ORINOCO
GOLD

ACN 149 219 974

# CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

for the half-year ended 30 June 2018

**ORINOCO GOLD LIMITED**
**ACN: 149 219 974**

# CONTENTS



This financial report covers the Orinoco Gold Limited Group consisting of Orinoco Gold Limited ("Orinoco" or the "Company") and its subsidiaries. The financial report is presented in Australian dollars.

Orinoco is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Orinoco Gold Limited
Ground Floor
16 Ord Street
WEST PERTH WA 6005

# Corporate Information

**Directors:**
Mr Joseph Pinto
*Non-Executive Chairman*

Mr Jeremy Gray
*Managing Director*

Mr Nicholas Revell
*Non-Executive Director*

Mr Terry Topping
*Non-Executive Director*

Mr Hélcio Guerra
*Non-Executive Director*

Mr Andrew Allan
*Non-Executive Director*

**Company Secretary:**
Ms Sophie Raven

**Home Securities Exchange:**
Australian Securities Exchange Limited

**ASX Code:**
OGX (Ordinary Shares)
OGXOD (Options)

**Registered Office:**
Ground Floor, 16 Ord Street
WEST PERTH WA 6005

**Corporate Office**
14 Outram Street
WEST PERTH WA 6005

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Email: info@orinocogold.com
Website: www.orinocogold.com

**Postal Address:**
P.O. Box 109
WEST PERTH WA 6872

**Share Registry:**
Security Transfer Australia
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 (0)8 9315 2333

**Auditors:**
HLB Mann Judd
Level 4
130 Stirling Street
PERTH WA 6000

**Bankers:**
Westpac Banking Corporation

## Directors' Report

The Directors present their report together with the financial statements of the Group consisting of Orinoco Gold Limited and the entities it controlled during the period for the half-year ended 30 June 2018. In compliance with the provisions of the Corporations Act 2001, the Directors report as follows:

### DIRECTORS

The names and details of Directors in office at any time during the period were:

| | |
|---|---|
| Mr Joseph Pinto | Non-Executive Chairman |
| Mr Jeremy Gray | Managing Director |
| Mr Nicholas Revell | Non-Executive Director |
| Mr Terry Topping | Non-Executive Director |
| Mr Hélcio Guerra | Non-Executive Director |
| Mr Andrew Allan | Non-Executive Director |

Directors have been in office since the beginning of the period to the date of this report unless otherwise stated.

### PRINCIPAL ACTIVITIES

Orinoco Gold Limited is an Australian company developing a gold mine and conducting exploration activities on projects located on the Faina Greenstone Belt in Goiás State, central Brazil, South America.

### RESULTS

The comprehensive loss for the half year ended 30 June 2018 amounted to $21,990,639 (2017: $6,019,411).

**Directors' Report**
OPERATING REVIEW

**Operations**

Orinoco Gold Limited (**Orinoco, Company**) is pleased to provide the following report to shareholders for the half-year ended 30 June 2018.

**Cascavel Gold Mine**

*Back to Basics*

Due to ongoing issues with the plant, during December 2017, the Company made the decision to return to more traditional routes to mill its ore and testing commenced in late 2017 using a small 200kg/h Brazilian made pilot hammer mill. From eleven one tonne samples taken using the pilot mill, initial results indicated recoveries in excess of 90% and grades ranging between 30-149g/t gold (Doré). Further testing comprising an additional 21, one tonne samples were also taken in January 2018 resulting in recovered grades of between 9.61g/t and 69.02g/t with an average grade of 45.19g/t.

Owing to the success of these initial results, 2 additional hammer mills of 400kg/h and 25t/h were ordered, and the Company announced that it was undertaking a 'Back to Basics" approach for both the mining and processing of ore.

**200kg/h Hammer Mill**

**400kg/h Hammer Mill**

**25t/h Hammer Mill**

*Hammer Mill 3 Commissioning*

Hammer Mill 3 was delivered to site in January 2018 and was installed ready for use in February. The commissioning process continued throughout the period with the mill processing a mixture of tailings as well as low/medium grade ore and development ore.

As reported on 18 April 2018, commissioning of Hammer Mill 3 encountered commissioning delays due to equipment breakdowns which did not allow it to reach first commercial production until May. Whilst it ran well from May, availability of high grade ore became an issue during May and June for three key reasons:

- First, mining was diverted off high grade ores due partly to operational errors underground which led to a shortage of high grade feed to operate at its 20-25 tonne per hour capacity.

- Second, this was further exacerbated by the Nationwide Brazilian Truck Strike that we reported on 28 May 2018. This severely impacted the supply of diesel and other operational consumables to site which led to an 18 day Force Majeure and an almost complete shutdown of operations.

**Directors' Report**

Power supply to Cascavel was severely impacted given we source 90% of power from 4 diesel driven generators. The remaining 10% is sourced from the local grid.

- Third, during this Force Majeure, a power surge from the main grid line caused two water pumps to malfunction, resulting in the Company not having access to Levels 5 and 6 at Mestre. This further restricted the supply of high grades ores to Hammer Mill 3 for most of June.

The Force Majeure was in place until 9 June 2018 but the time it took to get operations back to normal had a dramatic impact on our ability for Hammer Mill 3 to operate consistently each day due to a lack of high grade ores.

*Production*

A total of 9,187t were processed during the period for total recovery of 419.1oz at a grade of 1.42g/t

Significant results released during the period are as follows:

- the first set of laboratory results from panel samples taken within the Mestre Zone of Cascavel which returned grades of up to 265g/t with an average grade of 47.2g/t – 17 January 2018.
- Results from a 5-tonne sample of tailings processed through the hammer mills yielding a total of 46.37 grams of gold in doré at an average grade of 9.27g/t – 31 January 2018
- the second set of laboratory results from panel samples taken within the Mestre Zone of Cascavel which returned grades of up to 185g/t with an average grade of 31.42g/t – 2 February 2018
- Further Bonanza gold grade from pilot hammer mills returned from the Mestre zone. 6 samples were processed for a total of 9.25 tonnes with an average recovered grade of 25.91 – 19g/t February 2018
- the first set of laboratory results from panel samples taken within the Cuca Zone of Cascavel which returned grades of up to 212g/t with an average grade of 31.7g/t – 27 February 2018
- the second set of laboratory results from panel samples taken within the Cuca Zone of Cascavel which returned grades of up to 300g/t and an average grade of 48.3g/t – 27 March 2018
- A third set of Mestre panel samples was received with the highest grading sample being 300g/t. The average grade of the 88 samples was 46.39g/t

*Mining*

- New development during the period included Central Decline N5S, Central Decline N6S, Mestre Access, Mestre Decline N4N, Cascavel Stopes and Mestre Stopes
- Total development for the period was 661m made up of 122m of decline development and 539m of lateral development
- 7,785t of ore were mined during the period
- Mining during the period benefited substantially from the breakthrough between Mestre Access and Mestre Decline which occurred in mid-February. This formed a critical part of our plan and has reduced haulage distances to the hoisting skip from over 600m to under 100m.
- Level 5 Mestre was reached on 10 April, with a vein that appears to range between 0.5 and 2.5 meters
- New equipment purchased included a refurbished Toro LHD along with a new bobcat and a Brazilian made mini excavator

*Brazilian Transport Strike*

During the period, operations were adversely impacted by the Brazilian transport strike. A shortage of fuel and critical spares lead to the Company making the decision to switch off all milling and processing facilities on 24 May. The Force Majeure clause of the Company's Goldstream facility was invoked on 24 May and ended on 9 June.

