure 6). The licence is for a 4 year period and is able to be extended for an additional 3 years and a further 2 years thereafter.

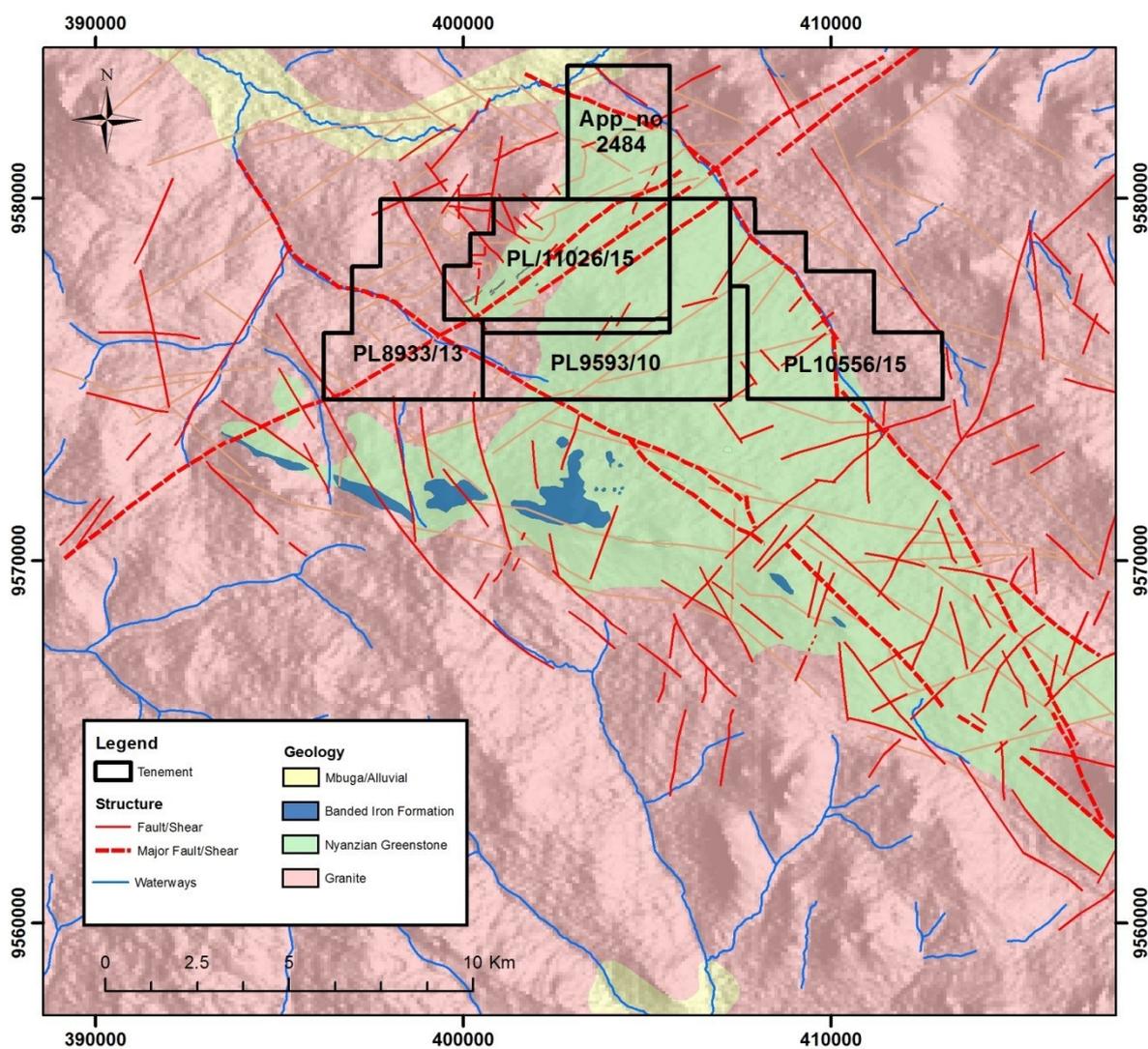


Figure 6 - Miyabi Gold Project Tenement Map

KITONGO PROJECT, TANZANIA (RIFT VALLEY 100%)

There was no exploration activity at Kitongo during the period. Geophysical interpretation and database migration programmes, completed during the previous period on the Kitongo project, facilitated drill planning and preparation. Proposed drill sites have been inspected and drilling contracts negotiated with a view to drilling during the coming quarter, weather permitting. The previous drilling campaign intersected encouraging gold mineralisation, emphasising the potential to expand the resources at Kitongo. Better intersections from that drilling included:

