FINDERS RESOURCES LIMITED

ABN 82 108 547 413

HALF YEAR FINANCIAL REPORT
SIX MONTHS ENDED 30 JUNE 2018

Directors' Review

The first half of the 2018 year has seen significant change for Finders Resources Ltd ("Finders" or "Company"). On 19 March 2018, the Company announced that Eastern Field Developments Limited ("EFDL") had acquired 60% of the Company and Directors recommended shareholders accept the EFDL offer. Subsequent to this, EFDL increased its ownership of the company to 96.78% as at the time of writing. The right of shareholder Taurus Fund Management to accept the bid for its 11.31% stake is still being disputed and could result in EFDL's ownership falling to 85.47%.

PT Merdeka Copper & Gold Tbk ("Merdeka") increased its ownership in EFDL to 99.99% during the year and Finders is now a subsidiary of Merdeka. The change in control resulted in incumbent Directors Barry Cahill and Gary Comb resigning and new Directors Colin Moorhead, David Fowler, Mark Sherman and Roderick Webster being appointed.

Contrary to Company's market projections provided during the takeover, the poor production performance during the fourth quarter of 2017 has continued into 2018. The causes for this significant underperformance and the initiatives to improve performance are discussed later in this review. Lower production levels and higher unit costs have led to a sharp fall in operating income, severely straining the Company's working capital position and threatening critical capital expenditure including the Lerokis development.

With Merdeka's support the Company has actively re-engaged with its stakeholders, especially the Wetar community and Posco Daewoo, the Company's 20.9% partner in the Wetar Copper project. As announced on 23 July 2018 Merdeka and Daewoo supported negotiations with the Company's lenders and provided US$19.0 million of funding to improve the Company's strained working capital position.

WETAR COPPER PROJECT (FINDERS 74.1%)

Production Overview

Production results are summarised in the table below and discussed in the following paragraphs.

	Unit	2017 First Half	2018 First Half
Ore mined	Tonnes	977,555	663,932
Grade mined	% Cu	1.69	2.72
Contained copper	Cu tonnes	16,519	18,030
Metal stacked	Cu tonnes	16,749	17,694
Copper stripped	Cu tonnes	12,929	8,611

Mining Overview

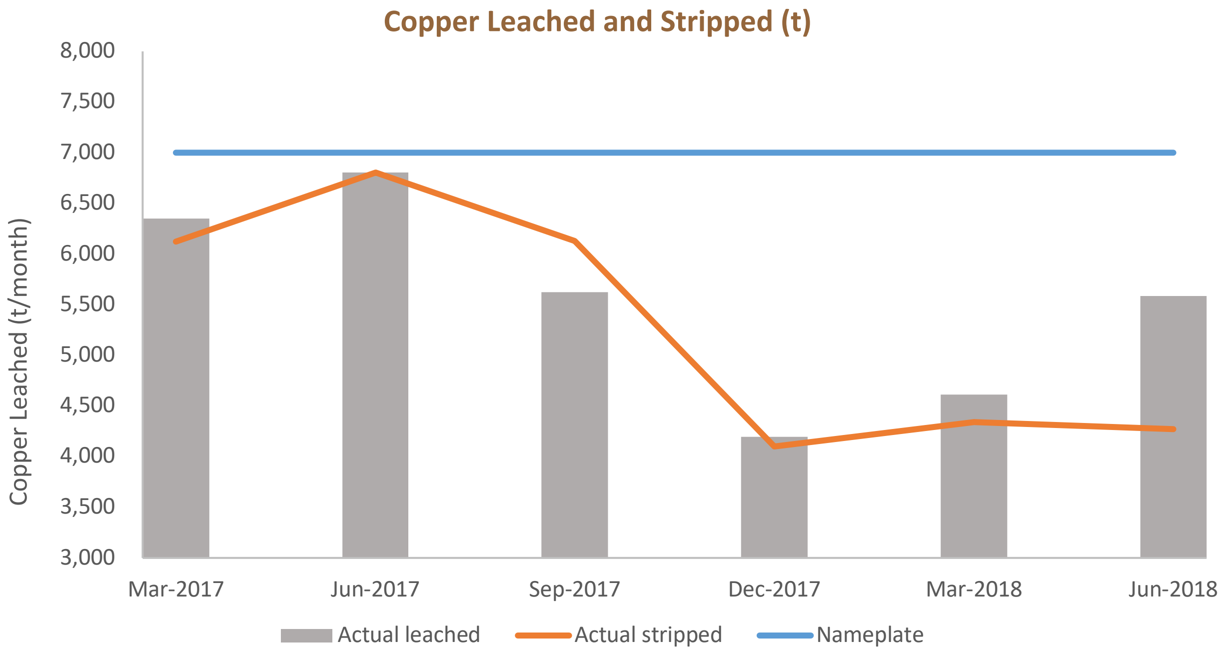
Mining continued from the Kali Kuning open pit during the first half of 2018 with 663,932 tonnes of ore mined at a grade of 2.72% copper. Mining was re-scheduled early in 2018 at volumes of around 26% below budget and 32% lower than the corresponding period in 2017. The lower rate of mining was due to prioritising the re-mining of existing heap pads to improve copper leaching rates as discussed below.