## Directors' Report

### Laboratory

During 2017, plans were finalised for the construction of an Orinoco owned and managed on-site laboratory, with civil works for the new lab commenced in March 2017 quarter and construction of the laboratory building completed in July 2017. The installation license for the laboratory was received in August 2017 and the lab was completed during September 2017. Additional licenses for the storage and use of cyanide were received during October 2017 and February 2018 and the laboratory was fully operational in March 2018.

**The assay laboratory facility at the Cascavel Plant area.**

**Directors' Report**

**Exploration**

**Rio do Ouro Gold Project (Formerly Sertão)**

Sertão, which is located just 28km by road from Cascavel, forms part of Orinoco's broader Faina Goldfields Project. The Sertão deposit was previously mined (2003-2006) as a shallow open pit by Troy Resources Limited (Troy) with historical production of 256koz at an average grade of 24.95 g/t Au.

The Sertão deposit lies on the same shear zone as the Cascavel deposit and, given its strategic location, strong production history and brownfields status (located on a granted Mining Lease) offers excellent potential for the development of future synergies between the two mining hubs.

Following the announcement of a maiden mineral resource estimate in 2017, on 18 July the Company commenced a 12-hole drill programme at Sertão, with the aim of confirming the western and northern extensions of the Sertão Stage 4 and 5 ore body. The first two holes were completed early by August. Historical analysis of historic and current drilling indicates a fault running NE to SW is present along the western extent of the previously mined area of the Sertão Stage 1 and 4 ore bodies and it is believed that the fault has resulted in the dislocation of lateral offsetting of the continuation to the west of the Stage 4 and 5 ore shoots by approximately 25m to the north.

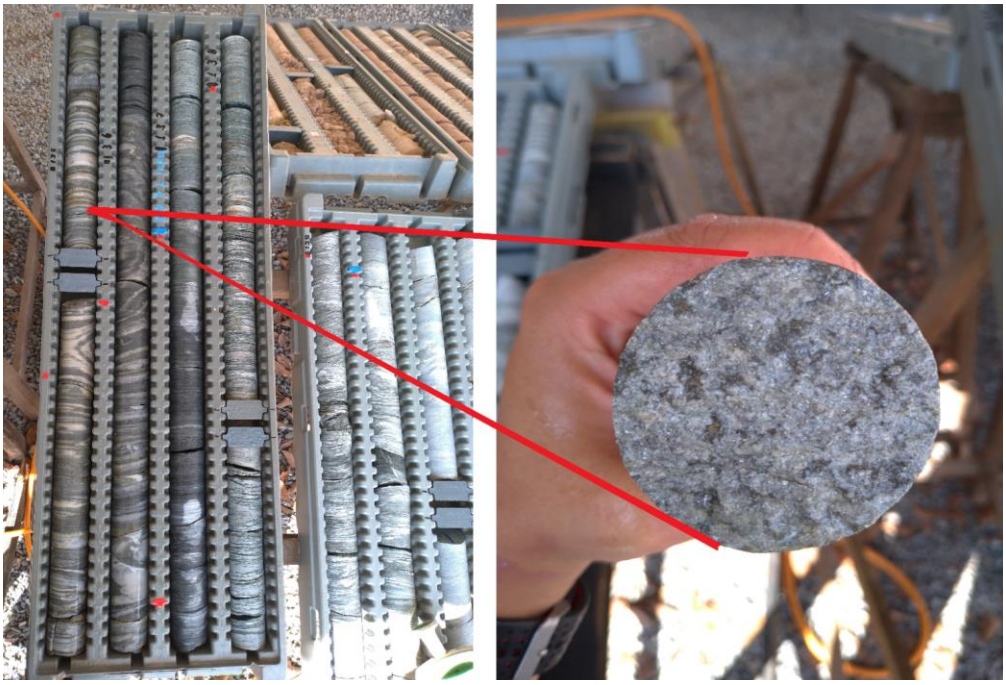

**Figure 1 – OST012 Core Samples. Intercept of arsenopyrite at 135m depth.**

**Directors' Report**

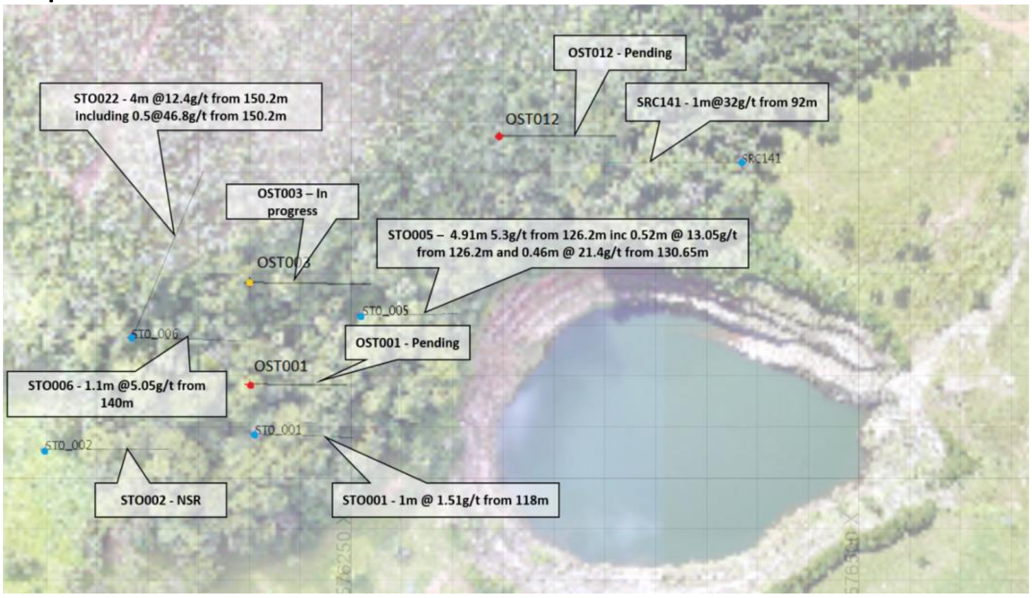


**Figure 2 – Aerial view of current drilling program.**

## Other Targets

*Antena/Xupé*

On 6 March 2018 the Company commenced an 11 hole drilling program. The two deposits (Antena and Xupé) are located on the central portion of the Faina Greenstone Belt, only 8km from the Cascavel processing plant and in between Cascavel and Sertão deposits, along the same mineralized structure. These two deposits sit inside existing Mine Leases making it potentially possible to fast track a return to production. As announced in Orinoco's 1st Quarter report for 2018, an in-pit economic ore optimisation study is currently underway to explore how much gold was left in the pits at Antena, Xupé and Sertão from the previous operators.

The drill program was completed during the period with results from 3 holes received from ALS as follows and announced during May included ANT_004, executed as the extension of Troy's Xupé pit, returned an assay of 21.7m @ 4.89g/t Au (144- 165.7m) including 10.2m @7.74g/t Au (155.5 – 165.7m) including 2m @ 10.82g/t Au (158 – 160m) including 1.5m @ 11.36g/t Au (162 – 163.5m).

