
CLASSIC MINERALS LIMITED
ABN: 77 119 484 016

HALF YEAR REPORT
31 DECEMBER 2016

CLASSIC MINERALS LTD

ABN 77 119 484 016

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CLASSIC MINERALS LTD

ABN 77 119 484 016

COMPANY INFORMATION

Directors

Mr Justin Doutch

(Managing Director)

Mr Kent Hunter

(Non Executive Director)

Mr Lu Ning Yi

(Non Executive Director)

Company Secretary

Mr Jeffrey Nurse

Registered Office

71 Furniss Road

Landsdale WA, 6065

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Facsimile: (08) 9242 9295

Email: admin@classicminerals.com.au

Auditors

Bentleys Audit & Corporate Advisory

Level 3,

London House,

216 St George's Terrace,

Perth WA 6000.

Telephone: (08) 9226 4500

Facsimile: (08) 9226 4300

Bankers

National Australia Bank

226 Main Street,

Osborne Park, WA, 6107

Share Registry

Advanced Share Registry Limited

110 Stirling Highway,

Nedlands, 6009,WA

Telephone: (08) 9389 8033

Facsimile: (08) 9262 3723

Stock Exchange Listing

The Company is listed on the Australian Securities
Exchange Ltd (ASX)

Home Exchange: Perth, Western Australia

Website

www.classicminerals.com.au

Australian Securities Exchange Code:

CLZ

CLASSIC MINERALS LTD

ABN 77 119 484 016

DIRECTORS' REPORT

The directors of Classic Minerals Ltd submit herewith the financial report for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001* the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half year are:

Mr Justin Douth
Mr Kent Hunter
Mr Yi Lu Ning

Unless otherwise stated, all directors were in office for the period under review, and up to the date of this report.

Review of Operations

The loss for the six-month period ended 31 December 2016 was \$1,263,969 (31 December 2015 loss \$64,492). As at 31 December 2016, Classic Minerals Ltd ("Classic" or "the Company") had 372,467,635 shares on issue.

Exploration Activities

Sale of Doherty's (M57/619)

During the six-month review period, the Company received a further \$1.2M from the sale of the Doherty's gold project. These proceeds were in addition to the \$600,000 received in the 2015/16 financial year. As at 31 December 2016, the Company recognized a receivable of \$2.2m (GST Inclusive). Settlement of this amount is due to take place on 24 March 2017. During the period, Accelerated Mining Pty Ltd ("Accelerated") the acquirer completed a desktop scoping study on the project.

Fraser Range(E28/1904)

The Company continued to review technical data (both historic and recently produced mag/drilling data) with a view to identifying further drill targets. The Company entered into discussions with independent third parties regarding potential joint venture or farm-in deals.

Skirmish Hill (E69/3337)

No significant on-ground exploration work was carried out as dealings continued with the Department of Indigenous Affairs for entry into this A Class reserve.

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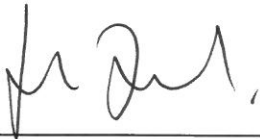
DIRECTORS' REPORT

There are no other matters or circumstances that have arisen since the end of the half year which will significantly affect, or may significantly effect, the state of affairs of the reporting entity in future periods.

Auditor's Declaration

The auditor's independence declaration under s.307C of the Corporations Act 2001 is included on page 4 of the half-year financial report.

This report is signed in accordance with a resolution of the board of directors.



Justin Douth
Managing Director
16 March 2017

**Bentleys Audit & Corporate
(WA) Pty Ltd**

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216 St Georges Terrace
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To the Board of Directors

**Auditor's Independence Declaration under Section 307C of the
Corporations Act 2001**

As lead audit director for the review of the financial statements of Classic Minerals Limited for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- ▶ the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- ▶ any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 16th day of March 2017

Independent Auditor's Review Report

To the Members of Classic Minerals Limited

We have reviewed the accompanying half-year financial report of Classic Minerals Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

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 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 financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company'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 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.

Independent Auditor's Review Report

To the Members of Classic Minerals Limited (Continued)



Independence

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

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 Classic Minerals Limited is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Company'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 Corporations Regulations 2001.