A major slip occurred on the north wall of the Kali Kuning pit in mid-June 2018. This was the second significant slip in the pit and reflects an underestimation of the phreatic head on the pit wall. Remediation works removing approximately 175,000 bcm of waste have commenced and are expected to be completed during September 2018. Kali Kuning is expected to be mined out by mid-2019. The Company expects the wall will continue to fret and there is a risk that some ore could be sterilised. This risk is being monitored.

The project to date ore reserve to actual ore mined reconciliation remains positive. As at 30 June 2018 an additional 11% (497,723) more ore tonnes and 16% (16,638) more tonnes of copper metal have been extracted from the pit and placed on the heap leach pads compared to the Ore Reserve.

Heap Leaching & SXEW Operations

Copper leached has dropped significantly from 13,149 tonnes during the first half of 2017 to 10,202 tonnes tonnes in the first half of 2018. The chart below shows leaching was approaching 100% nameplate capacity in mid-2017 but deteriorated quickly through to the end of 2017 before partly recovering in the second quarter of 2018. However, a corresponding increase in stripped copper has not occurred.



Leaching of a sulphide orebody is fairly unique process. While considerable effort was made during feasibility studies to understand the best method to leach this type of orebody, the Company's understanding has evolved and improved over time. Leaching has not been occurring at target rates consistent with the study leach curves. Finders has identified several factors impacting leaching over the past year, including:

- The level of aeration installed in the leach pads was insufficient. Due to a lack of air, ore at the bottom of the pads was generally leaching slowly. A new aeration system was developed and is being installed on all pads. This new system requires all pads to be re-mined which provides the additional benefit of turning the pad upside down as the new aeration is installed. The results have been positive with the best results in pads that had the worst leach performance.

- The key copper minerals (covellite, chalcocite and chalcopyrite) contain different levels of soluble copper and leach at different rates. The level of acid and temperature also significantly affect bacterial leaching. The high acid environment during the life of the project is likely to have negatively impacted leach performance.
- Related zinc and iron-rich minerals found in the orebody often encapsulate copper minerals. They consume ferric iron before it can be used by the copper minerals and delay the copper leach cycle.
- Re-mining activity over the past six months plus the need to re-crush previous dump leach ore have reduced the amount of fresh ore being stacked on leach pads and the area under irrigation, reducing the amount of fresh ore that was being leached. The remaining copper in the dump leach ore also leaches at a much slower rate.
- Higher levels of fresh crushed ore are expected to be mined in the second half of 2018 to increase copper leaching.

The level of copper stripped is affected by the level of copper leached and available to be stripped and the ability of the SX-EW circuit to extract the copper from the pregnant leach solution.

The recovery in copper leached in the second quarter of 2018 did not result in higher levels of copper stripped as higher than anticipated acid levels affected stripping efficiency. Acid in the pregnant leach solution has been accumulating and is averaging grades of around 40 to 50 grams per litre versus a target of less than 20 grams per litre. This has adversely affected the capacity of the organic to strip copper which has a direct impact on the copper cathode plated.

The original plant design assumed the neutralisation plant would maintain acid levels at target rates below 20 grams per litre. However, the original design of the neutralisation plant was not fully implemented, including the omission of a second filter press, and poor operational performance has meant that the average daily acid neutralised over the past year was approximately 60-65 tonnes per day. Operating practices have improved in recent months and acid neutralised increased to average 120 tonnes per day during July 2018. An upgrade to the neutralising plant is expected to take six months. Other initiatives are being considered to accelerate this timeline.

Lerokis Development

Planning and design work continued for the development of the second mine at Lerokis during the half year, with first ore from the Lerokis pit scheduled for mid-2019. The final design of the 13km haul road from the satellite mine back to the Kali Kuning valley heap leach pads is being finalised. The route optimises the construction and haulage economics; however, the total cost is estimated to be in the range of US$8-12 million, a significant increase from the previous US$2 million cost estimate provided by the company in its Independent Experts Report issued on 4 December 2017. Approval for the haul road was received following a meeting with regulators in the Maluku provincial capital of Ambon on 11 May 2018.

Near-mine Exploration

Community negotiations initiated by the Merdeka external affairs team have resulted in the Company gaining access to perform exploration activities at key near-mine targets. This is a critical milestone that allows exploration activities to recommence.

Exploration at Partolang (formerly known as Meron), proximal to Kali Kuning and at a number of regional prospects within the IUP commenced during the third quarter of 2018. Partolang is the new name assigned to the Meron prospect in line with the Wetar community's conventions. The exploration program will include mostly reverse circulation drilling to approximately 50 metres x 50 metres to ensure acceptable sample integrity. A diamond drill program will also be undertaken between the Partolang and Kali Kuning deposits, to follow up on historic exploration results that may have potential to define small sulphide bodies beneath shallow cover.