Results from Orinoco's Maiden Antena- Xupé Drilling campaign were announced on the 24 of August 2018. They confirmed 300mm down plunge extension of the historic Xupé mine and 200m down-plunge extension to Antena View mine, with good thickness and grade.

Highlights from the 2,068 meter campaign including:

- ANT_004 (Xupé): 21.7m @ 4.49g/t Au (from 144m) inc 10.2m 7.74g/t Au from (155.5m)
- ANT_005 (Antena View): 0.77m @ 5.61g/t Au (from 67.75m)
- ANT_007 (Xupé): 4.2m @ 5.66g/t Au (from 172.5m) inc 1m @ 8.75g/t Au (from 173m)
- ANT_008 (Xupé): 0.5m @ 6.48g/t Au (from 160m) and 0.5m @ 9.78g/t Au (from 184.5m)
- ANT_010 (Xupé): 8m @ 4.02g/t Au (from 119.5m) inc 0.88m @ 8.1g/t Au (from 121.5m)
- ANT_011 (Xupé): 3m @ 4.24g/t Au (from 140m) inc 1.15m @ 6.42g/t Au (140.5m)
- ANT_012 (Xupé): 5m @ 3.93 g/t Au (from 97m) inc 0.5m @ 13.15g/t Au (from 97m)

**Directors' Report**

**Photo 1: Core showing sericitic alteration, with ASPY and PY in a quartz vein at ANT_004, 159m depth**

**Photo 2: Detail of the sericitic alteration, with ASPY and PY in an intensive silicatated zone at ANT_004, 158m depth**

*Tinteiro*

The Company's Tinteiro prospect lies just 7km from Cascavel, 20km from Sertão and is immediately adjacent to the Antena-Xupe gold tenements that were drilled during the period.

On 13 June 2018, the Company announced the receipt of results for 54 rock chip samples sent to ALS for assay. Of significance, 3 of the samples returned cobalt grades of 1.54%, 1.65% and 1.75%, and were found 1.2km due south of Cascavel in Area 3, known as Central Tinteiro.

Cobalt, copper, nickel and gold mineralisation is found across the whole 7km strike of Tinteiro and the Company has engaged an independent polymetallic specialist to assist our exploration team to assess the next steps for a potential drill programme in Q3 2018.

**Directors' Report**

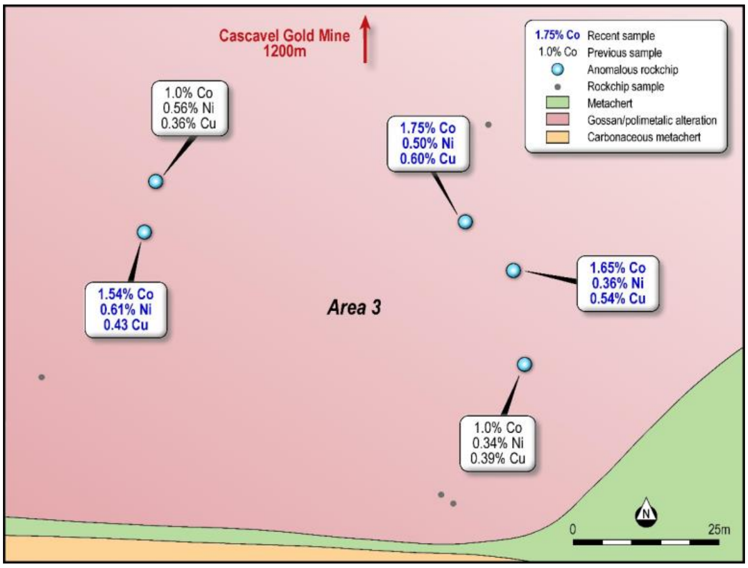


*Figure 3: High grade cobalt samples near Cascavel gold mine*

*Photo 3: Sample 20768 grading 1.75% cobalt, 0.6% copper and 0.5% nickel*

## Directors' Report

**Competent Person's Statement**: *The information in this report that relates to Exploration Results and geology is based on information compiled by Thiago Vaz Andrade who is a member of the Australasian Institute of Mining and Metallurgy. Thiago Vaz Andrade is an employee of Orinoco Gold Limited and has sufficient experience, which is relevant to the style of mineralization under consideration and to the activity that they are 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 Thiago Vaz Andrade consents to the inclusion in this announcement of the matters based on the information in the form and context in which it appears.*

**Previous Reported Results:** *There is information in this report relating to Exploration Results at Cascavel, Rio Do Ouro (formerly Sertão) and Antena- Xupé. Full details of the Results were included in the following ASX Release and is available to view on the Company's website*
*www.orinocogold.com:*
*1. 28 December 2017 – Spectacular Grades Continue from Pilot Hammer Mill*
*2. 12 January 2018 – Further Spectacular Grades Continue from Pilot Hammer Mill*
*3. 17 January 2018 – Mestre Assays Show Bonanza Grades up to 265g/t*
*4. 31 January 2018 – Orinoco Confirms Outstanding Grades of Gold in Tailings*
*5. 2 February 2018 – Mestre Assays Show Further Bonanza Grades up to 185g/t*
*6. 19 February 2018 – Cascavel Operations Update – Bonanza Gold Grades Continue at Cascavel*
*7. 27 February 2018 – Cuca Assays Show Bonanza Grades up to 212g/t Au*
*8. 27 March 2018 – Cuca's 2nd Batch of Panel Samples*
*9. 27 April 2018 – 88 new Mestre Panel samples grade up to 300g/t*
*10. 1 May 2018 – Diamond Drilling Results 21.7m @ 4.49 g/t at Antena - Xupe*
*11. 24 August 2018 – Completion of Maiden Antena-Xupe Diamond Drilling Campaign*
*12. 13 June 2018 – Tinteiro Rock Chip Samples Grade up to 1.75% Colbolt*

*The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Exploration Results in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

**Forward-Looking Statements:**
*This Announcement includes "forward-looking statements" as that term within the meaning of securities laws of applicable jurisdictions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that are in some cases beyond Orinoco Gold Limited's control. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this presentation, including, without limitation, those regarding Orinoco Gold Limited's future expectations. Readers can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "potential," "predict," "project," "risk," "should," "will" or "would" and other similar expressions. Risks, uncertainties and other factors may cause Orinoco Gold Limited's actual results, performance, production or achievements to differ materially from those expressed or implied by the forward-looking statements (and from past results, performance or achievements). These factors include, but are not limited to, the failure to complete and commission the mine facilities, processing plant and related infrastructure in the time frame and within estimated costs currently planned; variations in global demand and price for gold materials; fluctuations in exchange rates between the U.S. Dollar, the Brazilian Real and the Australian dollar; the failure of Orinoco Gold Limited's suppliers, service providers and partners to fulfil their obligations under construction, supply and other agreements; unforeseen geological, physical or meteorological conditions, natural disasters or cyclones; changes in the regulatory environment, industrial disputes, labour shortages, political and other factors; the inability to obtain additional financing, if required, on commercially suitable terms; and global and regional economic conditions. Readers are cautioned not to place undue reliance on forward-looking statements. The information concerning possible production in this announcement is not intended to be a forecast. They are internally generated goals set by the board of directors of Orinoco Gold Limited. The ability of the company to achieve any targets will be largely determined by the company's ability to secure adequate funding, implement mining plans and resolve logistical issues associated with mining. Although Orinoco Gold Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.*

## Directors' Report

**Corporate**

*Capital Raising*

On 18 December 2017, the Company announced raised $1,500,000 via a placement at $0.02 per share. Due to excess demand, the Company accepted an additional $350,000 in applications taking the total placement to $1,850,000. A total of 92,500,000 fully paid ordinary shares were issued. In addition, placement participants were also issued one new option exercisable at $0.03 and expiring on 2 January 2020 for every share subscribed for and issued under the placement. During the period a total of 59,500,000 of the options were exercised to raise a total of $1,785,000.

