SANTANA MINERALS LIMITED

HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2016

Content

Directors' Report

Your Directors present their report, including the Financial Report for the consolidated entity for the half-year ended 31 December 2016.

Directors

The directors of Santana Minerals Limited ("Santana" or "the Company") at any time during or since the half-year ended 31 December 2016 are:

Mr Norman A Seckold, Non-Executive Chairman

Appointed 15 January 2013

Mr Seckold graduated with a Bachelor of Economics from the University of Sydney in 1970. He has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas. Of relevance is his particularly successful involvement in management of Mexican based projects.

Mr Seckold is currently Chairman and Director of Planet Gas Ltd (director since December 2001) and Augur Resources Ltd (director since November 2009).

He has been Chairman of Bolnisi Gold NL, Palmarejo Silver and Gold Corporation, Moruya Gold Mines NL, Pangea Resources Limited, Timberline Minerals, Inc., Perseverance Corporation Limited, Valdora Minerals NL, Viking Gold Corporation, Mogul Mining NL, San Anton Resource Corporation Inc., Cockatoo Coal Limited, Equus Mining Limited, Cerro Resources NL and Jervois Mining Ltd.

Mr Anthony J McDonald, Managing Director

Appointed 15 January 2013

Mr McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981. He was admitted as a solicitor in 1982. He has been involved in the natural resources sector in Australia and internationally for many years and in the past 16 years has been actively involved in management in the resources sector.

Mr McDonald is currently a non-executive director of Planet Gas Limited (director since November 2003).

Mr Richard E Keevers, Independent Non-Executive Director

Appointed 15 January 2013

Mr Keevers graduated with a Bachelor of Science from the University of New England in NSW. He is a qualified and experienced geologist, having held senior positions with BH South Limited and Newmont during his 20 years in the mining industry. Subsequently he was an executive director of Pembroke Josephson Wright Limited, an Australian share brokerage firm, for ten years.

Mr Keevers is currently Chairman and Director of Renascor Resources Limited (director since July 2016).

In the last 3 years Mr Keevers has been Chairman and director of both ActivEX Limited and Zamia Limited.

Company Secretary

Mr Craig J McPherson

Corporate Secretary (since 15 January 2013)

Mr McPherson graduated with a Bachelor of Commerce degree from the University of Queensland and is a member of the Chartered Accountants Australia and New Zealand. He has twenty years of commercial and financial management experience and has held various roles with ASX and TSX listed companies over the past ten years in Australia and overseas.

Operating and financial review

Review of Operations

The Company's focus is silver and gold +/- polymetallic exploration projects with the primary focus being the Cuitaboca project in the State of Sinaloa, Mexico. The Company also retains its interest in the Namiquipa silver/polymetallic project in the State of Chihuahua, Mexico.

Mexico – Cuitaboca (earning to 80%)

The Cuitaboca Project mining concessions cover an area of 5,500ha approximately 100 km north east of the city of Los Mochis in Sinaloa, Mexico (**Figure 1**).

Cuitaboca lies in the foothills of the Sierra Madre Occidental dominated by andesite flows and tuffs of the lower volcanic group, with minor rhyolites of the upper volcanic group at higher elevations. Gold-silver rich polymetallic mineralisation is hosted in the lower volcanic group andesites.

The Cuitaboca mining concessions are owned by Consorcio Minero Latinamericano SA de CV (Concession Holder) which has granted rights to acquire 100% of the mining concessions through a Concession Option Agreement, to Minera Cuitaboca SA de CV ("Project Company" a controlled entity of Santana). Santana is earning up to an initial 80% interest in the Project Company and has committed to meet 100% of expenditure. Santana has management of the Cuitaboca Project through ownership of the Project Company. Santana is required to meet all expenditure (including option fees which the Project Company has agreed to pay the Concession Holder, concession rentals plus exploration expenditure as Santana determines). Once the Concession Option Agreement is completed the expenditure reverts to 80% Santana 20% to a co-venturer (a director related party) and contribution to budgets will be pro-rata or the non-contributing party will dilute.

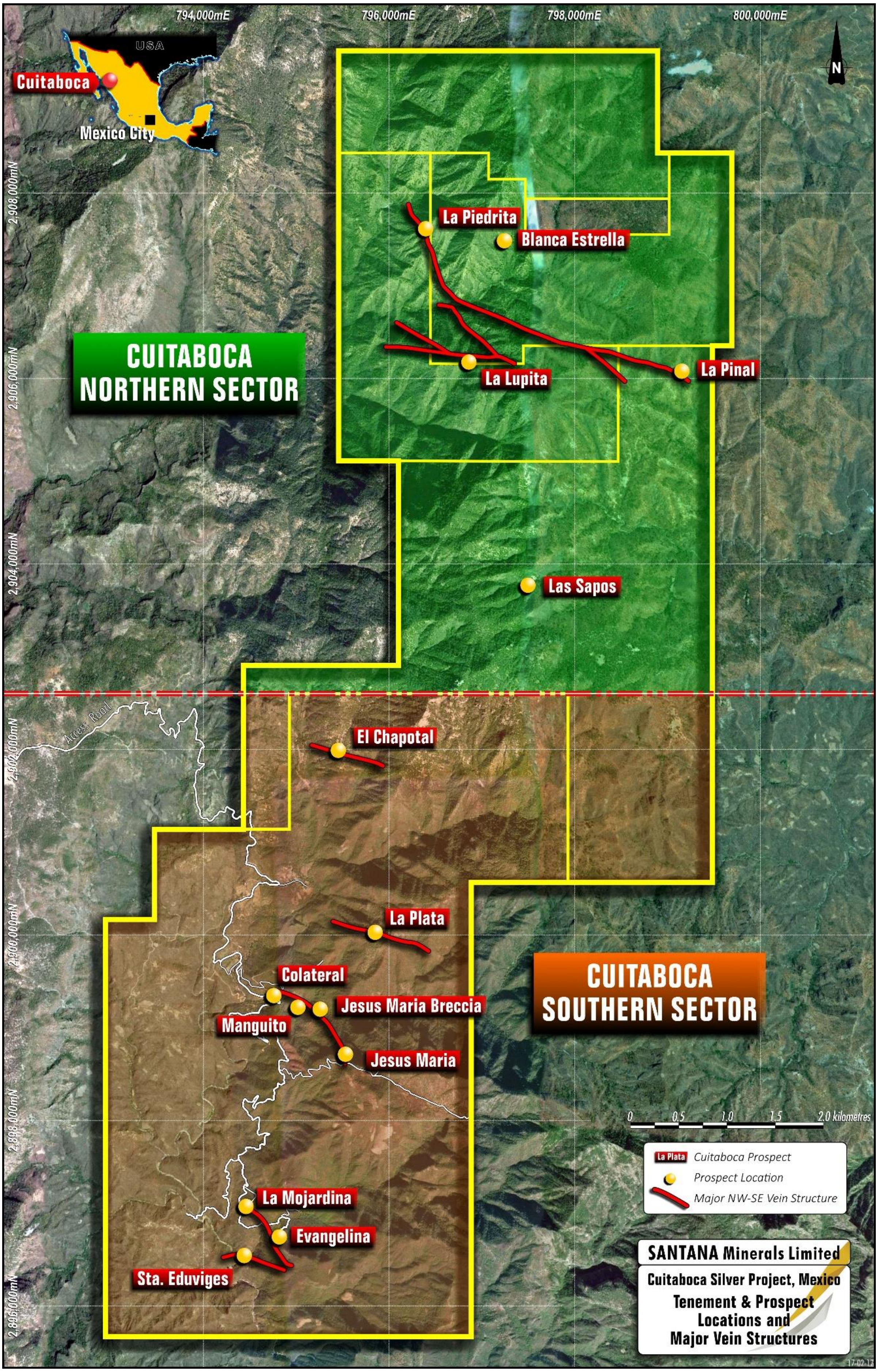

Figure 1. Cuitaboca Project location map including major vein/prospect locations.