Emphasis of matter – Trade and Other Receivables

Without qualifying our conclusion, we draw attention to Note 4 of the half-year financial report where the Company has recorded a receivable of \$2,200,000 for the sale of the Doherty's gold project. As described in Note 4, the due date of this receivable is the 24th of March 2017. As at the date of this report, we have not been able to establish whether satisfaction of the debt will take place on the due date, and as such the recoverability of this receivable is not able to be reliably determined.

This item represents a significant asset recorded by the Company, and at the date of this report, the recoverability of the amount remains uncertain. Therefore, there remains a material uncertainty with regard to the carrying value of this receivable.

Emphasis of matter – Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) in the financial report which indicates that the company incurred a loss of \$1,263,969 for the half-year ended 31 December 2016. This condition, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Director

Dated at Perth this 16th day of March 2017

CLASSIC MINERALS LTD

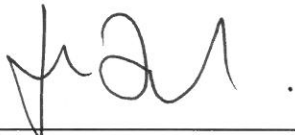
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DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) giving a true and fair view of the Company's financial position as at 31 December 2016 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 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.



Justin Douth
Managing Director
16 March 2017

CLASSIC MINERALS LTD

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

	31 December 2016 \$	31 December 2015 \$
Research & Development Rebate	-	1,482,137
Revenue	-	1,202
Interest Income	86	793
Advertising and marketing expenses	(6,862)	(8,843)
Auditor's remuneration	(18,105)	(16,443)
ASX Listing Fees and filing fees	(20,058)	(23,917)
Consultant Fees	(189,060)	(280,208)
Depreciation	(23,547)	(36,412)
Directors' fees	(191,875)	(236,350)
Employee benefits expenses	(183,274)	(187,826)
Exploration expenditure written off	(74,799)	(223,065)
Finance costs	(182,207)	(220,792)
Legal and professional fees	(282,250)	(243,082)
Occupancy costs	(46,966)	(51,998)
Other administrative expenses	(45,052)	(19,688)
Profit/(Loss) before income tax expense	(1,263,969)	(64,492)
Income tax expense	-	-
Profit/(Loss) for the period	(1,263,969)	(64,492)
Other comprehensive income	-	-
Total comprehensive income for the period	(1,263,969)	(64,492)
Loss per share		
Basic and diluted (cents per share)	(0.37)	(0.02)

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

CLASSIC MINERALS LTD

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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$	30 June 2016 \$
Current assets			
Cash and cash equivalents		74,161	56,555
Trade and other receivables	4	2,228,058	3,452,583
Other assets	5	238,483	227,126
Total current assets		2,540,702	3,736,264
Non-current assets			
Property, plant and equipment	6	200,196	223,743
Other assets	5	3,642	3,642
Exploration and evaluation costs		-	-
Total non-current assets		203,838	227,385
Total assets		2,744,540	3,963,649
Current liabilities			
Trade and other payables		1,998,622	2,023,801
Employee Provisions		71,370	105,197
Borrowings	7	1,052,865	1,225,091
Total current liabilities		3,122,857	3,354,089
Non-current liabilities			
Borrowings	7	73,242	79,650
Total non-current liabilities		73,242	79,650
Total liabilities		3,196,099	3,433,739
Net assets/(Liabilities)		(451,559)	529,910
Equity			
Issued capital	8	13,313,449	13,030,949
Accumulated losses		(13,765,008)	(12,501,039)
Total equity		(451,559)	529,910

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

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

	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
Balance at 1 July 2015	12,923,158	(14,835,446)	(1,912,288)
Loss for the period	-	(64,492)	(64,492)
Other comprehensive income	-	-	-
Total comprehensive income	-	(64,492)	(64,492)
<i>Transactions with owner, directly recognised in equity</i>			
Issue of shares	20,000	-	20,000
Balance at 31 December 2015	12,943,158	(14,899,938)	(1,956,780)
Balance at 1 July 2016	13,030,949	(12,501,039)	529,910
Loss for the period	-	(1,263,969)	(1,263,969)
Other comprehensive income	-	-	-
Total comprehensive income	-	(1,263,969)	(1,263,969)
<i>Transactions with owner, directly recognised in equity</i>			
Issues of shares	282,500	-	282,500
Balance at 31 December 2016	13,313,449	(13,765,008)	(451,559)