On 23 March 2018, the Company announced a capital raise as follows:

- A placement of 70.8m shares at a price of $0.12 per share and 23.6m options with an exercise price of $0.11 and expiry date of 31 March 2020 to sophisticated investors to raise up to $8.5m before costs
- Settlement of the Group's liability to the former minority holders of Cascavel through the issue of 45.1m shares and 5.4m options with an exercise price of $0.11 and expiry date of 31 March 2020. The payment is in lieu of the payment due on 1 September 2018 for $US1.5m cash and $US1.35m shares. The shares will be subject to escrow until 1 September 2018.

On 6 April 2018 47.5m and 15.8m options were issued under the placement along with the payment of 45.1m shares and 5.4m options to the former minority holders of Cascavel. On 26 June 2018 a further 4.1m shares and 1.4m options were issued under the placement. During the period a total of 51.6m shares were issued as part of the placement to raise $6.2m before costs.

On 31 August 2018, the Company announced that it had secured funding by way of Convertible Notes issue to MEF I, L.P (Magna). Under the terms of the agreement with Magna, Orinoco had access to A$2,000,000 immediately followed by up to three further tranches of A$2,000,000 over the next 12 months (the additional tranches are available at Orinoco's discretion). The terms of the Convertible Notes are as follows:

- The convertible notes issued under the Convertible Note Agreement will be issued at US$1.00 per note at the prevailing AUD/USD exchange rate and have a face value of US$1.10 per note.
- The Convertible Notes are convertible at any time by the Investor at a 10% discount of the lowest daily VWAP during the 5 Trading Days prior to the Conversion Notice Date.
- The facility has a maturity of 12 months after their respective issue dates for Tranches A, B, C and D. Tranches B, C and D are at the discretion of Orinoco to draw down.
- Tranche A and/or the following Tranches may be repaid at the option of Orinoco within 12 months on the following terms:
    - (a) On or before 6 months after the issue date, the Company is required to repay 110% of the face value of the relevant Convertible Note; and
    - (b) From 6 months after the issue date, the Company is required to repay 115% of the face value of the relevant Convertible Note.
- The Convertible Notes bear no interest and are unsecured.
- The Investor will receive 1,363,636 Orinoco shares by way of a commitment fee upon execution of the agreement.
- The Investor may elect to convert a Convertible Note to shares at any time
- Shareholder approval is not required for the initial funding to proceed however the agreement contains provisions requiring the approval of the shareholders if required under Listing Rule 7.1.

The Investor is bound by a list of trading restrictions including a cap on the market value of shares periodically traded including restrictions preventing short selling

*Company Secretary*

Sophie Raven replaced Joel Ives as Company Secretary on 23 February 2018.

**Directors' Report**

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 13 of the half-year report

This report is signed in accordance with a resolution of the Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

JOSEPH PINTO

Joseph Pinto
Non-Executive Chairman

Perth
13 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the condensed consolidated interim financial report of Orinoco Gold Limited for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia**
**13 September 2018**

**M R Ohm**
**Partner**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

ORINOCO GOLD LIMITED
ACN: 149 219 974

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

**For the half-year ended 30 June 2018**

| | Note | Consolidated Half-year to 30 June 2018 $ | Consolidated Half-year to 30 June 2017 $ |
|---|---|---|---|
| **Revenue** | | | |
| Finance income | | 17,128 | 32,499 |
| Other income | | - | 17,306 |
| **Total Revenue** | | 17,128 | 49,805 |
| | | | |
| Project expenses | 2 | (2,188,906) | (841,098) |
| Exploration expenditure | 2 | (1,100,603) | (628,162) |
| Administrative, insurance and compliance | | (1,739,464) | (2,215,732) |
| Depreciation | | (105,277) | (118,323) |
| Share based payments | | (395,850) | (99,075) |
| Finance costs | 2 | (1,178,207) | (2,113,155) |
| Foreign exchange (loss)/gain | | (485,362) | 720,270 |
| Other expenses | 2 | (64,533) | (229,198) |
| Impairment of non-current assets | 2 | (13,769,410) | - |
| **Total Expenses** | | (21,027,612) | (5,524,473) |
| | | | |
| Loss before income tax | | (21,010,484) | (5,474,668) |
| | | | |
| Income tax benefit / (expense) | | - | - |
| | | | |
| Net loss for the period | | (21,010,484) | (5,474,668) |
| | | | |
| Other comprehensive income | | | |
| *Items that may be reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | (980,155) | (544,743) |
| **Total comprehensive loss for the period** | | **(21,990,639)** | **(6,019,411)** |
| | | | |
| *Loss attributable to:* | | | |
| Owners of the parent entity | | (21,010,484) | (5,474,668) |
| Non-controlling interest | | - | - |
| | | (21,010,484) | (5,474,668) |
| | | | |
| *Total Comprehensive Loss attributable to:* | | | |
| Owners of the parent entity | | (21,990,639) | (6,019,411) |
| Non-controlling interest | | - | - |
| | | (21,990,639) | (6,019,411) |
| | | | |
| Loss per share – basic and diluted – cents per share | | (2.18) | (1.22) |

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

ORINOCO GOLD LIMITED
ACN: 149 219 974

## Condensed Consolidated Statement of Financial Position

**As at 30 June 2018**

| | Note | Consolidated 30 June 2018 $ | Consolidated 31 December 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 3,013,450 | 3,478,808 |
| Other receivables | | 434,319 | 483,457 |
| Inventory | | 590,208 | 676,219 |
| Other current assets | | 101,484 | 173,854 |
| **Total Current Assets** | | 4,139,461 | 4,812,338 |
| | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 1,757,398 | 8,616,729 |
| Exploration and evaluation expenditure | 4 | 1,341,897 | 1,220,362 |
| Mine properties and development | 5 | 14,051,254 | 21,032,455 |
| Other non-current assets | | 4,509 | 87,562 |
| **Total Non-Current Assets** | | 17,155,058 | 30,957,108 |
| | | | |
| **TOTAL ASSETS** | | **21,294,519** | **35,769,446** |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 6 | 5,271,279 | 10,797,129 |
| Other current liabilities | | 178,201 | 283,115 |
| Provisions | | 370,860 | 428,240 |
| Financial liabilities | 7 | 10,683,220 | 10,976,566 |
| **Total Current Liabilities** | | 16,503,560 | 22,485,050 |
| | | | |
| **Non-Current Liabilities** | | | |
| Trade and other payables | 6 | 987,277 | 1,097,456 |
| Provisions | | 480,102 | 480,102 |
| **Total Non-Current Liabilities** | | 1,467,379 | 1,577,558 |
| | | | |
| **TOTAL LIABILITIES** | | 17,970,939 | 24,062,608 |
| | | | |
| **NET ASSETS** | | **3,323,580** | **11,706,838** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 8 | 74,206,657 | 60,995,126 |
| Reserves | 8 | (5,827,510) | (5,243,205) |
| Accumulated losses | | (65,055,567) | (44,045,083) |
| **TOTAL EQUITY** | | **3,323,580** | **11,706,838** |