Several exploration targets have been identified within the vicinity of Lerokis since the project started. It is planned to follow these up with some drilling following completion of the Partalong program in early 2019.

OH&S

The Lost Time Injury Frequency Rate (LTIFR) at the end of the June 2018 was 1.08 versus 0.68 as at June 2017. The Total Injury Frequency Rate (TRIFR) reduced to 1.80 versus 4.76 as at June 2017. Safety systems development continued to focus on prevention of incidents and improving the safety culture of employees and contractors

WETAR COMMUNITY DEVELOPMENT

The company has actively engaged with its government and community stakeholders in a number of areas. Consultation has been underway regarding the Lerokis haul road variation including submissions from local government, community representatives and non-government agencies. The Company also received support from the local landowners and nearby village elders to re-commence exploration at Partolang (formerly Meron) after a long period of restricted access.

The company will continue to actively work with its community stakeholders particularly as exploration work intensifies and the Lerokis development advances.

WETAR ENVIRONMENTAL MANAGEMENT

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

There were no reportable incidents during the half. All statutory reporting compliance in place.

FINANCE REVIEW

Copper cathode sales and financial performance are summarised in the following table.

	Unit	2017 First Half	2018 First Half
Cu sold	Cu tonnes	14,572	8,708
US$/lb Cu	US$/lb Cu	2.60	3.11
C1 Cash Cost	US$/lb Cu	1.00	1.35
ASIC Cost	US$/lb Cu	1.84	2.00
Copper Hedging	US$ m	18.9	12.4
Total Debt	US$ m	93.6	58.7
Total Cash	US$ m	4.4	1.2

The Group recorded copper sales of $78.104 million (2017: $119.703 million) during the first six months of 2018. The decline in cathode production compared to the same period of the prior year was partly mitigated by stronger copper prices.

The consolidated profit after income tax for the half year decreased by 79% to $8.639 million (2017: $41.746 million). The lower copper sales (again, partly mitigated by stronger copper prices) had the greatest impact on realised profit. However, US dollar C1 cash costs also increased by 32%, including the impact of the review of inventories discussed under working capital below, reducing operating margins.

The Company's subsidiary PT Batutua Tembaga Raya ("BTR") previously entered into a Senior Facilities Agreement with BNP Paribas, Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation and Societe Generale ("the Senior Lenders") for a total commitment of US$162 million. Repayments began in September 2016 with remaining balances as at 30 June 2017 and 30 June 2018 respectively set out in the following table:

Facility	Unit	30 June 2017	30 June 2018
Term Loan Facility	$ million	85.2	50.6
Cost Overrun Facility	$ million	7.7	8.0
VAT Working Capital Facility	$ million	4.0	-
DSRA	$ million	-	(12.2)
Net Debt	$ million	**96.9**	**46.4**

On 20 July 2018 BTR arranged an unsecured subordinated debt facility with Merdeka ("Shareholder Loan") in an aggregate amount of US$19 million. Posco Daewoo Corporation, the Company's partner in the Wetar Copper Project with a 22% interest in BTR, subsequently committed to its pro-rata share of the Shareholder Loan. As at the date of this review BTR has drawn US$12.0 million from the Shareholder Loan and expects

to draw the full US$19 million before the end of September 2018. The Shareholder Loan is for a term of 18 months at an interest rate of 10% per annum to be capitalised each month prior to the repayment of the Senior Facility.

The previous terms of the Senior Facilities Agreement required US$18.0 million to be deposited in the Debt Service Reserve Account ("DSRA") by 30 June 2018. The Company announced an agreement with the Senior Lenders on 29 June 2018 to reduce the DSRA amount to US$9.0 million subject to the Company arranging additional subordinated funding. The implementation of the Shareholder Loan and related commitments makes permanent the reduction in the DSRA amount.

The book value of the hedges entered into by BTR as at 30 June 2018 is summarised in the following table (AU$ million):

	Unit	30 June 2017	30 June 2018
Cu Hedging Liability	$'000	19.0	12.4
Cu Hedging Outstanding	Cu tonnes	13,415	4,982
Cu Hedging Period	n.a.	Up to 31 March 2019	Up to 31 March 2019
Average Price	US$/tonne Cu	4,851	4,784

There was an adverse movement in the Company's working capital position over the six months to 30 June 2018:

- Trade and other payables increased 27% from $37.8 million to $48.0 million as a result of the lower sales and increasing debt service payments effectively shifting part of the burden of funding the Company to its suppliers.
- Current inventories decreased 12% from $55.7 million to $48.8 million driven by a 20% reduction in the value of the copper contained in the heap pads and solution that is expected to contribute to copper cathode production in the current financial year.
- Approximately $15.6 million of the copper contained in the heap pads and solution has been recorded as non-current inventories representing 34% of total work in progress.