Exploration Overview

Mojardina Prospect

Following the favourable drilling results in mid-2016 the Company undertook a second phase of reverse circulation (RC) drilling in October/November 2016 at Mojardina (12 holes for 1,995m) and a first phase drilling program at the Jesus Maria prospect (6 holes for 914m).

The interpretation of the Mojardina prospect as holding potential for a bulk tonnage silver +/- lead and zinc project has advanced as a result of the drilling. Two structures (Evangelina and Las Animas) are dominant and remain open to the south-east, the north-west and at depth (**Figure 2**).

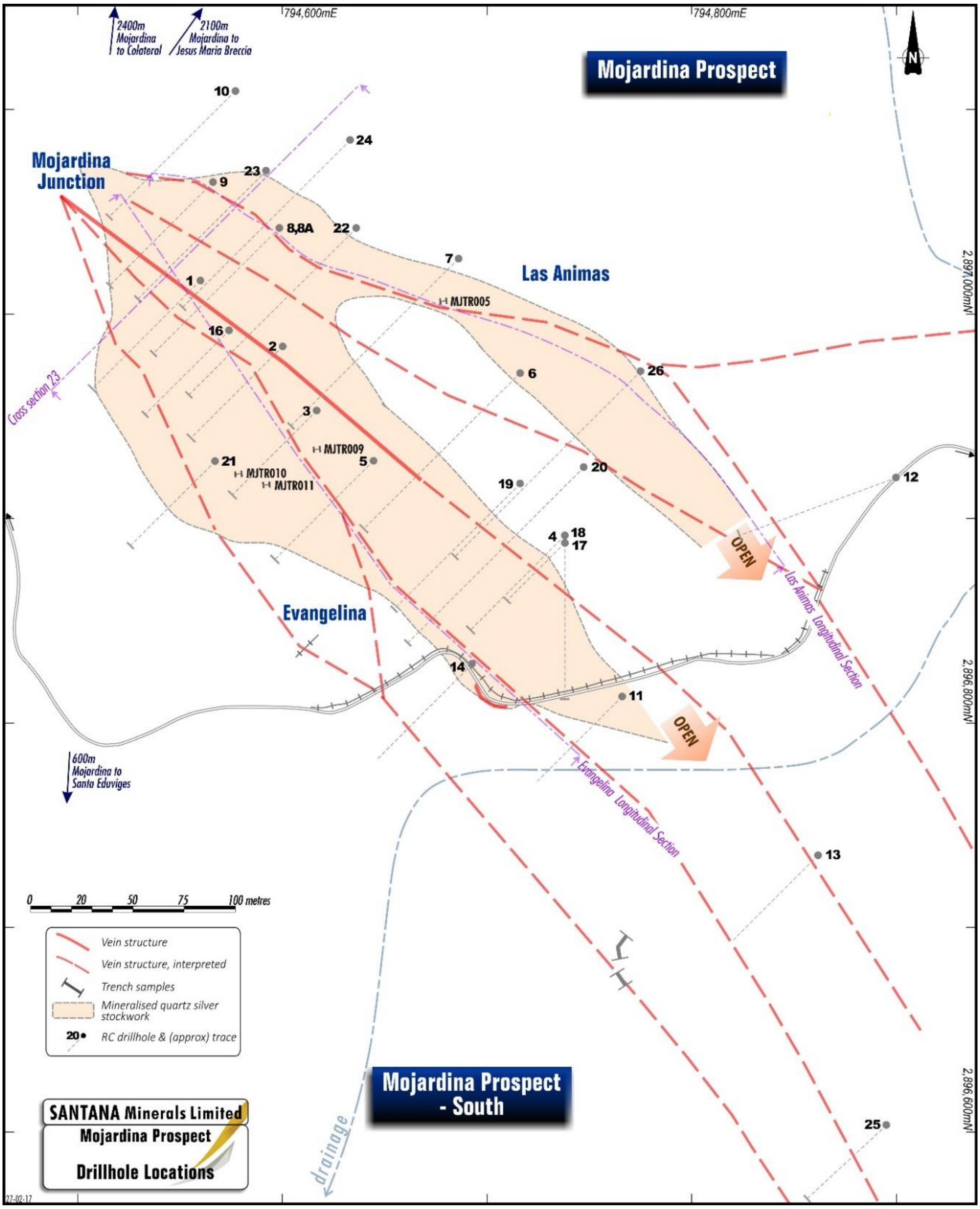

Figure 2. Mojardina Prospect Drill and Diamond Saw Trench locations. Refer also to Table 1 and Figures 3, 4 & 5.

The program resulted in identification of extensions of the higher grade zones within the silver host structure. Results are set out in **Table 1**.

Table 1: Combined Phases I and II at Mojardina Prospect

Phase I Drilling (May 2016)

Hole No	Fig: 2 Plan ref hole No	Intersection metres	Ag g/t	From metres	Other	Vein structure tested (Fig 2)
RC16CT-01	1	10	64	6		Evangelina
RC16CT-02	2	14	76	surface		Las Animas (footwall)
		22	34	69	+ 0.77% Zn	Evangelina (hanging wall)
RC16CT-03	3	83	97	surface	includes	Evangelina
		16	91	surface	and	Evangelina
		25	222	47		Evangelina
RC16CT-04	4	67	66	31	includes	Evangelina
		7	325	31	includes	Evangelina
		2	1,034	33	and	Evangelina
		12	104	79		Evangelina
RC16CT-05	5	51	42	21	+0.23% Zn includes	Evangelina
		11	72	21	includes	Evangelina
		23	50	49	+0.79% Zn	Evangelina
RC16CT-06	6	11	50	106	and	Evangelina
		18	32	173	+ 0.31% Zn	Evangelina
RC16CT-07	7	2	120	113	and	Evangelina
		23	-	117	+ 1.1% Zn +0.13g/t Au + 0.42% Pb	Evangelina - zinc zone only
RC16CT-08	8	6	96	surface		Las Animas
		8	127	32		Las Animas - Internal stockwork
		9	78	81		Evangelina
RC16CT-09	9	7	48	52		Las Animas
		5	50	111	+1.26% Zn	Evangelina footwall
RC16CT-10	10	3	119	52	+2.5% Zn + 0.87% Pb	Las Animas
		11	14	113	+0.63% Zn	Evangelina
RC16CT-14	14	9	53	2		Evangelina
Phase II Drilling (Dec 2016)						
RC16CT-16	16	5	61	49	and	Evangelina
		6	54	61		Evangelina
RC16CT-17	17	5	56	45	and	Evangelina
		10	56	61	and	Evangelina
		31	32	82	includes	Evangelina
		8	49	100		
RC16CT-18	18	16	58	40	includes	Evangelina
		1	530	48	and	
		17	50	78		Evangelina
RC16CT-19	19	11	55	surface	and	Evangelina
		45	45	65	includes	Evangelina
		8	116	100		Evangelina
RC16CT-20	20	7	83	83	and	Evangelina
		24	47	115		Evangelina
RC16CT-21	21	35	221	surface	includes	Evangelina
		14	453	21	+ 2% Zn	
RC16CT-22	22	28	38	46		Las Animas
		12	59	162		Evangelina
RC16CT-23	23	52	127	surface	includes	Las Animas
		23	254	27		Las Animas
		8	54	144		Evangelina
RC16CT-24	24	6	194	75		Las Animas
		8	72	172		Evangelina
RC16CT-26	26	12	34	1		Las Animas
		7	84	70		Evangelina