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Condensed Consolidated Statement of Changes in Equity

**For the half-year ended 30 June 2018**

| **Consolidated 30 June 2018** | **Note** | **Issued Capital** | **Option Proceeds Reserve** | **Share Based Payments Reserve** | **Foreign Exchange Reserve** | **Non- Controlling Interests Reserve** | **Accumulated Losses** | **Total Equity** |
|---|---|---|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Total equity at 1 January 2018 | | 60,995,126 | 162,322 | 3,960,194 | 34,927 | (9,400,648) | (44,045,083) | 11,706,838 |
| **Total comprehensive loss for the year** | | | | | | | | |
| Loss for the period | | - | - | - | - | - | (21,010,484) | (21,010,484) |
| Exchange differences on translation of foreign operations | 8 | - | - | - | (980,155) | - | - | (980,155) |
| Total comprehensive loss for the period | | - | - | - | (980,155) | - | (21,010,484) | (21,990,639) |
| **Transactions with equity holders:** | | | | | | | | |
| Shares issued during the half year | 8 | 13,577,828 | - | - | - | - | - | 13,577,828 |
| Capital raising costs settled in cash | 8 | (366,297) | - | - | - | - | - | (366,297) |
| Share based payments | 8 | - | - | 509,001 | - | (113,151) | - | 395,850 |
| **Balance at 30 June 2018** | | 74,206,657 | 162,322 | 4,469,195 | (945,228) | (9,513,799) | (65,055,567) | 3,323,580 |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Changes in Equity

**For the half-year ended 30 June 2018**

| **Consolidated 30 June 2017** | **Note** | **Issued Capital** | **Option Proceeds Reserve** | **Share Based Payments Reserve** | **Foreign Exchange Reserve** | **Non- Controlling Interests Reserve** | **Accumulated Losses** | **Non-Controlling Interest** | **Total Equity** |
|---|---|---|---|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Total equity at 1 January 2017 | | 42,078,055 | 132,418 | 3,604,902 | 493,330 | - | (30,965,685) | (1,049,941) | 14,293,079 |
| **Total comprehensive loss for the year** | | | | | | | | | |
| Loss for the period | | - | - | - | - | - | (5,474,668) | - | (5,474,668) |
| Exchange differences on translation of foreign operations | 8 | - | - | - | (544,743) | - | - | - | (544,743) |
| Total comprehensive loss for the period | | - | - | - | (544,743) | - | (5,474,668) | - | (6,019,411) |
| **Transactions with equity holders:** | | | | | | | | | |
| Shares issued during the half year | 8 | 12,846,823 | - | - | - | - | - | - | 12,846,823 |
| Capital raising costs settled in cash | | (116,115) | - | - | - | - | - | - | (116,115) |
| Share based payments – Options | 8 | - | - | 281,189 | - | - | - | - | 281,189 |
| Options issued during the period | 8 | - | 29,904 | - | - | - | - | - | 29,904 |
| Transactions with non-controlling interest | 12 | - | - | - | - | (9,572,037) | - | 1,049,941 | (8,522,096) |
| **Balance at 30 June 2017** | | 54,808,763 | 162,322 | 3,886,091 | (51,413) | (9,572,037) | (36,440,353) | - | 12,793,373 |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Cash Flows

**For the half-year ended 30 June 2018**

| | Note | Consolidated Half-year ended 30 June 2018 $ | Consolidated Half-year ended 30 June 2017 $ |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Interest received | | 17,128 | 32,500 |
| Payments to suppliers and employees | | (4,963,461) | (4,174,175) |
| Payments associated with Gold Stream arrangement | | - | (661,370) |
| Finance costs | | (171,992) | (103,145) |
| Deposits Paid | | - | (37,522) |
| **Net cash used in operating activities** | | (5,118,325) | (4,943,712) |
| | | | |
| *Cash flows from investing activities* | | | |
| Payments for plant and equipment | | (276,153) | (856,538) |
| Payments for mine development | | (752,242) | (1,702,819) |
| Payments relating to acquisition of non-controlling interest | 12 | - | (397,280) |
| Payment for acquisition of tenements | | (63,056) | - |
| **Net cash used in investing activities** | | (1,091,451) | (2,956,637) |
| | | | |
| *Cash flows from financing activities* | | | |
| Proceeds from the issue of shares and options | | 8,012,236 | 10,017,686 |
| Payments for capital raising costs | | (366,296) | (116,115) |
| Repayment of gold stream facility | | (1,759,244) | - |
| Proceeds from convertible loans | | - | 90,000 |
| **Net cash provided by financing activities** | | 5,886,696 | 9,991,571 |
| | | | |
| Net increase in cash and cash equivalents | | (323,080) | 2,091,222 |
| Cash and cash equivalents at the beginning of the period | | 3,478,808 | 1,751,800 |
| Effects of exchange rate fluctuations on cash held | | (142,278) | (90,788) |
| **Cash and cash equivalents at the end of the period** | | 3,013,450 | 3,752,234 |

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**REPORTING ENTITY**

Orinoco Gold Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 30 June 2018 comprises the Company and its subsidiaries (collectively referred to as the "Group").

**STATEMENT OF COMPLIANCE**

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the period ended 31 December 2017 and any public announcements made by Orinoco Gold Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

This consolidated interim financial report was approved by the Board of Directors on 13 September 2018.

**BASIS OF PREPARATION**

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

**SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY ESTIMATES**

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

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the period ended 31 December 2017 except for the following:

*Impairment of Process Plant /Mine Properties and Development*

The Directors have considered whether any impairment indicators have arisen in the half-year ended 30 June 2018 and whether any adverse changes have occurred since the last impairment assessment. As a result of this review, the Directors have determined that due to the continued under performance of the Gravity Plant an impairment indicator exists in relation to the Cascavel Project. Accordingly, the Directors conducted an impairment assessment of the Cascavel cash generating unit under AASB 136 Impairment of Assets. As a result of this impairment assessment, an impairment charge of $13,769,410 has been recognised in profit and loss (refer to notes 3 and 5 for details).

*Performance Rights*

118,000,000 Performance Rights were issued during the period to Directors and employees and have been valued at the grant date of each issue. Grant date is assessed as the date there was a shared understanding of the terms and conditions of the issue by both the Company and the recipient. The Director performance rights required

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

shareholder approval and therefore the grant date is the day shareholder approval was received on 22 February 2018. The valuation used was $0.097 per performance right which was the last closing price prior to grant date. The employee performance rights were not allotted by balance date hence the grant date has been deemed as balance date, as individuals have rendered services in respect of that grant during the reporting period. The closing share price of balance date was $0.071.

**ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the period ended 31 December 2017.

In the half-year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2018.