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

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

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipt of Research & Development rebate	-	1,482,137
Interest Income	86	1,202
Other Income	-	793
Payments to suppliers and employees	(958,681)	(1,587,464)
Payments for deferred exploration expenditure	(74,799)	(123,065)
Net cash used in operating activities	(1,033,394)	(226,397)
Cash flows from investing activities		
Proceeds from the disposal of tenement – Doherty's	1,200,000	-
Payment for property, plant and equipment	-	(2,727)
Return of deposit with Nex Metals	-	(300,000)
Net cash used in investing activities	1,200,000	(302,727)
Cash flows from financing activities		
Drawings of short-term loans	106,000	180,653
Repayment of short-term loans	(255,000)	(599,374)
Proceeds of Convertible Note	-	1,000,000
Proceeds from Issue of shares	-	20,000
Net cash provided by financing activities	(149,000)	601,279
Net increase in cash and cash equivalents	17,606	72,155
Cash and cash equivalents at the beginning of the half-year	56,555	39,537
Cash and cash equivalents at the end of the half-year	74,161	111,692

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

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

1. SUMMARY OF ACCOUNTING POLICIES

Significant Accounting Policies

a) *Statement of Compliance*

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards including AASB 134 Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2016 annual financial report.

b) *Basis of Preparation*

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or revised standards and interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-1: Amendments to Australian Accounting Standards (Part D);
- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

The adoption of the above standards have not had a material impact on this half year financial report.

c) *Going concern*

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The Company made a loss of \$1,263,969 for the half year ended 31 December 2016 (31 December 2015: \$64,492).

The net working capital deficit position of the Company at 31 December 2016 was \$582,155 (30 June 2016: net working capital of \$382,175). Cash outflows from operations of the Company at 31 December 2016 were \$1,033,394 (31 December 2015: \$226,397) and the net movement in cash held during the half year was an increase of \$17,606 (31 December 2015: increase of \$72,155).

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon the Company recovering the amounts receivable for divesting its mining interests being \$2,200,000 by 24 March 2017, and raising capital via equity and/or debt funding.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Company has agreed to a variation of the agreement with the purchaser of the Doherty's gold project for the outstanding amount of \$2,200,000 (inclusive of GST) to be settled on 24 March 2017. Of the original sale amount of \$4,000,000 (inclusive of GST), the Company has received \$1,800,000 as at the date of this report (including \$500,000 received in December 2016);
- the Company have entered a binding heads of agreement for the purchase of 80% of the gold rights at the Forrestania Gold Project via the issue of 85,000,000 of fully paid ordinary shares in the Company (subject to shareholder approval), with future royalty payments of up to \$5 million on any production at the project (refer Note 2). The directors believe this represents an opportunity for a near term mining operations to generate cash inflows for the Company;
- during the period the Company entered into a Standby Subscription Agreement with Stock Assist Group Pty Ltd, for which it has access to a facility of up to \$1,000,000 by issuing shares at 80% of 5 day VWAP, which it can utilise to meet short-term working capital requirements. As at 31 December 2016, \$24,000 of this facility has been used;
- As disclosed in Note 7, the Company has renegotiated the terms of the loan to MDVest Pty Ltd, with the repayment date extended to August 2017; and
- the Directors have an appropriate plan to raise additional funds in the immediate future, as well as when required. These plans includes the raising of \$2.1 million before the end of April 2017. In light of the Company's current projects, the Directors believe that the additional capital required can be raised in the market.

The Directors have prepared a cash flow forecast, based on all of the above events occurring, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Should the Company not be successful in the above, it may be necessary to sell some of its assets, farm out exploration projects, or reduce exploration expenditure by various methods including surrendering less prospective tenements.