12m @ 2.22g/t from 66m in KTRC263
9m @ 1.54g/t from 60m in KTRC266

The results are along strike to the north of previously announced intersections from the 2014 program which included:

21m @ 2.68g/t from 12m in KTRC259
18m @ 1.55g/t from 51m in KTRC260

An estimated 1000m of strike potential exists to the north with anomalous mineralisation in shallow RAB holes suggesting that the zone continues until it joins the Isengenge prospect illustrated below (figure 3). Importantly, the mineralisation remains open further to the north where previous, shallow geochemical drilling has defined anomalous mineralisation to the north toward the Isengenge prospect. Further drilling is required to properly test the potential of this zone. The planned programme would utilize approximately 1100m of RC drilling to test the drawn hypothesis.

CORPORATE

During the period, the Company raised \$800,000 through the issue of 40,000,000 shares at \$0.02 per share. As part of the placement, the company also issued 20,000,000 unlisted options exercisable at \$0.035 expiring 3 November 2018.

On 2 November 2016, the Company appointed Mr Stephen Dobson as Non-Executive Chairman.

Stephen's appointment is instrumental in assisting the Company in the future capital requirements and strategies necessary for the advancement and unlocking the value of the existing projects in both Tanzania and Angola.

Stephen is a financial specialist with more than 25 years' experience in global capital debt and equity markets. He was previously Managing Director of Mirabaud Securities Australia; part of the Swiss based Mirabaud Group. Mirabaud is a leader in corporate finance in the UK, ranking number 1 and 2 on the London Stock Exchange's AIM market for mine development capital raising's, within the oil & gas and natural resources sectors respectively in 2014. He has been a director of ASX and AIM listed companies and was most recently a director of Carbine Resources Limited.

Stephen also has previous experience at Merrill Lynch & Co, where he held leadership positions in Sydney, New York, London, Singapore and Perth.

As part of his incentive package, Stephen has been issued 5,000,000 unlisted options exercisable at \$0.04 each, 5,000,000 unlisted options exercisable at \$0.06 each expiring on 2 November 2019 and 5,000,000 performance rights when the share price is above \$0.10 on a VWAP basis for 90 consecutive days.

3,000,000 performance rights will also be granted when a minimum \$5,000,000 is raised at a price determined by the board.

On the 30 November 2016, the Company held its Annual General Meeting for shareholders. At the meeting, 3,000,000 performance rights were approved to be issued to the Directors.

- **Competent Person:** We advise in accordance with Australian Stock Exchange Limited Listing Rules 5(6) that the exploration results for the Ozango Project contained within this ASX Release is based on information compiled by Mr Greg Cunnold who is a member of the Australian Institute of Mining and Metallurgy. Mr Cunnold is a director and shareholder of Rift Valley Resources Ltd and has consented in writing to the inclusion in this ASX Release of matter based on the information so compiled by him in the form and context in which it appears. Mr Cunnold has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to be qualified as a Competent Person as defined by the 2012 Edition of the "Australian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".
- The information in this report that relates the Exploration Results and Mineral Resources for the Kitongo and Miyabi gold deposits is based on information compiled by Mr Paul Payne, a full time employee of Payne Geological Services and a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is a consultant to and a shareholder of Rift Valley Resources and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- The information in this release that relates to Metallurgical Test-work is based on and fairly represents information compiled and / or reviewed by Mr Gavin Beer who is a Member of The Australasian Institute of Mining and Metallurgy and a Chartered Professional. Mr Beer is a Consulting Metallurgist and a full-time employee of Met-Chem Consulting Pty Ltd. Mr Beer has sufficient experience relevant to the activity which he is undertaking to be recognised as competent to compile and report such information. Mr Beer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- All information relating to Mineral Resources was prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last updated

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 27 and forms part of the directors' report for the half year ended 31 December 2016.

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



Geoffrey Gilmour
Managing Director
Dated this 1st day of March 2017

DIRECTOR'S DECLARATION

In the opinion of the Directors:

- a. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - I. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and the performance for the half-year ended on that date, and
 - II. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b. Subject to the matters disclosed at note 1(d), there are reasonable grounds to believe that the company 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.