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. There is no material impact on previously reported amounts upon transition to the new standards.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2018. The Directors have decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**GOING CONCERN**

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group generated a comprehensive loss after tax for the half year ended 30 June 2018 of $21,990,639 (2017: $6,019,411), had a net working capital deficit of $12,364,099 at 30 June 2018 (31 December 2017 deficit of $17,672,712) and experienced net cash outflows from operating activities of $5,118,325 (2017: $4,943,712) and net cash outflows from investing activities of $1,091,451 (2017: $2,956,637) for 6 months to 30 June 2018. The Group had a cash balance of $3,013,450 at 30 June 2018 (31 December 2017: $3,478,808).

Subsequent to the financial period end, the Company announced that it had secured funding of up to $8,000,000 by way of Convertible Note (refer to note 13 for key terms). The Directors believe that its existing cash reserves, future production cash flows and the capital raisings referred to above will be sufficient to meet the Group's requirements for a period of at least 12 months from the date of approval of this financial report. Accordingly, the Directors consider the going concern basis of preparation to be appropriate.

However, should there be material delays in gold deliveries from the Cascavel Gold Project or should the quantity of gold produced during the next 12 months be materially less than expected, there is a material uncertainty which may cause significant doubt as to the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business.

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 2 – LOSS BEFORE INCOME TAX

| | Consolidated Half-year ended 30 June 2018 $ | Consolidated Half-year ended 30 June 2017 $ |
|---|---|---|
| The following expense items are relevant in explaining the financial performance for the period: | | |
| Project expenses | (2,188,906) | (841,098) |
| Exploration expenditure written off as incurred [(a)] | (1,100,603) | (628,162) |
| | | |
| Finance costs: | | |
| Interest expense | (171,994) | (401,243) |
| Gold Stream fees | - | (748,964) |
| Amortisation of borrowing costs | (104,757) | (141,187) |
| Effective interest on gold stream facility | (901,456) | (821,761) |
| Total | (1,178,207) | (2,113,155) |
| | | |
| Other expenditure: | | |
| Foreign exchange gain/(loss) | (485,362) | 720,270 |
| Other | (64,533) | (229,198) |
| Impairment of non-current assets (refer to notes 3 and 5) | (13,769,410) | - |

(a) Exploration and evaluation expenditure is written off as incurred in accordance with the Group's accounting policy. Costs of acquisition of prospects are capitalised and are only carried forward to the extent that right of tenure is current and those costs are expected to be recouped through the successful development and exploration of the area of interest, or alternatively, by its sale; or exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

## Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

### NOTE 3 –PROPERTY PLANT AND EQUIPMENT

| | Consolidated Half-year ended 30 June 2018 $ | Consolidated Full year ended 31 December 2017 $ |
|---|---|---|
| **Property Plant and Equipment** | | |
| Net book value | 1,757,398 | 8,616,729 |

**Reconciliation:**

A reconciliation of the carrying amounts of Property Plant and Equipment is set out below:

| | Mining Equipment $ | Process Plant $ | Leasehold Improvements $ | Office Furniture and Equipment $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 January 2018 | 770,092 | 6,876,157 | 629,731 | 340,749 | 8,616,729 |
| Additions | 220,548 | 54,293 | 38,367 | 17,229 | 330,437 |
| Depreciation | (44,782) | -[1] | (16,822) | (43,673) | (105,277) |
| Impairment charge | - | (6,572,474)[2] | - | - | (6,572,474) |
| Foreign exchange | (69,011) | (357,976) | (56,544) | (28,486) | (512,017) |
| Balance at 30 June 2018 | 876,847 | - | 594,732 | 285,819 | 1,757,398 |

[1] The process plant was in the commissioning phase at balance date. No depreciation was charged as the asset is not available for use as at balance date.

[2] Following a review of the carrying values of assets associated with the Cascavel mine, the Directors have determined that due to ongoing issues with the recoveries an impairment indicator was present. The process plant was assigned to a cash-generating unit which consisted of the assets associated with the Cascavel Gold Project in Brazil. The cash-generating unit is comprised of mine properties and development ($21,248,191), mining equipment ($876,847), the process plant ($6,572,474) and other plant and equipment associated with the project ($594,732). The recoverable amount of the project was determined based on a value in use calculation using cash flow projections using financial budgets approved by management. The discount rate applied to the value in use assessment was 11.02%. Based upon the value in use assessment, an impairment charge of $13,769,410 has been recognised in the profit and loss and allocated between the process plant ($6,572,474) and mine properties and development ($7,196,936).

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 4 – EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated Half-year ended 30 June 2018 $ | Consolidated Full year ended 31 December 2017 $ |
|---|---|---|
| Costs carried forward in respect of areas of interest in the following phases: | | |
| **Exploration and evaluation** | | |
| Prospect acquisition costs | 1,341,897 | 1,220,362 |
| | | |
| **Reconciliation:** | | |
| A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below: | | |
| | | |
| Balance at beginning of period | 1,220,362 | 1,220,362 |
| Payments for acquisition of tenements | 121,535 | - |
| Carrying amount at end of period | **1,341,897** | **1,220,362** |

During a prior period, the Group entered into a memorandum of understanding with AngloGold Ashanti (Anglo), for an Exploration Joint Venture, whereby Anglo can earn up to a 70% interest in the Group's Faina Goldfields Project through staged exploration expenditure of US$9.5M over a three year period. The terms of the joint venture were still being negotiated at period end.

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

## NOTE 5 –MINE PROPERTIES & DEVELOPMENT

| | Consolidated Half-year ended 30 June 2017 $ | Consolidated Full year ended 31 December 2017 $ |
|---|---|---|
| Mine properties at cost | 14,051,254 | 21,032,455 |
| | | |
| **Reconciliation:** | | |
| A reconciliation of the carrying amounts of mine development expenditure is set out below: | | |
| | | |
| Balance at beginning of period | 21,032,455 | 18,790,502 |
| Capitalised mine development costs | 305,321 | 1,871,855 |
| Pre-production costs net of pre-production revenue capitalised | 369,359 | 604,196 |
| Impairment charge[1] | (7,196,936) | - |
| Foreign exchange movements | (458,945) | (234,098) |
| **Total Mine Properties** | **14,051,254** | **21,032,455** |

[1] Refer to note 3 for details regarding impairment charge.

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 6 – TRADE AND OTHER PAYABLES

| | Consolidated 30 June 2018 $ | Consolidated 31 December 2017 $ |
|---|---|---|
| **Current** | | |
| Trade payables[1] | 892,762 | 696,833 |
| Accruals | 298,328 | 292,052 |
| Deferred consideration for non-controlling interest acquisition[2] | - | 3,647,300 |
| Other payables | 803,122 | 1,072,026 |
| Brazilian taxes and social security payables[3] | 277,067 | 263,949 |
| Unissued shares[4] | - | 1,824,969 |
| Advance of joint venture funding[5] | 3,000,000 | 3,000,000 |
| | **5,271,279** | **10,797,129** |
| | | |
| **Non-Current** | | |
| Brazilian taxes and social security payables | 987,277 | 1,097,456 |
| | **987,277** | **1,097,456** |

(1) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(2) The Group had a liability to pay the former owners of the non-controlling interest in MCP US$1,500,000 in cash and US$1,350,000 in shares on 1 September 2018. On 23 March 2018, the Group settled these liabilities through the issue of 45.1m shares and 5.4m options with an exercise price of $0.11 and an expiry date of 31 March 2020. The shares were subject to escrow until 1 September 2018.