As at 30 June 2018, the Group had available cash of $1.194 million excluding the US$9.0 million held in the DSRA.

Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June 2018 $'000	Six months ended 30 June 2017 $'000
Revenue	2	78,104	119,703
Interest income		131	13
Raw materials and consumables used		(37,139)	(45,201)
Changes in finished goods and WIP inventory		5,856	6,537
Personnel costs		(10,373)	(7,666)
Administrative costs		(2,288)	(1,361)
Financing costs		(4,575)	(5,494)
Depreciation and amortisation		(14,893)	(23,197)
Exchange loss		1,245	(43)
Royalty expense		(779)	(646)
Other income/(expense)		(2,232)	(9,062)
Profit/(loss) before income tax		**13,057**	**33,583**
Income tax benefit/(expense)	5	(4,418)	8,163
Profit/(loss) for the half-year		**8,639**	**41,746**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Adjustments from translation of foreign controlled entities		7,289	(7,970)
Gain/(loss) on cashflow hedges		7,773	(8,620)
Tax effect on cashflow hedges		(1,943)	2,175
(Gain)/loss on cashflow hedges reclassified to profit or loss			
(Gain)/loss on realised cashflow hedges		595	(7,643)
Tax effect on realised cashflow hedges		(149)	1,911
Other comprehensive income/(loss) net of tax		**13,565**	**(20,147)**
Total comprehensive income/(loss) for the half-year		**22,204**	**21,599**
Profit/(loss) for the half-year attributable to:			
Owners of Finders Resources Ltd		5,659	33,332
Non-controlling interests		2,980	8,414
		8,639	**41,746**
Total comprehensive profit/(loss) attributable to:			
Owners of Finders Resources Ltd		15,550	18,478
Non-controlling interests		6,654	3,121
		22,204	**21,599**
Earnings per share		**Cents**	**Cents**
Basic earnings per share		0.72	4.38
Diluted earnings per share		0.72	4.31

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

	Note	30 June 2018 $'000	31 December 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		1,194	2,178
Receivables	3	6,178	2,482
Financial assets		12,245	11,593
Inventories	4	48,789	55,666
Other assets		249	585
Total current assets		**68,655**	**72,504**
Non-current assets			
Receivables	2	12,636	10,049
Financial assets		1,326	1,307
Inventories	4	15,615	-
Deferred tax asset	5	13,951	19,713
Plant and equipment	6	115,802	119,600
Development expenditure	7	65,096	66,409
Total non-current assets		**224,426**	**217,078**
TOTAL ASSETS		**293,081**	**289,582**
LIABILITIES			
Current liabilities			
Trade and other payables	8	48,032	37,774
Borrowings	9	60,599	49,023
Provisions		492	816
Hedge derivative liability	10	12,407	24,441
Total current liabilities		**121,530**	**112,054**
Non-current liabilities			
Borrowings	9	-	26,093
Provisions		13,064	13,028
Hedge derivative liability	10	-	5,497
Total non-current liabilities		**13,064**	**44,618**
TOTAL LIABILITIES		**134,594**	**156,672**
NET ASSETS		**158,487**	**132,910**
EQUITY			
Contributed equity	11	170,562	168,302
Reserves	12	42,744	31,741
Accumulated losses		(95,848)	(101,508)
Equity attributable to owners of Finders Resources Limited		**117,458**	**98,535**
Non-controlling interest	13	41,029	34,375
TOTAL EQUITY		**158,487**	**132,910**