Although the Directors believe that they will be successful in these measures, if they are not, the Company may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

2. SUBSEQUENT EVENTS

Acquisition of the Forrestania Gold Project

In February 2017, the Company acquired 80% of the gold rights in the following granted tenements: E77/2207; E77/2219; E77/2239; P77/4290; P77/4291; E77/2303; E77/2220 C. A comprehensive announcement regarding this transaction was made to the ASX on 14 March 2017 (refer to **ASX Announcement** dated 14 March 2017).

The Forrestania Gold Project consists of existing Resources of 4.82Mt at 1.39g/t for 216,000oz of gold. Resources are located beneath an existing open pit and un-mined, near-surface deposits. The project presents an opportunity for near term mining operations and production. The current Resources, reported in compliance with the JORC Code (2012), are estimated with a lower cut-off grade of 0.5g/t Au. When a higher cut-off is applied (1 g/t), it is possible to delineate high grade pockets of Resources, particularly at Lady Ada, which was previously mined at an average grade of 8.8 g/t. Classic will be focusing on these high grade zones, to potentially generate early cash-flow and support the costs associated with haulage and toll treatment.

Discussions with potential toll treatment facilities and contract miners are underway, with Classic expecting to firm up its development schedule and processing options over the coming weeks. There are numerous potential toll treatment facilities within trucking distance including Marvel Loch, Edna May, Greenfields (Coolgardie) and Norseman Gold.

Consideration Terms

Classic and the Vendor (Stock Assist Group Pty Ltd) have entered into a binding Heads of Agreement (HOA) for the sale and purchase of the Vendor's interest in the Forrestania Gold Project. Classic will issue to the Vendor 85,000,000 ordinary Classic Shares, subject to shareholder approval. Immediately post-transaction, the Vendor will transfer 25,000,000 shares to an unrelated 3rd party, bringing the Vendor's total interest in Classic shares to approx. 13.82%. In addition to the share allotment, Classic will grant a royalty on CLZ production (capped at \$5M). Completion of the sale of the project and any regulatory approvals is expected to occur over the next two months. The parties have also agreed to negotiate in good faith the Formal Agreement with a view to executing the sale as soon as possible.

There are no other matters or circumstances that have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs of the reporting entity in future periods.

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

3. OPERATING SEGMENTS

The company has one operating segment this is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The Company operates in one operating and geographic segment being mineral exploration, and evaluation in Western Australia for the half-year periods ended 31 December 2016 and 31 December 2015.

4. TRADE AND OTHER RECEIVABLES

	31 December 2016	30 June 2016
	\$	\$
Receivable from Accelerated Mining Pty Ltd (i)	2,200,000	3,400,000
Bond and Security Deposits	24,458	20,000
Other Receivables	3,600	32,583
	<u>2,228,058</u>	<u>3,452,583</u>

- (i) On 7 December 2016, the Company completed a deed of variation with the purchaser of the Doherty's tenement, Accelerated Mining Pty Ltd. Under the terms of this agreement, Accelerated Mining Pty Ltd paid \$500,000 of the remaining outstanding balance for the transfer of the Mining Rights of the tenement. The remaining balance of \$2,200,000 would be required to be settled on 24 March 2017, upon settlement the tenement licence would be transferred to Accelerated Mining Pty Ltd.

Should Accelerated Mining Pty Ltd default on the payment of the remaining balance, the Company would be entitled to 55% of the Mining Rights on the tenement.

5. OTHER ASSETS

	31 December 2016	30 June 2016
Current:	\$	\$
Prepaid Drilling expenses	200,277	200,277
Prepaid Interest on Convertible Note (i)	25,630	26,849
Other prepayments	12,576	-
	<u>238,483</u>	<u>227,126</u>
Non-current:		
Bonds on tenements	3,642	3,642
	<u>3,642</u>	<u>3,642</u>