(3) During a prior period, the group negotiated the payment terms of certain tax and social security obligations. These payments are interest bearing and are payable via instalment between 5 and 145 months

(4) The Group issued 92,500,000 shares at $0.02 per share and free attaching options on 2 January 2018. The Group had received $1,824,969 in advance of the share issue as at 31 December 2017.

(5) Advance of funding for Exploration Joint Venture with Anglo Gold which is still under negotiation. The balance is non-interest bearing and will be offset against future exploration costs once the Joint Venture agreement has been finalised.

## Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

### NOTE 7 – FINANCIAL LIABILITIES

| **Financial Liabilities at amortised cost:** | **Consolidated 30 June 2018 $** | **Consolidated 31 December 2017 $** |
|---|---|---|
| Gold stream facility[1] | 1,222,482 | 2,123,043 |
| Capitalised transaction costs | - | (104,757) |
| Funds payable under the Gold Stream variation[2] | 9,460,738 | 8,958,280 |
| **Total financial liabilities at amortised cost** | **10,683,220** | **10,976,566** |

| | | |
|---|---|---|
| **Financial liabilities classification:** | | |
| *Current financial liabilities* | | |
| Financial liabilities at amortised cost | 10,683,220 | 10,976,566 |
| Total current financial liabilities | 10,683,220 | 10,976,566 |
| *Non-Current financial liabilities* | | |
| Financial liabilities at amortised cost | - | - |
| Total non-current financial liabilities | - | - |
| **Total financial liabilities** | **10,683,220** | **10,976,566** |

**Reconciliation:**

A reconciliation of the carrying amounts of financial liabilities is set out below:

| | **Consolidated 30 June 2018 $** |
|---|---|
| Balance at beginning of period | 10,976,566 |
| (Capitalisation)/Amortisation of transaction costs | 104,757 |
| Recognition of effective interest | 901,456 |
| Repayments made | (1,690,026) |
| Fair value adjustment | (111,991) |
| Foreign exchange movements | 502,458 |
| **Total Financial Liabilities** | **10,683,220** |

[1] The fair value of funds payable under the Gold Stream facility are calculated with reference to scheduled gold deliveries, gold price and prevailing exchange rates. Management has estimated the maturity amount of the gold stream facility at 30 June 2018 at $1.2m. The effective interest rate is 176% and the liability will be settled via delivery of gold over the life of the contract.

[2] The fair value of funds payable under the Gold Stream variation approximate their carrying value, are interest free.

**Terms of the Gold Stream agreement:**

The Company has a gold stream financing arrangement under which Cartesian Royalty Holdings ("CRH") provided US$8 million in return for an entitlement to receive 20% of the gold produced during the first three years of commercial production from Cascavel, subject to a minimum quantity of 17,600 ounces of gold and a maximum quantity of 26,400 ounces of gold to be delivered to CRH.

Following the suspension of operations in October 2016, the Company negotiated with CRH to replace the milestone/date default clause contained in the gold stream agreement. New variation deeds were agreed which

## Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

### NOTE 7: FINANCIAL LIABILITIES AND DEFERRED REVENUE (CONTINUED)

allow the Company sufficient time to complete the necessary independent operations reviews and remedial action planning to allow it to recommence operations. The material terms of the variation deeds entered into on 8 December 2016 are as follows:

a) Remediation Process (based from 4 November 2016, deemed to be the 'Restructuring Date'):
   - i) within 150 days following the Restructuring Date the Seller Guarantors shall submit a remedial action plan (which outlines the Project's present condition and reasons for underperformance and the suggested pathways for recommencing operations, including a mining plan, budget and management and staffing plan) to CRH to be approved by CRH;
   - ii) within 300 days following the Restructuring Date (or such later date as agreed to by CRH under the Remedial Action Plan), the Seller Guarantors shall recommence operations at the Project in accordance with the Remedial Action Plan;
   - iii) Orinoco shall submit, by 15 May 2017, a Budget for the period starting on 31 May 2017 and ending on 30 November 2017 to be approved by CRH

b) Standstill Payments and other compensation:
   - i) US$100,000 per month (cash or shares at Orinoco's election) while operations are suspended.
   - ii) A 'signing fee' of 2 million ordinary shares in the Company.
   - iii) 3.4 million options were issued on the following terms:
     - a. 2,678,571 Options exercisable at $0.07 on or before 30 November 2017;
     - b. 500,000 Options exercisable at $0.07 on or before 30 April 2018; and
     - c. 250,000 Options exercisable at $0.07 on or before 30 June 2018.
   - iv) Increase in the minimum and maximum gold stream quantities by 10%. This increases the minimum number of ounces from 16,000oz to 17,600oz and the maximum number of ounces from 24,000oz to 26,400oz.

c) Royalty
   A 2.5% Net Smelter Royalty ("NSR") for CRH on all tenements covered by the streaming agreement in the following circumstances:
   - a. No NSR is payable while gold stream is in compliance;
   - b. when gold stream term is satisfied an NSR will be payable on the next 50,000 Au oz of production ("Compliance NSR");
   - c. if Company defaults on gold stream agreement, then the NSR is immediately in force and the limitation in the above clause no longer applies ("Default NSR").
   - d. If the Company is in default on the gold stream **and** the 30% partner has not provided a security interest over its shares in the JV, the Royalty Percentage shall increase to 5%.

d) Other conditions:
   - i) Minimum Delivery of 1,000 ounces of gold (or 20% of production if greater) starting in the first quarter after 90 days following recommencement of operations or the commencement date (i.e. when the process plant meets specific minimum operating parameters) (or such later date as agreed under the Remedial Action Plan) ("Minimum Delivery Commencement Date"), the SELLER (the operator of the Cascavel Gold Mine) fails to deliver the Minimum Delivery to the BUYER (CRH) in any calendar quarter, provided that the amount of Refined Gold (or Monetary Equivalent) to be delivered in:
     - a. the first calendar quarter after the Minimum Delivery Commencement Date; and
     - b. subsequent deliveries will continue on a quarterly basis until 20% Refined Gold in a month exceeds 333 ounces of gold, upon which time deliveries of the BUYER's Proportion will be paid on a monthly basis in accordance with the GEPA. For the avoidance of doubt, after the Minimum Delivery Commencement Date, the SELLER shall still deliver at least the Minimum Delivery to the BUYER every calendar quarter of the Term, regardless of any monthly

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 7: FINANCIAL LIABILITIES AND DEFERRED REVENUE (CONTINUED)

payment during that calendar quarter; and monthly payments will be counted toward the Minimum Delivery for the calendar quarter in which they were delivered.

ii) Right to nominate a person to be appointed as a director to the Board (in addition to the current CRH Nominee Director, Mr Andrew Allan) and a further right to nominate another person to be appointed as a director to the Board should the Capital Raising not result in $6,000,000 raised within the shortfall period (3 months after the close of the Entitlement Offer).

iii) Continuation of specific default triggers - those typically included in financing arrangements such as; 'failure to pay'; 'event of insolvency'; 'material breach'; 'misrepresentation'; 'loss of lease, right, license, or approvals'.

iv) Putting in place a 'fiduciary lien' or security charge over plant and equipment owned by the owner and operator of the Cascavel Gold Mine (Mineracao Curral de Pedra Ltda) in addition to security being provided over all of Orinoco's Brazilian assets.