The accompanying notes for part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Share capital	Accumulated losses	Equity reserve	Hedging derivative reserve	Foreign currency translation reserve	Share based payments reserve	Other reserve	Non-controlling interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance 1 January 2018		**168,302**	**(101,506)**	**19,783**	**(3,230)**	**13,741**	**927**	**520**	**34,375**	**132,910**
Profit for the period		-	5,659	-	-	-	-	-	2,980	8,639
Other comprehensive income		-	-	-	4,656	5,235	-	-	3,674	13,565
Total comprehensive income		**-**	**5,659**	**-**	**4,656**	**5,235**	**-**	**-**	**6,654**	**22,204**
Shares issued during the year		2,260	-	-	-	-	-	-	-	2,260
Share based payments		-	-	-	-	-	1,112	-	-	1,113
Balance as at 30 June 2018		**170,562**	**(95,847)**	**19,783**	**1,426**	**18,976**	**2,039**	**520**	**41,029**	**158,487**
Balance 1 January 2017		**168,182**	**(144,836)**	**21,224**	**18,007**	**19,998**	**821**	**695**	**29,966**	**114,057**
Profit for the period		-	33,332	-	-	-	-	-	8,414	41,746
Other comprehensive income		-	-	-	(8,504)	(6,350)	-	-	(5,293)	(20,147)
Total comprehensive income		**-**	**33,332**	**-**	**(8,504)**	**(6,350)**	**-**	**-**	**3,121**	**21,599**
Transactions with owners recorded directly in equity:										
Share based payments		-	-	-	-	-	68	-	-	65
Equity contribution		-	-	(1,442)	-	-	-	-	1,442	-
Balance as at 30 June 2017		**168,182**	**(111,504)**	**19,782**	**9,503**	**13,648**	**886**	**695**	**34,529**	**135,721**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	Six months ended 30 June 2018 $'000	Six months ended 30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers		73,699	101,037
Payments to suppliers		(44,078)	(60,701)
Payments to employees		(9,706)	(10,131)
Interest received		130	13
Net cash provided by / (used in) operating activities		**20,045**	**30,218**
Cash flows from investing activities			
Payment for plant and equipment		-	(1,624)
Payments for development expenditure		(1,092)	(2,140)
Payments for security deposits		16	-
Net cash used in investing activities		**(1,076)**	**(3,764)**
Cash flows from financing activities			
Proceeds from the issue of shares		2,260	-
(Repayment)/draw down of borrowings		(18,943)	(21,310)
Payments for interest and other costs of financing		(3,341)	(4,391)
Net cash (used in) / provided by in financing activities		**(20,024)**	**(25,701)**
Net increase / (decrease) in cash held		**(1,055)**	**753**
Cash and cash equivalents at beginning of period		2,178	4,879
Exchange rate effect		71	(1,248)
Cash and cash equivalents at end of period		**1,194**	**4,384**

The accompanying notes for part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation

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

This condensed general purpose interim financial report for the half year reporting period ended 30 June 2018 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations* Act 2001 and was authorised for issue in accordance with a resolution of directors on 10 September 2018.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 31 December 2017 and any public announcements by Finders Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as described below.

Going concern

The Group generated a profit after tax of $8.639 million for the half-year ended 30 June 2018 (30 June 2017: $41.746 million) and has net current liabilities of $52.875 million (30 June 2017: net current liabilities of $15.958 million), including $62.041 million of debt which is due for repayment in the next 12 months.

While the directors expect that the production rates from the project will continue to increase following the production issues at the end of 2017, cash generation over the next 12 months is unlikely to be sufficient to satisfy the conditions of its debt facilities, in which case the Group will need to reschedule or refinance its debt obligations. The directors expect this to be successfully achieved and therefore believe it is appropriate to prepare the financial report on a going concern basis.

However, should the Group be unable to reschedule or refinance its debt obligations then there is uncertainty as to whether the Group will continue as a going concern. No adjustments have been made to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Accounting policies, new accounting standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017, except for changes in accounting policy as a result of the adoption of new Accounting Standards effective as of 1 January 2018. The Group adopted AASB 15 *Revenue from Contracts with Customers* (“AASB 15”) as of 1 January 2018. Other new and amended Accounting Standards and Interpretations that apply for the first time in 2018, but did not have an impact on the Group.

Adoption of AASB 15

AASB 15 provides a single, principles-based five step model to be applied to all contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods to services to a customer.

The Group's new accounting policy for revenue as a result of the adoption of AASB 15 is detailed below:

Revenue is recognised when performance obligations are satisfied and the Group transfers control of goods or services to a customer. Revenue is measured based on the consideration specified in the contract with the customer and reflects the amount to which the Group expects to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount to which it expects to be entitled.

Amounts received from customers in advance of the performance obligations being satisfied are recorded as deferred revenue. These amounts are recognised as revenue in the statement of comprehensive income when performance obligations are satisfied.

Revenue from the sale of copper cathode is recognised when the performance obligations under the customer contract have been met and control of the copper cathode has passed to the customer, usually once the copper cathode is loaded at the port of shipment.

Revenue from providing services, including shipping services, is recognised as the services are provided to the customer.

The adoption of AASB 15 has resulted in the following key changes in the Group's accounting and reporting:

Some of the Group's copper sales contracts contain provisional pricing features which are considered to be embedded derivatives under AASB 9. . In accordance with AASB 9, the related receivable is classified as a financial asset at fair value through profit and loss. Changes in copper pricing once control has passed to the customer are outside the scope of AASB 15 and consequently the impact of these changes on the receivable will be recorded as other income or expenditure rather than in revenue.

The Group makes copper sales under both Free on Board ("FOB") and Cost, Insurance and Freight ("CIF") arrangements. Under CIF arrangements, the Group is responsible for shipping services after the date at which control of the copper passes to the customer at the port of loading. Under AASB 15, the provision of shipping services in these types of arrangements are considered a separate performance obligation to which a portion of the transaction price is allocated and recognised over time as the shipping services are provided.