*Prepaid interest was paid on the draw-down of the convertible note described in notes 7 and 11. The Pre-paid Interest has been re-classified from Trade and Other Receivables.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment \$	Motor Vehicle under Hire Purchase \$	Motor Caravans and Quad Bikes \$	Vehicles, TOTAL \$
Gross Carrying Amount				
Balance at 30 June 2016	160,839	139,853	232,394	533,086
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 December 2016	160,839	139,853	232,394	533,086
Accumulated Depreciation				
Balance at 30 June 2016	127,558	57,626	124,159	309,343
Depreciation expense	6,062	7,708	9,777	23,547
Balance at 31 December 2016	133,620	65,334	133,936	332,890
Net Book Value				
As at 30 June 2016	33,281	82,227	108,235	223,743
As at 31 December 2016	27,219	74,519	98,458	200,196

7. BORROWINGS

	31 December 2016 \$	30 June 2016 \$
Current		
Loans from shareholders (i)	29,800	202,025
Convertible Note with related party (ii)	1,000,000	1,000,000
Hire Purchase contract (iii)	23,065	23,066
Balance at end of the period	1,052,865	1,225,091
Non-Current		
Hire Purchase contract (iii)	73,242	79,650
Balance at end of the period	73,242	79,650

- (i) Two short-term, unsecured loans of \$26,000 and \$2,500 have been advanced to the Company by its shareholders. Interest accrued on the loan for \$26,000 at 15 per cent per month for a term of 1 month. This loan was repaid in full subsequent to the end of the reporting period.
- (ii) On 26 August 2015, the Company has received \$1m via a Convertible Note from Mdvst Pty Ltd, a company related to Marlene Douth (mother of Justin Douth). Interest on the Convertible accrued at 17.5% per annum payable in advance (refer to Note 5). The shares are convertible to ordinary shares at a price of \$0.03, subject to shareholder approval.

The facility matured on 25 August 2016 and was extended for a further six months until 25 February 2017, with interest applicable on this initial extension of 17.5% per annum, and requiring the issue of 2,000,000 CLZ shares (not issued as at the date of this report).

The facility has subsequently been renewed for a further six-month period until 25 August 2017, with interest applicable to this second extension of 20% per annum, and requiring the issue of 3,000,000 CLZ shares (not issued as at the date of this report).

As at 31 December 2016, an amount of \$87,000 in interest payments have been made under the extensions described above.

- (iii) The hire purchase contract is secured by a motor vehicle

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

8. ISSUED CAPITAL

Shares

The following shares were issued during the half-year reporting period ended 31 December 2016:

	Note	31 December 2016 \$	Number of Shares
At the beginning of the reporting period		13,030,949	325,467,635
Shares issued at 0.6 cents (September 2016)		17,500	2,500,000
Shares issued at 0.7 cents (September 2016)		7,000	1,000,000
Shares issued at 0.6 cents (October 2016)		36,000	6,000,000
Shares issued at 0.3 cents (November 2016)		198,000	33,000,000
Shares issued at 0.8 cents (November 2016)		4,000	500,000
Shares issued at 0.5 cents (December 2016)		20,000	4,000,000
At the end of the reporting period		13,313,449	372,467,635

Options

There were no options outstanding as at 31 December 2016.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivables, trade and other payables and borrowings. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

10. RELATED PARTY TRANSACTIONS

In 2015/16, the Company received the proceeds from a Convertible Note issue of \$1m to Mdivest Pty Ltd, a company related to Marlene Douth (mother of Justin Douth). Under the terms of the Convertible Note ("CN") the face value of the CN can be converted into shares at any time during a 12-month period at a price of \$0.03 per share (subject to shareholder approval). During the period this has been extended under the terms and conditions as described in Note 7.

11. CONTINGENT LIABILITIES

The Company intends to hold an Extraordinary General Meeting in the near future. Shareholder Approval will be requested for the ratification of 12,933,333 shares issued to various trade creditors including Samantha Douth (wife of Justin Douth) in February 2015. A second resolution seeks approval for 1,000,000 shares issued to Samantha Douth in June 2015. A third resolution shareholder will be requested to approve the \$1m Convertible Note (refer to note 7) and a fourth resolution will seek shareholder approval for the issue of 26m shares.

If the resolutions above to ratify the prior issue of shares to settle trade creditors including Samantha Douth are not approved, the Company may be required to cancel the issued shares and recognise a liability of \$175,000.