Along the Evangelina structure high grade shoots are located within planar 45 to 55 degree dipping structures which are developed on slight strike and dip changes. Some variable dips are noted particularly around the Evangelina shoot and on the southern side of the loop a significant flexure is noted centred on drill holes RC16CT-03 and RC16CT-04. **Figure 3** highlights the Evangelina structure higher-grade zones identified through drilling.

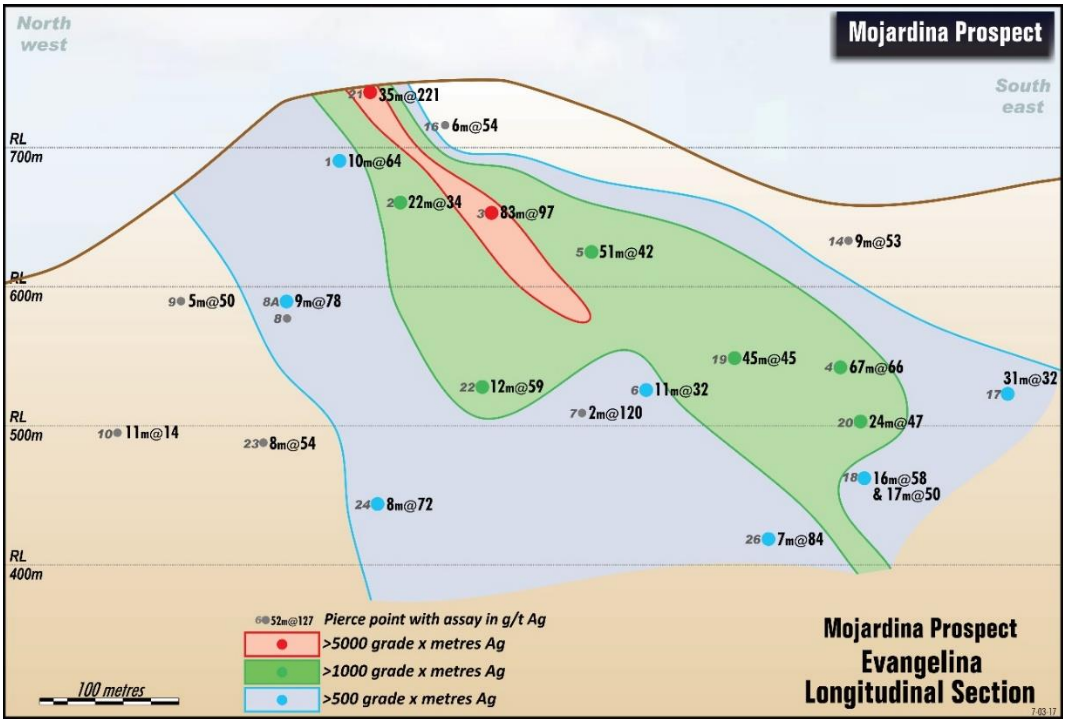

Figure 3: Mojardina Prospect Longitudinal Section (NW-SE) along the Evangelina structure.

The 52m intercept of continuous mineralisation from surface in hole RC16CT- 23 **(Figures 4 and 5)** served to define the new high grade 'Las Animas shoot' at a relatively shallow level. Figures 2, 3 and 4 highlight the broad and continuous mineralisation of the Mojardina prospect at vein flexures.

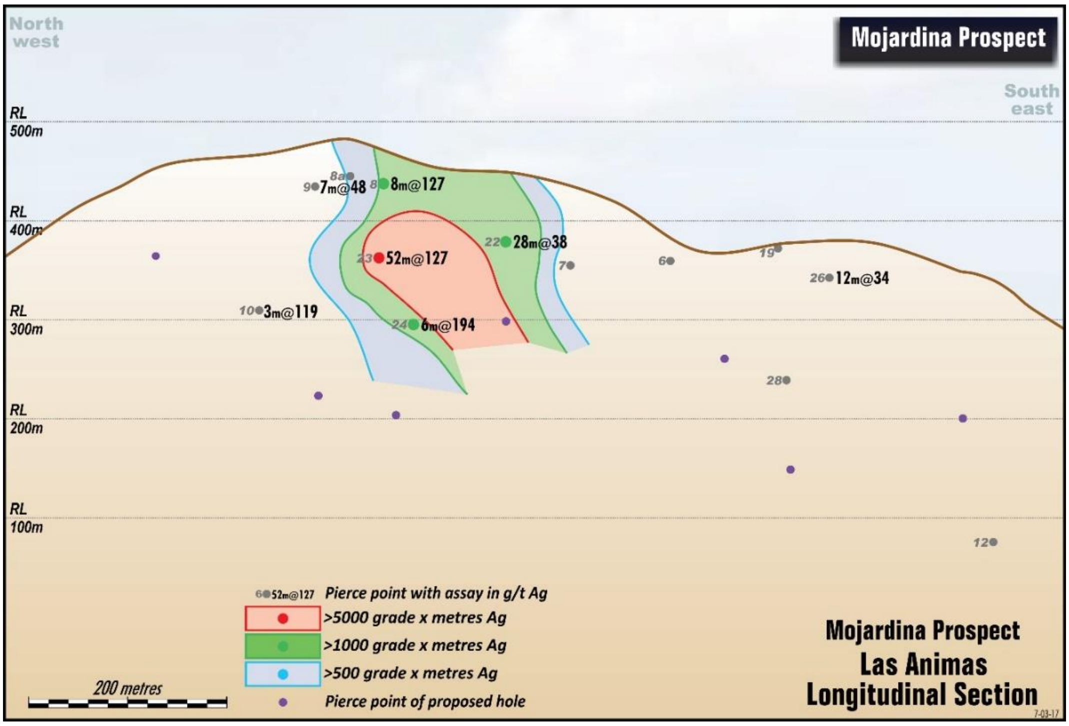

Figure 4: Mojardina Prospect Longitudinal Section (NW-SE) along the Las Animas structure.