The Group has applied AASB 15 from 1 January 2018 using the modified retrospective approach, where transitional adjustments are recognised in retained earnings at the date of initial application without adjustment of the comparative period. The above changes have not resulted in any material transitional adjustments and therefore no change has been made to retained earnings as at 1 January 2018. The adoption of AASB 15 in the current period has resulted in the recognition of $0.146 million of other income that would have been recognised as sales revenue under the previous accounting policy.

Rounding of amounts to the thousand dollars

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

Comparative numbers

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

2. Revenue

At 30 June 2018, following the adoption of AASB 15 as outlined in Note 1, revenue is disaggregated as follows:

	30 June 2018 $'000
Revenue from customers	
Revenue from copper sales	39,702
Revenue from copper sales subject to provisional pricing adjustments	38,176
Revenue from shipping activities	226
	78,104

The Group's sales of copper are made to a number of customers located in the Asian region. These sales are made under contractual terms and where these sales are made on a CIF basis, the Group recognises revenue separately for the shipping performance obligation.

Any changes in the valuation of the receivable from provisional pricing adjustments are treated at fair value through profit and loss and recognised separately in other income.

3. Receivables

	30 June 2018 $'000	31 December 2017 $'000
Current		
Trade receivables at amortised cost	4,272	877
VAT receivable	-	-
Other receivable	1,906	1,605
	6,178	**2,482**
Non-current		
VAT receivable[(a)]	21,932	21,464
Impairment allowance [(a)]	(10,753)	(12,882)
Other receivable	1,457	1,467
	12,636	**10,049**

(a) In the six months to 30 June 2018 an allowance of impairment of $10.753 million (year ended 31 December 2017: $12.882 million) has been recognised in relation to uncertainty associated with the recoverability of VAT receivables due to the delays in collections.

4. Inventories

	30 June 2018 $'000	31 December 2017 $'000
Current inventories, at cost		
Raw materials and consumables	14,974	14,515
Work in progress	30,371	38,141
Finished goods	3,444	3,010
	48,789	**55,666**
Non-current inventories, at cost		
Work in progress	**15,615**	**-**

5. Income tax

	Six months ended 30 June 2018 $'000	Six months ended 30 June 2017 $'000
Reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax	13,057	33,583
Income tax expense/(benefit) calculated at tax rate of 30% (2016: 30%)	3,917	10,075
Tax effect of amounts which are not assessable or deductible in calculating taxable income:		
Share based payments	334	19
Other non-deductible expenditure	606	492
Tax incentive depreciation and amortisation allowance	(587)	-
Difference in overseas tax rate	(796)	(1,723)
Previously unrecognised deferred tax assets now brought to account*	944	(17,026)
Income tax expense/(benefit)	4,418	(8,163)

*During the six months ended 30 June 2017, the Group recognised $16.215 million of deferred tax assets relating to tax losses that had not previously been brought to account. The losses in 2017 were recognised as the Wetar Copper Project completed commissioning and therefore it was considered probable that sufficient taxable income would be generated to utilise these losses.

6. Plant and equipment

	30 June 2018 $'000	31 December 2017 $'000
Plant and equipment at cost	168,141	159,573
Less:		
Accumulated depreciation	(47,203)	(35,099)
Impairment	(5,136)	(4,874)
	115,802	**119,600**
Movements:		
Opening net book value	119,600	145,336
Additions	-	8,227
Asset reclassification from development expenditure	-	-
Depreciation charge	(9,817)	(23,556)
Exchange rate effect	6,019	(10,407)
Closing net book value	**115,802**	**119,600**

7. Development expenditure

	30 June 2018 $'000	31 December 2017 $'000
Development expenditure	94,881	89,651
Less:		
Accumulated amortisation	(29,785)	(23,242)
	65,096	**66,409**
Movements:		
Opening net book value	66,409	83,791
Additions	464	3,556
Asset reclassification from development expenditure		-
Amortisation charge	(5,087)	(15,755)
Exchange rate effect	3,310	(5,183)
Closing net book value	**65,096**	**66,409**

8. Trade and other payables

	30 June 2018 $'000	31 December 2017 $'000
Current		
Deferred income	6,762	5,543
Trade creditors and accruals	41,270	32,231
	48,032	**37,774**

9. Borrowings

	30 June 2018 $'000	31 December 2017 $'000
Current		
Loan (secured)[a]	57,224	49,023
Loan (unsecured)[b]	3,375	-
Non-current		
Loan (secured)[a]	-	26,093

a) Loan (secured)

The Group has signed a Senior Secured Project Finance Facility Agreement with BNP Paribas, Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation and Societe Generale ("the Senior lenders") which provides for a US$162 million commitment. The facilities have first ranking security over the Wetar Copper Project. The current outstanding portion of the Senior Secured Project Finance Facility, excluding capitalised borrowing costs of $1.442 million, consists of:

Facility	Interest rate (LIBOR + %)	Drawn down 30 June 2018 $'000	Drawn down 31 December 2017 $'000
Term loan facility	5.50%	50,628	69,827
Cost overrun facility	6.25%	8,038	7,629
		58,666	**77,456**

Under the original terms of the Senior Secured Project Finance Facility, the Debt Service Reserve Account ("DSRA") amount was to increase from US$13.5 million to US$18.0 million on 30 June 2018. The Company announced an agreement with the Senior Lenders on 29 June 2018 to reduce the DSRA to US$9.0 million subject to the Company arranging additional subordinated funding. The amount held in respect of the DSRA is included in current financial assets.