Geoffrey Gilmour

Managing Director

Dated this 1st day of March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

	Half-year ended 31 Dec 2016 A\$	Half-year ended 31 Dec 2015 A\$
Interest revenue	610	3,091
Administration expenses	(153,306)	(85,134)
Corporate expenses	(481,424)	(442,466)
Foreign currency exchange gain	15,390	131,220
Loss before income tax	(618,730)	(393,289)
Income tax benefit	-	-
Total loss for the period	(618,730)	(393,289)
Other comprehensive income		
<i>Items which may be subsequently reclassified to profit or loss</i>		
Foreign currency translation	334,517	406,951
Other comprehensive income for the period	334,517	406,951
Total comprehensive loss for the period	(284,213)	13,662
Net loss for the period is attributable to:		
Owners of Rift Valley Resources Limited	(618,730)	(393,289)
Total comprehensive loss is attributable to:		
Owners of Rift Valley Resources Limited	(284,213)	13,662
Loss per share attributable to owners of Rift Valley Resources Limited:		
Basic (cents per share)	(0.10)	(0.11)
Diluted (cents per share)	(0.10)	(0.11)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 December 2016 A\$	30 June 2016 A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		673,593	1,389,239
Trade and other receivables		57,335	74,753
Deposits		32,185	32,185
Prepayments		20,563	19,723
Available-for-sale financial assets		-	156
TOTAL CURRENT ASSETS		783,676	1,516,056
NON-CURRENT ASSETS			
Property, plant and equipment		113,661	184,613
Exploration and evaluation expenditure	6	16,559,630	15,203,174
TOTAL NON-CURRENT ASSETS		16,673,291	15,387,787
TOTAL ASSETS		17,456,966	16,903,843
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		370,126	461,291
TOTAL CURRENT LIABILITIES		370,126	461,291
TOTAL LIABILITIES		370,126	461,291
NET ASSETS		17,086,842	16,442,552
EQUITY			
Issued capital	5	37,244,284	36,444,284
Reserves	7	4,558,791	4,095,772
Accumulated losses	8	(24,716,234)	(24,097,504)
TOTAL EQUITY		17,086,842	16,442,552

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2016

	Fully paid ordinary shares	Accumulated Losses	Foreign Currency Reserve	Share Option Reserve	Total
	A\$	A\$	A\$	A\$	A\$
Balance at 1 July 2015	34,461,535	(22,748,651)	1,016,871	2,597,284	15,327,039
Loss for the year	-	(393,289)	-	-	(393,289)
Other comprehensive income	-	-	406,951	-	406,951
Total comprehensive income for the year	-	(393,289)	406,951	-	13,662
Issue of shares	25,000	-	-	-	25,000
Issue of shares – Mtemi acquisition	480,000	-	-	171,420	651,420
Share issue costs refund / (expense)	(10,000)	-	-	10,000	-
Shares issued on vesting of Performance Rights	100,000	-	-	(100,000)	-
Share based payments	-	-	-	60,493	60,493
Balance at 31 December 2015	35,056,535	(23,141,940)	1,423,822	2,739,197	16,077,614
Balance at 1 July 2016	36,444,284	(24,097,504)	1,305,567	2,790,205	16,442,522
Loss for the year	-	(618,730)	-	-	(618,730)
Other comprehensive income	-	-	334,517	-	344,517
Total comprehensive income for the year	-	(618,730)	334,517	-	(284,213)
Issue of shares	800,000	-	-	-	800,000
Share based payments	-	-	-	128,500	128,500
Balance at 31 December 2016	37,244,284	(24,716,234)	1,640,084	2,918,705	17,086,842

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2016

	Half-year ended 31 Dec 2016 A\$	Half-year ended 31 Dec 2015 A\$
Cash flows from operating activities		
Payments to suppliers and employees	(485,382)	(393,544)
Net cash used in operating activities	(485,382)	(393,544)
Cash flows from investing activities		
Interest received	610	3,091
Net cash inflows on acquisition of subsidiary	-	12,217
Payments for exploration expenditure	(1,030,874)	(1,833,442)
Net cash used in investing activities	(1,030,264)	(1,818,134)
Cash flows from financing activities		
Proceeds from issue of shares	800,000	-
Net cash provided by financing activities	800,000	-
Net decrease in cash and cash equivalents	(715,646)	(2,211,678)
Cash and cash equivalents at the beginning of the period	1,389,239	3,331,185
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	42,517
Cash and cash equivalents at the end of the period	673,593	1,162,024

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information

Rift Valley Resources Limited (the Company) is a public Company listed on the Australian Securities Exchange (trading under the code: RVY), incorporated in Australia and operating from Perth. The Company's registered office and its principal place of business is Ground Floor, 10 Outram Street, West Perth WA 6005.