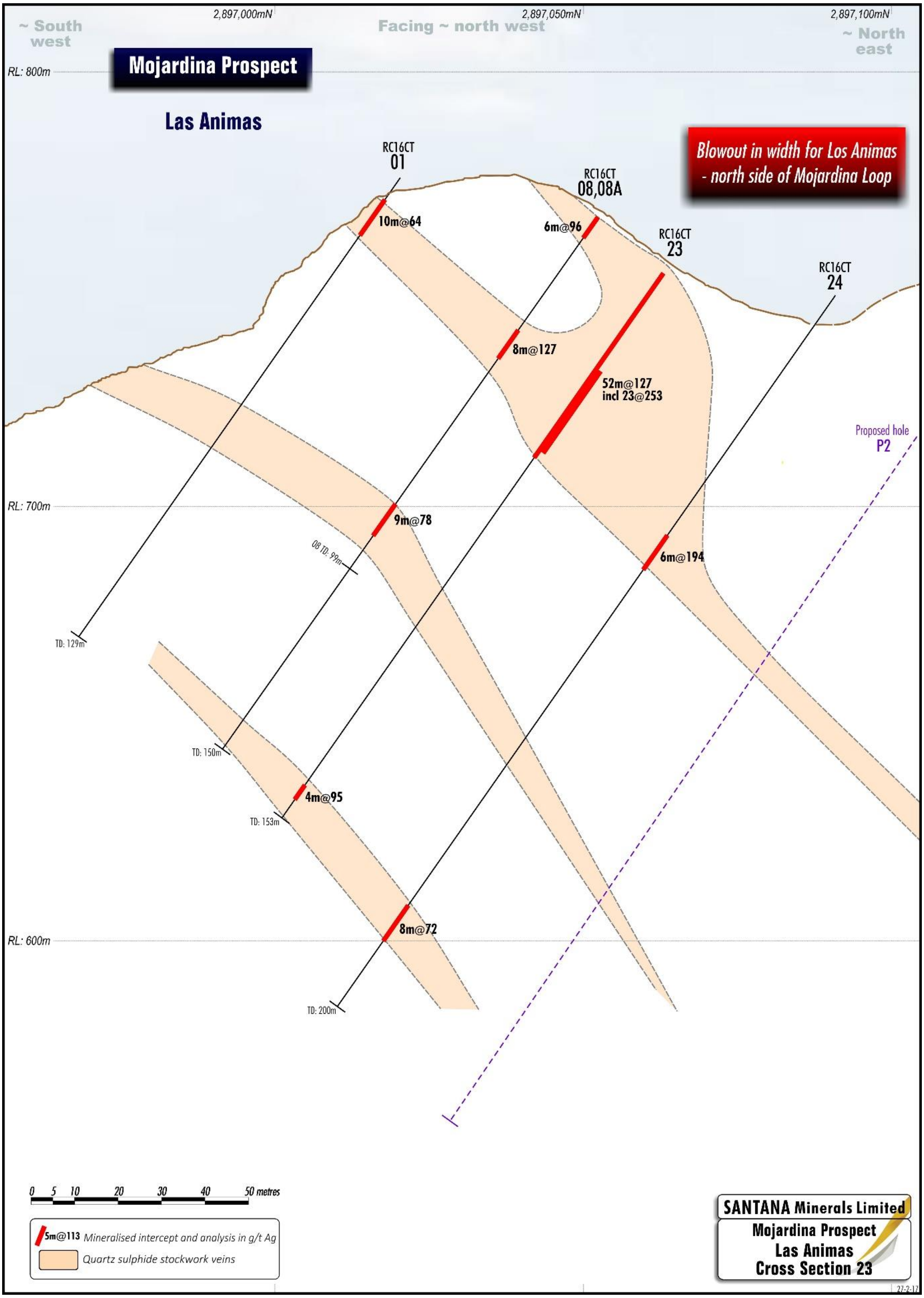

Figure 5. Cross section showing the Las Animas shoot in RC16CT-23 and location of proposed phase III drill hole P2 aimed to test the depth and extent of the Las Animas shoot.

The interpretation of phases I and II at Mojardina has identified two high grade north-west to south-east trending vein systems, Evangelina, and Las Animas both of which are open at depth and along strike

Next stage drilling will see the Las Animas arm tested at depth (**see Figures 4, 5 and 6**).

The southern extensions of the Mojardina prospect are also be tested as access tracks are improved or cut. Surface outcrops have previously been tested by diamond saw channel sampling. Channel samples MJTR 024 (10m @ 70 g/t Ag) and MJTR 025 (12m @ 96 g/t Ag) remain untested at depth.

The Evangelina structure will require further drill testing of the depth extent (particularly below hole 18) as well as the strike extent. That will likely occur beyond the next drill program when a diamond core drill rig is used.