Principal repayment – Maturity analysis

	0 - 6 months $'000	6 - 12 months $'000	12 - 24 months $'000	24+ Months $'000	Total $'000
Term loan facility	22,276	28,352	-	-	50,628
Cost overrun facility	8,038	-	-	-	8,038
	30,314	**28,352**	**-**	**-**	**58,666**

b) Loan (unsecured)

EFDL advanced US$2.500 million to BTR on 28 June 2018 to fund working capital. The Company announced an agreement with the Senior Lenders on 29 June 2018 to reduce the DSRA to US$9.0 million subject to the Company arranging additional subordinated funding. The unsecured loan was repaid in full on 18 July 2018 in anticipation of the implementation of the additional subordinated funding.

10. Hedging derivative assets and liabilities

The Group has entered into forward contracts in respect of 4,982 tonnes of copper to be produced from the Wetar Copper Project. The contracts are at an average price of US$4,784 per tonne and cover the period from July 2018 to March 2019. At 30 June 2018, the contracts have a fair value of $12.4 million reflected as a derivative liability and the movement has been recognised in the hedge reserve.

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

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

The maturity profile of the forward contracts is as follows:

Copper swaps – Maturity analysis

	0 – 6 months $'000	6 – 12 months $'000	12 – 24 months $'000	24 + months $'000	Total $'000
Copper	(8,056)	(4,351)	-	-	(12,407)
Net receive / (pay)	**(8,056)**	**(4,351)**	**-**	**-**	**(12,407)**

11. Issued capital

	30 June 2018 '000	31 December 2017 '000	30 June 2018 $'000	31 December 2017 $'000
Contributed equity				
Issued and paid up shares	788,766	761,267	165,377	163,117
Employee incentive reserved shares [a)]	-	10,500	-	-
Converting notes [b)]	-	-	5,185	5,185
	788,766	**772,367**	**170,562**	**168,302**
Movement:				
At beginning of reporting period	772,367	761,867		
Converting notes	12,249			
Employee incentive reserved shares	4,150	10,500		
Cancellation of reserved shares	-	-		
At end of reporting period	**788,766**	**772,367**		

a) Employee incentive shares

The company previously issued 10,500,000 unquoted ordinary shares (Incentive Shares) under the Finders Employee Share Plan as well as to the Non-Executive Chairman on similar terms to the plan. These incentive shares were issued subject to performance and time-based vesting conditions, which were deemed to have been satisfied upon the takeover offer for the Company becoming unconditional.

The company had also previously issued 4,150,000 performance rights under the Employee Performance Rights Plan. If the vesting conditions and performance criteria were met the options would automatically exercise and the participants would be issued one fully paid ordinary share for each performance right with no payment required by the participants. The options were deemed to have vested upon the takeover offer for the Company becoming unconditional.

b) Converting notes

The Company raised US$5,500,000 from Standard Bank Plc in 2012 pursuant to mandatory Converting Notes. These notes converted 12,248,538 shares in the Company on 16 March 2018 at a conversion price of A$0.427 per share.

12. Reserves

	30 June 2018 $'000	31 December 2017 $'000
Reserves		
Equity reserve	19,783	19,782
Hedging derivative reserve	1,426	(3,229)
Foreign currency translation reserve	18,976	13,742
Share based payment reserve	2,039	926
Other reserve	520	520
	42,744	**31,741**

13. Non-controlling interest

	30 June 2018 $'000	31 December 2017 $'000
Non-controlling interest		
Issued and paid up shares	14,519	14,519
Contributed equity	44,814	44,814
Reserves	(11,917)	(15,591)
Accumulated losses	(6,387)	(9,367)
	41,029	**34,375**
Reserve movements:		
Opening balance	(15,591)	4,263
Equity reserve	-	(12,803)
Employee benefits reserve	-	(61)
Foreign currency translation reserve	2,046	180
Hedge derivative reserve	1,628	(7,170)
Closing balance	(11,917)	(15,591)
Accumulated losses movement:		
Opening balance	(9,367)	(22,370)
Current period profit/(loss)	2,980	13,003
Closing balance	(6,387)	(9,367)