Rift Valley Resources Limited is a gold and mineral exploration company operating in Tanzania and Angola.

The financial statements for Rift Valley Resources Limited and its subsidiaries (the Group) for the half year ended 31 December 2016 were approved and authorised for issue by the Board of Directors on XX February 2017.

(b) Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report. It is also recommended that the half-year financial report be considered together with any public announcements made by the Group during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(c) Basis of preparation

The half-year financial report has been prepared on the basis of historical cost, except for available-for-sale financial assets that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

(d) Going concern

The half-year financial statements have been prepared on the basis that the consolidated entity is a going concern, which considers the realisation of assets and the settlement of liabilities in the normal course of business activities. As at 31 December 2016 the consolidated entity has a net current asset position of \$413,550 (30 June 2016: \$1,054,765).

At 31 December 2016 the company has commitments of \$422,143 (30 June 2016: \$155,788) in respect of minimum expenditure required under exploration permits and mineral leases in order to keep the rights of tenure current.

The Group is reliant on being able to raise additional capital.

The Directors are currently reviewing a range of financing options. While financing is expected to be finalised within the short term to allow the Group to perform further exploration during 2017 - 2018, there is no certainty that financing will be completed as anticipated.

The Directors are confident of being able to raise the required capital, but note that financing has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

(e) Summary of significant accounting policies

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2016. All new and amended accounting standards and interpretations effective 1 July 2016 have been adopted by the Group. The adoption of new standards and amendments from 1 July 2016 has not had a significant impact on the accounting policies of the Group.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

(f) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controlled from time to time during the year and at balance date.

Subsidiaries are all those entities controlled by the Company. Control exists where the parent entity has the capacity to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. The financial information of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies

2. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the manner in which exploration activities are monitored. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Group operates in mineral exploration in Tanzania and Angola.

Adjustments and eliminations

Finance income and expenses, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis. Inter-segment revenues are eliminated on consolidation.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

Segment information provided to the Board

31 December 2016	Tanzania \$	Angola \$	Total \$
Total segment revenue	-	-	-
Total segment result	-	-	-
Total segment assets	11,954,558	4,605,072	16,559,630
Total segment liabilities	(44,162)	(6,326)	(50,488)

31 December 2015

Total segment revenue	-	-	-
Total segment result	-	-	-
Total segment assets	11,029,869	3,472,668	14,502,537
Total segment liabilities	-	-	-

30 June 2016

Total segment assets	11,185,511	4,017,662	15,203,173
Total segment liabilities	(59,173)	-	(59,173)

	31 Dec 16 \$	31 Dec 15 \$
Segment result reconciled to loss before tax as follows:		
Segment result	-	-
Interest revenue	610	3,091
Administration expenses	(153,306)	(85,134)
Corporate expenses	(481,424)	(422,466)
Marketing expenses	-	-
Foreign currency exchange gain	15,390	131,220
Loss before income tax	(618,730)	(373,289)
	31 Dec 16 \$	30 June 16 \$
Segment assets reconciles to total assets as follows:		
Segment assets	16,559,630	15,203,174
Current assets	783,676	1,515,900
Property, plant and equipment	113,661	184,613
Corporate assets	-	156
Total assets	17,456,967	16,903,843
Segment liabilities reconciles to total liabilities as follows:		
Segment liabilities	(50,488)	(59,173)
Current liabilities	(319,638)	(402,118)
Total liabilities	(370,126)	(461,291)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

3. DIVIDENDS

There were no dividends paid or proposed during the half-year.

4. LOSS FROM OPERATIONS

	31 Dec 16	31 Dec 15
	\$	\$
Loss from continuing operations before income tax includes the following items of expense:		
Employee benefits expense	128,500	205,903
Depreciation and amortisation expense	67,418	19,719

5. ISSUED CAPITAL

	31 Dec 16	31 Dec 16	30 June 16	30 June 16
	No. Shares	\$	No. Shares	\$
Balance at the beginning of the period	593,978,280	36,444,284	497,478,280	34,461,535
Shares issued on vesting of Performance Rights	-	-	2,500,000	100,000
Issue of shares – Mtemi acquisition	-	-	32,000,000	480,000
Share placement	40,000,000	800,000	60,000,000	1,500,000
Issue as consideration for placement	-	-	1,000,000	25,000
Share issue costs refunds/(expenses)	-	-	-	(122,251)
Balance at the end of the period	633,978,280	37,244,284	592,978,280	36,444,284

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2016	30 June 2016
	\$	\$
Balance at beginning of the period	15,203,174	12,597,762
Additions	1,030,874	2,362,306
Acquisition of Mtemi Resources	-	7,843
Foreign exchange movement	325,582	235,263
Balance at the end of the period	16,559,630	15,203,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

7. RESERVES

	2016	2015
	\$	\$
Share Option Reserve		
Balance at 1 July	2,790,205	2,597,284
Option expense	128,500	141,913
Balance at 31 December	<u>2,918,705</u>	<u>2,739,197</u>

- (i) The Share Option Reserve arises on the grant of share options and performance rights to executives and senior employees.