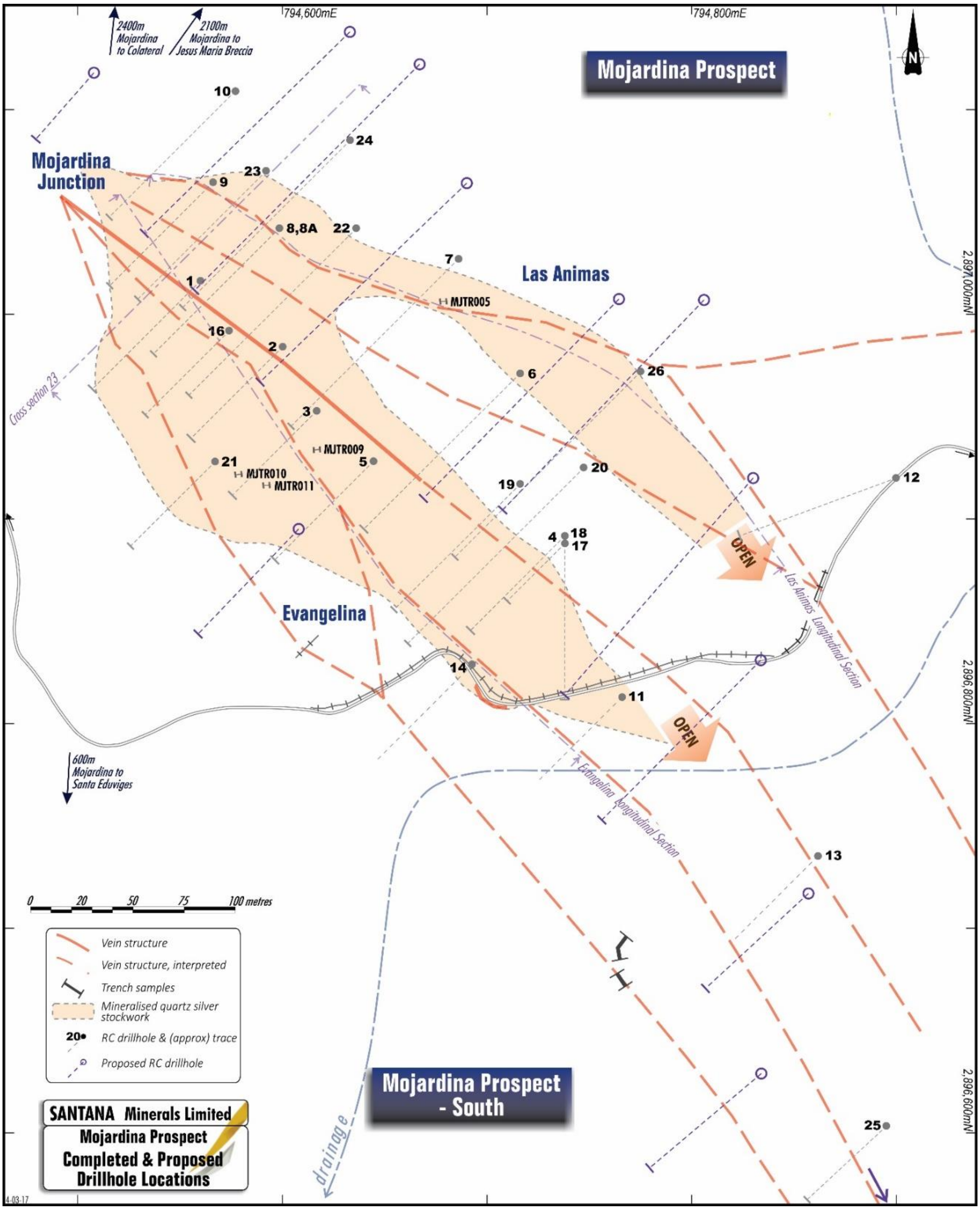

Figure 6. Mojardina Prospect planned drill locations for phase III - aimed to expand known mineralized zones

Jesus Maria Prospect

Jesus Maria Prospect

At the Jesus Maria prospect some 2.1km north of the Mojardina prospect (**Figure 7**), a first pass RC drill program consisting of 6 holes for 914m returned two contiguous results (**Table 2**):

Table 2: Jesus Maria Phase 1 Drilling (December 2016)				
Hole No	**Fig: 7 Plan ref hole No**	**Intersection metres**	**Ag g/t**	**From metres**
RC16CT-29	29	5	113	24
RC16CT-30	30	9	47	21

The next phase of work will revolve around identifying high grade zones not yet tested by this limited area of drilling. The Jesus Maria Breccia has been tested by one complete section and interpretation remains open. Further drilling is planned to the south-east in the area marked "Strike Change" (**Figure 7**).

At the Colateral end of the Jesus Maria prospect a previous explorer had driven an adit into the hill (approx. 100m) and approx. 180m below the vein exposure at surface (access via a creek line track). A 110m underground drift (tunnel) along the narrow (1.4m average width) Colateral vein structure reports continuous mineralisation over the full length of the drift reporting grades 0.42g/t Au + 425g/t Ag + 1.65% Pb + 2.15% Zn. That reporting was validated by 3 diamond holes drilled by Santana in 2014 (refer DDCT-001 to DDCT_003 on **Figure 7**).

The Jesus Maria SE veins at the south-east end of the prospect and further south from the area drilled in the most recent program, are exposed in several adits driven into a set of en-echelon 1-2m wide quartz veins and in stockwork visible over a surface area some 40m wide. Adits are present at the higher elevations and commonly exceeded 30m length and show exploited veins to a depth of 20-30m.

A key area of future investigation is where there is an evident change in strike which post drilling stratigraphic mapping indicates is a response to either a flexure or a structural intersection. This will likely be a target for future drilling.

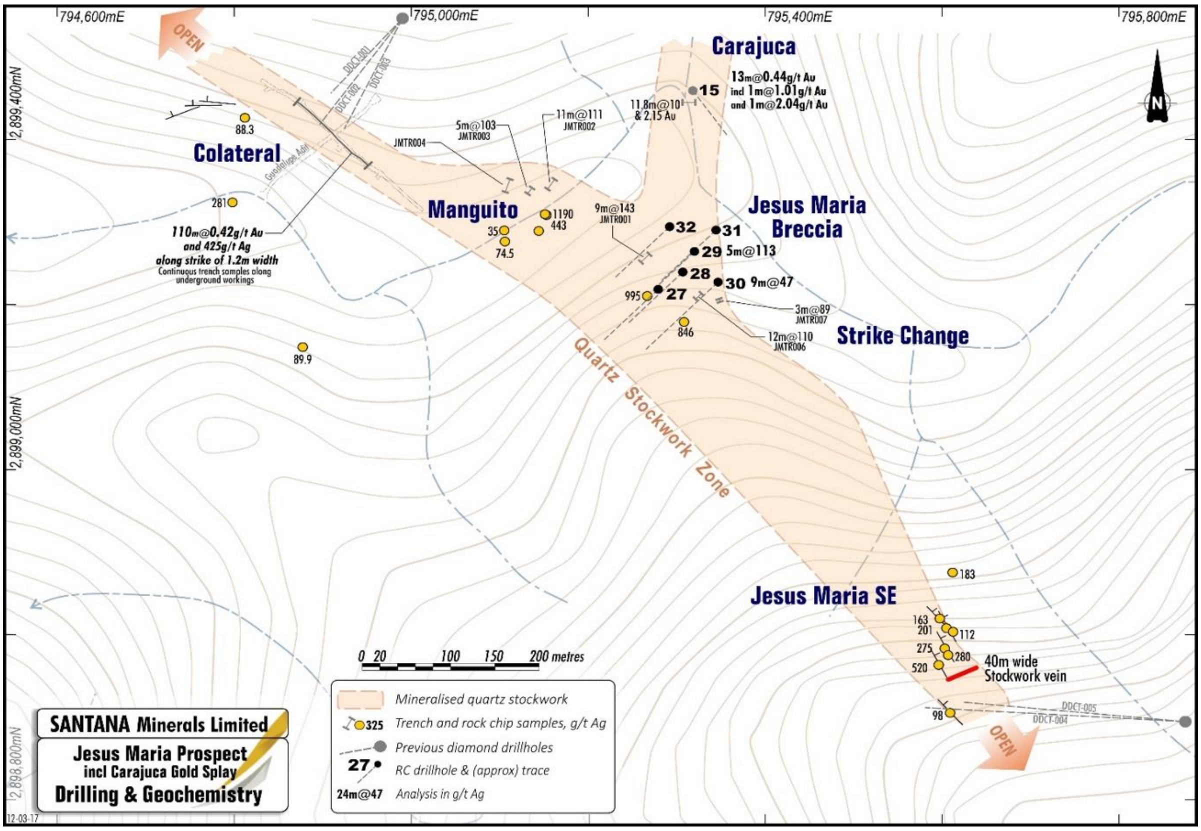

Figure 7. Jesus Maria prospect showing drill locations and areas of potential geologic significance.

Regional Field Work

Subsequent to the October/November 2016 drilling program and as part of a regional exploration program, the northern sector of the Cuitaboca Project (**Figure 8**) was subjected to further mapping and sampling and where the outcrops were exposed, to diamond saw trenching. A diamond saw was used to cut outcropping vein systems, in an otherwise largely covered terrain, in a geologically unbiased manner with results suggesting the potential for a new silver dominant zone.