14. Operating segments

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

Operating segment

	Copper mining		Total	
	Six months ended 30 June 2018 $'000	Six months ended 30 June 2017 $'000	Six months ended 30 June 2018 $'000	Six months ended 30 June 2017 $'000
Revenue				
Sales revenue	78,104	119,703	78,104	119,703
Interest income			131	13
Total revenue			**78,235**	**119,716**
Result				
Segment result	15,924	34,944	15,924	34,944
Income tax expense	(4,419)	8,163	(4,419)	8,163
Post-tax segment result	**11,505**	**43,107**	**11,505**	**43,107**
Administration expenses			(2,866)	(1,361)
Profit / (loss) after income tax			**8,639**	**(41,746)**

	Copper mining		Total	
	30 June 2018 $'000	31 December 2017 $'000	June 2018 $'000	31 December 2017 $'000
Assets				
Segment assets	292,772	289,180	292,772	289,180
Unallocated assets [a)]			309	402
Total assets			**293,081**	**289,582**
Liabilities				
Segment liabilities	133,462	154,972	133,462	154,972
Unallocated liabilities [a)]			1,132	1,700
Total liabilities			**134,594**	**156,672**

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

Geographical information - Indonesia

	Revenue from sales to external customers		Non-current assets*	
	Six months ended 30 June 2018 $'000	Six months ended 30 June 2017 $'000	30 June 2018 $'000	31 December 2017 $'000
Revenue	78,104	119,703		
Plant and equipment			115,785	119,572
Development expenditure			65,096	66,409
Indonesia	**78,104**	**119,703**	**180,881**	**185,981**

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

15. Commitments

Supply agreements

The Group has entered into contracts for supply of consumables items and provision of services to the Wetar Copper Project. The contractual commitments at balance date are set out below.

	30 June 2018 $'000	31 December 2017 $'000
Expenditure contracted for at the reporting date, but not recognised as liabilities as follows:		
Contract services		
- Payable within 1 year	26,094	10,057
- Payable later than 1 year but not later than 5 years	9,636	9,608
	35,730	**19,665**

Operating leases

The group has entered into operating leases on certain light vehicles, storage containers, power supply and corporate offices, with lease terms between two and five years. The operating lease commitments at balance date are set out below.

	30 June 2018 $'000	31 December 2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases as follows:		
- Payable within 1 year	4,115	4,204
- Payable later than 1 year but not later than 5 years	7,257	6,057
	11,372	**10,261**

16. Events after balance date

On 20 July 2018 the Company announced the appointment of a new General Manager at the Wetar Copper Project and Chief Financial Officer at the Company.

On 20 July 2018 the Company's subsidiary BTR arranged an unsecured subordinated Shareholder Loan with Merdeka in an aggregate amount of US$19 million. Posco Daewoo Corporation, the Company's partner in the Wetar Copper Project with an interest of 22% in BTR, subsequently committed to its pro rata share of the Shareholder Loan. As at the date of this review BTR has drawn US$12.0 million from the Shareholder Loan and expects to draw the full US$19 million before the end of September 2018. The Shareholder Loan is for a term of 18 months at an interest rate of 10% per annum to be capitalised each month prior to the repayment of the Senior Secured Project Finance Facility.

The previous terms of the Facility Agreement required US$18.0 million to be deposited in the DSRA at 30 June 2018. The Company announced an agreement with the Senior Lenders on 29 June 2018 to reduce the DSRA to US$9.0 million subject to the Company arranging additional subordinated funding. The implementation of the Shareholder Loan and related commitments makes permanent the reduction in the DSRA amount.

As at 13 September 2018, the EFDL takeover offer remained open until 25 September 2018. The offer had received acceptances under the takeover offer for 763,264,671 shares in the Company. This amount includes acceptances for 87,339,525 shares managed by Taurus Funds Management Pty Ltd, being equal to 11.31% of the shares currently on issue. The legitimacy of the Taurus acceptances is being challenged by EFDL.

Directors' Declaration

In the opinion of the Directors:

1. The financial statements and notes set out on pages 8 to 23 are in accordance with the Corporations Act 2001 and:
   a. Comply with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
   b. Give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;
2. Subject to the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

D Fowler

Mr David Fowler
Director

Perth
13 September 2018

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Finders Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

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

a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and

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

Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 1 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young

T S Hammond
Partner
Perth
13 September 2018

Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Finders Resources Limited

As lead auditor for the review of Finders Resources Limited for the six months ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst + Young

Ernst & Young

T S Hammond
Partner
13 September 2018

Corporate Directory

Directors	Colin Moorhead David Fowler Gavin A Caudle Gordon T Galt Mark Sherman Roderick Webster	Non-Executive Chairman Acting CEO & Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
Secretary	Susan Hunter	
Registered Office	25 Colin Street West Perth WA 6005 Telephone: + (61 8) 6555 3996 Facsimile: + (61 8) 6555 3998 Email: info@findersresources.com	
Website	www.findersresources.com	
Stock Exchange Listing	ASX: FND	
Auditor	Ernst & Young 11 Mounts Bay Road Perth WA 6000	
Share Registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000 Australia Telephone – 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia)	
Australian Business Number	82 108 547 413	