	2016	2015
	\$	\$
Foreign Currency Translation Reserve		
Balance at the beginning of the period	1,305,567	1,016,871
Effect of foreign currency exchange differences	334,517	406,951
Balance at the end of the period	<u>1,640,084</u>	<u>1,423,822</u>

8. ACCUMULATED LOSSES

	2016	2015
	\$	\$
Balance at 1 July	(24,097,504)	(22,748,651)
Net loss for the period	(618,730)	(393,289)
Balance at 31 December	<u>(24,716,234)</u>	<u>(23,141,940)</u>

9. FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis; and
- (iii) the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of the available for sale asset is derived from quoted market prices in an active market, and as such is classified as Level 1 in the fair value hierarchy. There were no Level 2 or Level 3 instruments at 31 December 2016, nor were there any transfers between levels during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

10. INTERESTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest	
		31 Dec 2016 %	30 June 2016 %
Parent entity:			
Rift Valley Resources Limited	Australia		
Controlled entities:			
Carlton Resources Pty Ltd	Australia	100	100
Carlton Miyabi Tanzania Limited	Tanzania	100	100
Carlton Kitongo Tanzania Limited	Tanzania	100	100
Bright Star Tanzania Limited	Tanzania	100	100
Rift Valley Resources (Africa) Pty Ltd	Australia	100	100
Rift Valley Resources Tanzania Limited	Tanzania	100	100
Tasman Goldfields Australia Operations Pty Ltd	Australia	100	100
Sable Minerals Pty Ltd	Australia	100	100
Sable Minerals GmbH	Germany	100	100
Ozango Minerai S.A.	Angola	70	70
Mtemi Resources Pte Ltd	Singapore	100	100
Mtemi G Pte Ltd	Singapore	100	100
Mtemi O Pte Ltd	Singapore	100	100
Mtemi U Pte Ltd	Singapore	100	100
Mtemi G (Tanzania) Ltd	Tanzania	100	100
Mtemi O (Tanzania) Ltd	Tanzania	100	100
Mtemi U (Tanzania) Ltd	Tanzania	100	100

11. SUBSEQUENT EVENTS

The directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly affect the operations of the Group, the results of the operations of the Group, or the state of affairs of the Group in subsequent financial years.

12. COMMITMENTS FOR EXPENDITURE

The consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the consolidated entity.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	31 Dec 16	30 June 2016
	\$	\$
No longer than 1 year	130,415	7,432
Longer than 1 year and not longer than 5 years	291,728	148,356
Longer than 5 years	-	-
Total	422,143	155,788

Pursuant to the agreement for the acquisition of the Kitongo Gold Project the Company will be required to pay an amount of \$750,000 to the vendor on the commencement of production.

Independent auditor's report to the members of Rift Valley Resources Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Rift Valley Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the 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 controls as the directors determine are 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 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 Rift Valley Resources Limited and the entities it controlled during the half-year, 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

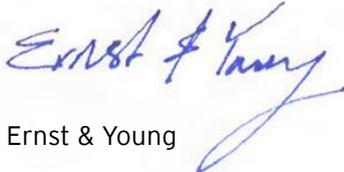
Conclusion

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 Rift Valley Resources Limited is not in accordance with the *Corporations Act 2001*, including:

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

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2(a) of the half-year financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



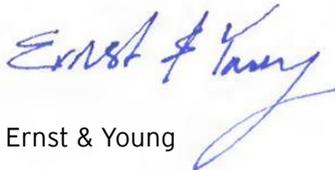
D A Hall
Partner
Perth
1 March 2017

Auditor's Independence Declaration to the Directors of Rift Valley Resources Limited

As lead auditor for the review of Rift Valley Resources Limited for the half-year ended 31 December 2016, 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 conduct in relation to the review.

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



Ernst & Young



D A Hall
Partner
1 March 2017