Significant Diamond sawn channels across the Lupita Prospect (**Figure 8**) appear in **Table 3.**

Table 3: Significant diamond sawn channel samples - Lupita				
Trench No	**Intersection metres**	**Ag g/t**	**Metres**	**other**
LUTR_01	0.7	144	along surface	
LUTR_02	2.1	-	along surface	+1.2g/t Au
LUTR_05	7	161	along surface	+ 0.82% Zn +0.66% Pb and
	5	222	along surface	+1.04% Zn +0.83% Pb
LUTR_07	1.1	158	along surface	+1.62% Zn +2.3% Pb
LUTR_08	2.9	281	along surface	+3.0% Zn +3.1% Pb
LUTR_09	1.65	514	along surface	+5.4% Zn +6.8% Pb

Significant Diamond sawn channels across the La Piedrita Prospect (**Figure 8**) appear in **Table 4.**

Table 4: Significant diamond sawn channel samples – La Piedrita				
Trench No	**Intersection metres**	**Ag g/t**	**Metres**	**other**
LPTR_04	4.85	135	along surface	+ 1.38% Zn + 2.2% Pb

These sampling works form part of the Company's regional exploration programme and serve to highlight the prospective nature of the northern sector of the Cuitaboca project.

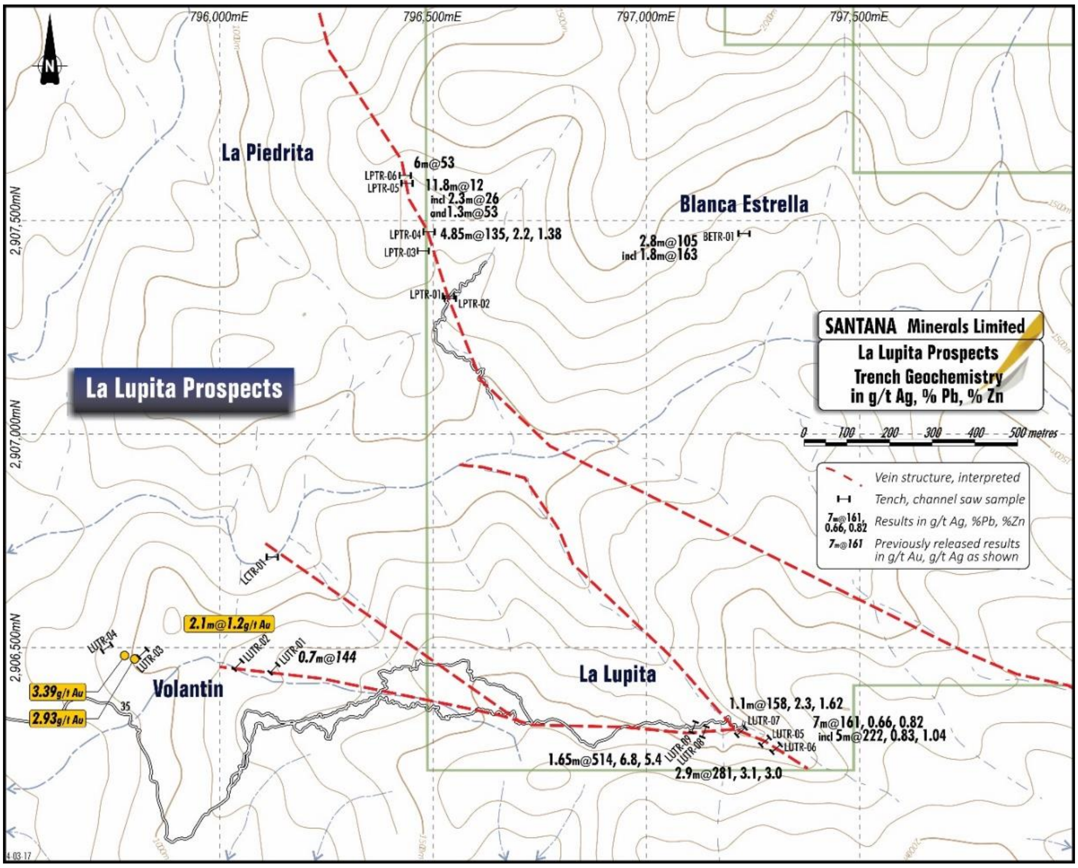

Figure 8: Diamond sawn channel trenching location in Northern Sector

Importantly, a new silver zone has been discovered at the La Lupita prospect and will be followed up in the current year to define dimensions worthy of possible drill testing.

The Cuitaboca Project continues to present as a highly prospective exploration opportunity for the Company. Each work program has added significantly to the understanding of Cuitaboca's geological structures and mineralisation occurrences and allowed expansion of the drilled mineralised areas. The Company is confident with further drilling and interpretation the Project will continue to rapidly advance towards a maiden resource definition.

Mexico – Namiquipa (100%)

The Namiquipa silver lead and zinc deposit is located 145 km west-northwest of Chihuahua City in Chihuahua.

The Project covers an area of 2,400ha and includes the historic La Venturosa silver mine and the Princesa and Americas vein systems where drilling to depths of approximately 500m below surface were bored by Santana's predecessor. Historic mining to depths of 250m in the Americas vein and to 150m in the Princesa vein over a strike length of 1,250 have been recorded. Below these depths will remain the likely target for advancement of the project when markets are more favourable to the risk reward ventures or if and when a joint venture partner is secured.

Limited expenditure has been incurred at Namiquipa in the reporting period as the Cuitaboca Project continues to be the priority for the Company's prudent use of exploration funds.

Financial review

At the end of the reporting period the consolidated entity had $1,696,295 (30 June 2016: $1,321,357) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure carried forward was $2,274,546 (30 June 2016: $5,622,554).

The consolidated entity had net assets of $4,103,764 (30 June 2016: $6,422,243).

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 13 and forms part of the directors' report for the half-year ended 31 December 2016.

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

AJ McDonald
Managing Director
Dated at Brisbane this 14th day of March 2017.

Previous Disclosure - 2012 JORC Code

The information in this report that relates to exploration targets, exploration results, mineral resources or ore reserve is based on information compiled by Mr Jason Beckton, who is a Member of the Australasian Institute of Geoscientists. Mr Beckton is a full time consultant to Santana. Mr Beckton 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 Beckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

KPMG

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To the directors of Santana Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

- no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

S Board

Stephen Board
Partner

Brisbane
14 March 2017

Consolidated Interim Statement of Profit or Loss for the Half Year Ended 31 December 2016

	Note	31 December 2016 $	31 December 2015 $
General and administrative expenses		(381,851)	(446,882)
Exploration and evaluation expenses		(269,976)	(197,798)
Impairment of exploration and evaluation expenditure capitalised	9	(3,753,794)	-
Results from operating activities		(4,405,621)	(644,680)
Financing income	6	12,331	7,943
Financing expenses	6	(15,540)	(1,229,209)
Net financing income/(expense)		(3,209)	(1,221,266)
Loss before income tax expense		(4,408,830)	(1,865,946)
Income tax benefit		-	17,000
Loss for the period – attributable to Shareholders of the Company		(4,408,830)	(1,848,946)
Earnings per share			
Basic loss per share		(1.78) cents	(1.14) cents
Diluted loss per share		(1.78) cents	(1.14) cents

The consolidated interim statement of profit or loss is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 19 to 23.

Consolidated Interim Statement of Other Comprehensive Income for the Half Year Ended 31 December 2016

	31 December 2016 $	31 December 2015 $
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss:		
Foreign exchange translation differences	(410,878)	472,271
Fair value adjustment on investments reclassified to profit or loss	(6,392)	-
Fair value adjustment on investments, net of income tax	(29,634)	-
Other comprehensive income for the period, net of income tax	(446,904)	472,271
Loss for the period	(4,408,830)	(1,848,946)
Total comprehensive income for the period – attributable to Shareholders of the Company	(4,855,734)	(1,376,675)

The consolidated interim statement of other comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 19 to 23.

Consolidated Interim Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 $	30 June 2016 $
Current assets			
Cash and cash equivalents		1,696,295	1,321,357
Trade and other receivables	7	185,729	47,955
Prepayments		30,465	68,743
Total current assets		1,912,489	1,438,055
Non-current assets			
Investments	8	50,949	96,375
Property, plant and equipment		28,098	117,839
Exploration and evaluation expenditure	9	2,274,546	5,622,554
Total non-curent assets		2,353,593	5,836,768
Total assets		4,266,082	7,274,823
Current liabilities			
Trade and other payables		136,830	832,580
Employee benefits		25,488	20,000
Total current liabilities		162,318	852,580
Total liabilities		162,318	852,580
Net assets		4,103,764	6,422,243
Equity			
Share capital	10	25,428,388	22,891,133
Reserves		(492,882)	(45,978)
Accumulated losses		(20,831,742)	(16,422,912)
Total equity		4,103,764	6,422,243

The consolidated interim statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 19 to 23.

Consolidated Interim Statement of Changes in Equity for the Half Year Ended 31 December 2016

	Issued capital	Revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Opening balance as at 1 July 2016	22,891,133	30,365	(76,343)	(16,422,912)	6,422,243
Loss for the period	-	-	-	(4,408,830)	(4,408,830)
Other comprehensive income for the period					
Fair value adjustment on investments	-	(36,026)	-		(36,026)
Foreign currency translation differences	-	-	(410,878)	-	(410,878)
Total comprehensive income for the period	-	(36,026)	(410,878)	(4,408,830)	(4,855,734)
Transactions with owners recorded directly in equity					
Shares issued	2,675,122	-	-	-	2,675,122
Transaction costs	(137,867)	-	-	-	(137,867)
Total transactions with owners	2,537,255	-	-	-	2,537,255
Balance at 31 December 2016	25,428,388	(5,661)	(487,221)	(20,831,742)	4,103,764

	Issued capital	Revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total equity
Opening balance as at 1 July 2015	21,897,205	-	(2,256)	(14,115,720)	7,779,229
Loss for the period	-	-	-	(1,848,946)	(1,848,946)
Other comprehensive income for the period					
Foreign currency translation differences	-	-	472,271	-	472,271
Total comprehensive income for the period	-	-	472,271	(1,848,946)	(1,376,675)
Transactions with owners recorded directly in equity					
Shares issued	481,000	-	-	-	481,000
Transaction costs	(22,431)	-	-	-	(22,431)
Total transactions with owners	458,569	-	-	-	458,569
Balance at 31 December 2015	22,355,774	-	470,015	15,964,666	6,861,123

The consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 19 to 23.

Consolidated Interim Statement of Cash flows for the Half Year Ended 31 December 2016

	31 December 2016	31 December 2015
	$	$
Cash flows from operating activities		
Cash paid to suppliers and employees	(345,758)	(130,190)
Cash paid for exploration and evaluation expenditure expensed	(285,824)	(177,065)
Cash received from Mexican tax authorities	-	239,400
Interest received	5,939	2,159
Net cash used in operating activities	(625,643)	(65,696)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure capitalised	(1,091,373)	(271,243)
Bonds received	-	46,143
Proceeds from sale of investments, including deposits received	82,793	69,558
Acquisition of property, plant and equipment	(1,360)	-
Net cash used in investing activities	(1,009,940)	(155,542)
Cash flows from financing activities		
Proceeds from issue of shares	2,044,505	481,000
Share issue costs	(29,868)	(22,431)
Net cash provided by financing activities	2,014,637	458,569
Net decrease in cash and cash equivalents held	379,054	237,331
Effects of exchange rate fluctuations on cash held	(4,116)	(12,218)
Cash and cash equivalents at 1 July	1,321,357	530,006
Cash and cash equivalents at 31 December	1,696,295	755,119

The consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial statements set out on pages 19 to 23.

Condensed Notes to the Consolidated Financial Statements for the Period Ended 31 December 2016

1. REPORTING ENTITY

Santana Minerals Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at Level 5, 10 Eagle Street, Brisbane, Queensland Australia or on the Company's website at www.santanaminerals.com.

2. BASIS OF ACCOUNTING

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting.*

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2016.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2016 and any public announcements made by Santana Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position of the Group since the last consolidated financial report as at and for the year ended 30 June 2016.

The condensed consolidated interim financial report was authorised for issue by the directors on 13 March 2017.

3. BASIS OF MEASUREMENT

The consolidated interim financial report is presented in Australian dollars, which is the Company's functional currency. The consolidated interim financial report is prepared on the historical cost basis, except for investments which are measured at fair value.

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2016.

4. GOING CONCERN

The consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a “going concern” which assumes the consolidated entity will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The consolidated entity has the ability to seek to raise funds from the public and intends to raise such funds as and when required to complete its projects.

The consolidated entity currently has no source of operating cash inflows, other than interest income, and has incurred net cash outflows from operating and investing activities for the period ended 31 December 2016 of $1,635,583.

At 31 December 2016, the consolidated entity had cash balances of $1,696,295 (30 June 2016: $1,321,357), investments in listed securities with a carrying value of $50,949 (30 June 2016: $96,375) and net working capital (current assets less current liabilities) of $1,750,171 (30 June 2016: $585,475).

These conditions give rise to a material uncertainty that may cast doubt upon the consolidated entity’s ability to continue as a going concern. The ongoing operation of the consolidated entity is dependent upon:

- The consolidated entity raising additional funding from shareholders or other parties; and/or
- The consolidated entity reducing expenditure in line with available funding.

The directors have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern. These cash flow projections assume the consolidated entity obtains sufficient additional funding from shareholders or other parties. If such funding is not achieved, the consolidated entity plans to reduce expenditure significantly, which may result in an impairment loss on the book value of exploration and evaluation expenditure recorded at reporting date.

In the event that the consolidated entity does not obtain additional funding and/or reduce expenditure in line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated interim financial report.

In the longer term, the development of economically recoverable mineral deposits found on the consolidated entity’s existing or future exploration properties depends on the ability of the consolidated entity to obtain financing through equity financing, debt financing or other means. If the consolidated entity’s exploration programs are ultimately successful, additional funds will be required to develop the consolidated entity’s properties and to place them into commercial production. The ability of the consolidated entity to arrange such funding in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the consolidated entity. There can be no assurance that the consolidated entity will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the consolidated entity. If adequate financing is not available, the consolidated entity may be required to delay, reduce the scope of, or eliminate its current or future exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the consolidated entity to forfeit its interests in some or all of its properties and reduce or terminate its operations.

5. SEGMENT INFORMATION

The consolidated entity operates entirely in the mineral exploration industry, within Mexico.

6. NET FINANCING INCOME/ (EXPENSE)

	31 December 2016	31 December 2015
Interest income	5,939	2,159
Profit on sale of financial assets	6,392	5,784
Financing Income	12,331	7,943
Foreign exchange loss	15,540	768,491
Impairment losses on financial assets	-	460,718
Financing expense	15,540	1,229,209
Net financing income/(expense)	(3,209)	(1,221,266)

The consolidated entity had foreign currency translation differences for foreign operations as disclosed in the statement of other comprehensive income.

7. TRADE AND OTHER RECEIVABLES

	31 December 2016	30 June 2016
Current	$	$
Other receivables	11,862	10,248
GST Receivable	24,140	13,357
Receivable from Mexican Tax Authority	149,727	24,350
	185,729	47,955

The consolidated entity records a receivable from the Mexican Tax Authority in relation to tax paid on exploration and evaluation expenditures in Mexico that is recoverable.

8. INVESTMENTS

	31 December 2016	30 June 2016
Non-current		
Equity securities	50,949	96,375
	50,949	96,375

All of the consolidated entity's equity investments are listed on the Australian Securities Exchange.

For such investments, a 5 per cent increase in the price of equity investments at the reporting date would have increased equity by $2,547 (30 June 2016: $4,818); an equal change in the opposite direction would have decreased equity by $2,547 (30 June 2016: $4,818).

9. EXPLORATION AND EVALUATION EXPENDITURE

	6 months 31 December 2016 $	12 months 30 June 2016 $
Opening balance	5,622,554	5,824,957
Exploration and evaluation expenditure	802,270	743,020
Effect of foreign exchange rate movements	(396,484)	(791,381)
Mexican IVA recovered	-	(154,042)
Impairment of exploration and evaluation assets	(3,753,794)	-
Closing balance	2,274,546	5,622,554

The carrying amount of the exploration and evaluation assets at 31 December 2016 relates to the Cuitaboca Project in Mexico $2,274,546 (30 June 2016: $1,586,293) and the Namiquipa Project in Mexico $nil (30 June 2016: $4,036,261).

On 29 July 2014 the consolidated entity announced that it had entered into agreements allowing it to earn 80% of the Cuitaboca Project located in the State of Sinaloa, Mexico. Under the terms of the agreements, the consolidated entity made an initial payment of A$100,000 and will commit to meeting 100% of expenditure, thereby providing the consolidated entity with management of the Cuitaboca Project through an initial 100% ownership of Minera Cuitaboca S.A. de C.V. (Project Company).

The Project Company has the right to acquire the Cuitaboca Project mining concessions under an option agreement (Concession Option Agreement) with Consorcio Minero Latinoamericano S.A. de C.V (Concession Holder). The Concession Option Agreement provides that the Project Company can acquire a 100% interest in the mining concessions from the Concession Holder by paying option fees totalling US$3,500,000, with those option fees payable on a six monthly basis until such time as the total option fees are paid. A balance of US$3,001,524 in option fees remains payable by the Project Company to the Concession Holder at the date of this report. The consolidated entity retains the right to withdraw from the Cuitaboca Project at any time.

The consolidated entity is required to meet all expenditure during the term of the Concession Option Agreement (including option fees which the Project Company has agreed to pay the Concession Holder, concession rentals plus exploration expenditure as the consolidated entity determines) with the Vendors free carried. Once the Concession Option Agreement is completed the expenditure and ownership of the Project Company will revert to 80% consolidated entity 20% Vendors.

During the half year, the consolidated entity assessed its capitalised exploration and evaluation expenditure assets for impairment and recorded an impairment loss of $3,753,794 in relation to the Namiquipa Project.

The recoverability of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

10. SHARE CAPITAL

	31 December 2016	30 June 2016
	$	$
262,373,200 (30 June 2016: 212,844,786) ordinary shares, fully paid	25,428,388	22,891,133
	25,428,388	22,891,133

During the period the Company issued 49,528,414 (2016: 36,999,982) shares for $2,675,122 (2016: $481,000). Transaction costs relating to the issue of shares were $137,867 (2016: $22,431). Of the shares issued during the half-year, 15,314,583 shares were issued for non-cash consideration of $630,616.

During the period the Company issued 2,000,000 options to advisors as part settlement of outstanding fees for services provided. The options were issued for no consideration and are exercisable at $0.06 each at any time up to 31 March 2017.

11. FINANCIAL INSTRUMENTS

The carrying amounts of the consolidated entity's financial assets and financial liabilities approximate their fair values at 31 December 2016.

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

Available for sale equity securities held by the consolidated entity are categorised as Level 1.

12. RELATED PARTIES

There were no significant changes in arrangements with related parties from those arrangements set out in the 30 June 2016 annual financial report.

13. SUBSEQUENT EVENTS

On the 8th of March 2017, the Company announced that it had divested two non-core Mexican subsidiary companies for net sale proceeds of approximately A$750,000.

Other than the matter disclosed above, in the opinion of the directors of the Company no transaction or event of a material or unusual nature has arisen in the interval between the end of reporting period and the date of this report that affects significantly the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future years.

Directors' Declaration

1. In the opinion of the directors of Santana Minerals Limited ("the Company")

   a) the consolidated interim financial statements and notes that are set out on pages 14 to 23 are in accordance with the *Corporations Act 2001*, including:

      i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the six month period ended on that date; and

      ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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 directors:

AJ McDonald
Managing Director

Dated at Brisbane this 14th day of March 2017

KPMG

Independent auditor's review report to the members of Santana Minerals Limited

We have reviewed the accompanying half-year financial report of Santana Minerals Limited (the Company), which comprises the consolidated interim statement of financial position as at 31 December 2016, and the consolidated interim statement of profit or loss, consolidated interim statement of other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG

Independent auditor's review report to the members of Santana Minerals Limited (continued)

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 Santana Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Material uncertainty regarding continuing as a going concern

Without modifying our conclusion, we draw attention to Note 4 "Going Concern" in the half-year financial report.

The ability of the Group to continue as a going concern is dependent upon it raising additional funding from shareholders or other parties and/or reducing expenditure in line with the available funding. These conditions, along with other matters as set forth in Note 4, indicate the existence of a material uncertainty that may cast significant doubt about that Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

KPMG

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SBoard

Stephen Board
Partner

Brisbane
14 March 2017

Corporate Directory

Australian Business No.	37 161 946 989
Directors	Norman A Seckold, Chairman
	Anthony J McDonald, Managing Director
	Richard E Keevers, Non-Executive Director
Corporate Secretary	Craig J McPherson
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Exchange	Australian Securities Exchange Level 8 Exchange Plaza 2 The Esplanade PERTH WA 6000