As at 30 June 2018 the Group had completed a Remedial Action plan, a budget and recommenced operations as required under the terms of the Gold Stream. All standstill payments were made along with the issue of compensation shares and options. The cash equivalent of 1,000oz was repaid to CRH during the half year ended 30 June 2018 with a further 1,000 paid during August 2018.

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 8 – SHARE CAPITAL AND RESERVES

| | Consolidated 30 June 2018 # | Consolidated 30 June 2018 $ |
|---|---|---|
| **(a) Issued and Paid Up Capital** | | |
| Fully paid ordinary shares | **1,033,520,765** | **74,206,657** |
| | | |
| **(b) Movements in fully paid shares on issue** | | |
| Balance as at 1 January 2018 | 783,295,119 | 60,995,126 |
| Issue of shares @ $0.02 - Placement | 92,500,000 | 1,850,000 |
| Issue of shares @ $0.03 - Exercise of options | 59,500,000 | 1,785,000 |
| Issue of shares @ $0.11 - Exercise of options | 2,188 | 241 |
| Issue of shares @ $0.12 - Placement | 51,683,038 | 6,201,965 |
| Issue of shares @ $0.12 – Cascavel minority purchase | 16,164,492 | 1,939,739 |
| Issue of shares @ $0.06 – Cascavel minority purchase | 28,931,051 | 1,735,863 |
| Issue of shares @ $0.045 – Payment to acquire option over mineral rights | 1,444,877 | 65,020 |
| Capital raising costs | - | (366,297) |
| **Balance at 30 June 2018** | **1,033,520,765** | **74,206,657** |
| | | |
| **Total Options Proceed Reserve (refer (c) below)** | | **162,322** |
| **Total Share Based Reserves (refer (d) below)** | | **4,469,195** |
| **Foreign Exchange Reserve (refer (e) below)** | | **(945,228)** |
| **Non-Controlling Interests Reserve (refer (f) below)** | | **(9,513,799)** |
| **Total Reserves** | | **(5,827,510)** |

**(c) Options Proceeds Reserve**

| | # | $ |
|---|---|---|
| Balance at 1 January 2018 | 221,763,830 | 162,322 |
| Free attaching options | 109,727,679 | - |
| Exercise of options | (59,502,188) | - |
| Lapse of options | (41,905,369) | - |
| **Balance at 30 June 2018** | **230,083,952** | **162,322** |

| **(d) Share based payments reserve:** | # | $ |
|---|---|---|
| Balance as at 1 January 2018 | 32,277,846 | 3,960,194 |
| Options issued to consultants in lieu of cash | 14,500,000 | 395,850 |
| Options issued to minority holders of MCP | 5,388,164 | 113,151 |
| Performance rights issued to directors and management [1] | 118,000,000 | - |
| **Balance at 30 June 2018** | **170,166,010** | **4,469,195** |

[1] Performance hurdles relating to the performance rights are as follows:

- One third vest when 1,000 ounces is achieved for 2 consecutive months from Cascavel for a total of greater than 2,000 ounces over the 2-month period.
- One third vest when 1,500 ounces is achieved for 2 consecutive months from Cascavel for a total of greater than 3,000 ounces over the 2-month period.

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 8 – SHARE CAPITAL AND RESERVES (CONTINUED)

- One third vest when 2,000 ounces is achieved for 2 consecutive months from Cascavel for a total of greater than 4,000 ounces over the 2-month period.
- A further 5,000-ounce milestone per month has been set for Mr Richard Crew (COO).

The value of the performance rights at grant date was approximately $9.94m. As at balance date, no vesting expense has been brought to account due to uncertainty around non-market vesting conditions being achieved. Vesting conditions will be assessed at each subsequent balance date and a vesting expense will be recorded when the board believe the performance hurdles will be met.

| **(e) Foreign Exchange Reserve** | **Consolidated Half-year ended 30 June 2018 $** | **Consolidated year ended 31 December 2017 $** |
|---|---|---|
| Balance as at beginning of period | 34,927 | 493,330 |
| Currency translation movement during the half-year | (980,155) | (458,403) |
| Balance at end of period | **(945,228)** | **34,927** |

| **(e) Non-Controlling Interests Reserve** | **Consolidated** | |
|---|---|---|
| | **30 June 2018 $** | **31 December 2017 $** |
| Carrying amount of non-controlling interests acquired | (9,400,648) | (1,049,941) |
| Consideration paid (or payable) to non-controlling interests | (113,151) | (8,350,707) |
| Excess of consideration paid recognised in the transactions with non-controlling interests reserve in equity | **(9,513,799)** | **(9,400,648)** |

This reserve is used to record transactions with non-controlling interests that do not result in a loss of control.

## Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

### NOTE 8 – SHARE CAPITAL AND RESERVES (CONTINUED)

| Consolidated as at and for the year ended 31 December 2017 | # | $ |
|---|---|---|
| | Ordinary | |
| **(a) Issued and Paid Up Capital** | | |
| Fully paid ordinary shares | 783,295,119 | 60,995,126 |
| | | |
| **(b) Movements in fully paid shares on issue** | | |
| Balance at 1 January 2017 | 307,349,089 | 42,078,055 |
| Issue of shares @ $0.25 exercise of options | 9,142 | 2,285 |
| Issue to CRH – Standstill fee | 14,269,518 | 599,319 |
| Issue of shares @ $0.07 entitlements issue/shortfall | 142,649,933 | 9,985,497 |
| Issue of shares – settlement of convertible loans | 29,904,264 | 2,057,413 |
| Issue of shares – Cascavel minority purchase | 40,295,443 | 2,086,880 |
| Issue of shares @ $0.02 entitlements issue/shortfall | 248,817,730 | 4,976,355 |
| Capital raising costs | - | (790,678) |
| **Balance at 31 December 2017** | **783,295,119** | **60,995,126** |
| | | |
| **Total Option Proceeds Reserve (refer (c) below)** | | **162,322** |
| **Total Share Based Payments Reserve (refer (d) below)** | | **3,960,194** |
| **Foreign Exchange Reserve (refer (e) below)** | | **34,927** |
| **Non-Controlling Interests Reserve (refer (f) below)** | | **(9,400,648)** |
| **Total Reserves** | | **(5,243,205)** |
| | | |
| **(c) Option Proceeds Reserve** | | |
| Balance as at 1 January 2017 | 19,314,511 | 132,418 |
| Free attaching listed options relating to capital raise | 142,649,933 | - |
| Free attaching listed options relating to convertible loans | 29,904,264 | - |
| Options applied for by convertible loan holders | 29,904,264 | 29,904 |
| Exercise of options | (9,142) | - |
| **Balance at 31 December 2017** | **221,763,830** | **162,322** |
| | | |
| **(d) Share Based Payments Reserve:** | | |
| Balance as at 1 January 2017 | 43,400,000 | 3,604,902 |
| Unlisted options issued to employees under ESOP for services rendered and future incentive[(1)] | 4,500,000 | 99,075 |
| Issued in relation to Gold Stream funding | 8,306,417 | 256,217 |
| Expiry of options | (23,928,571) | - |
| **Balance at 31 December 2017** | **32,277,846** | **3,960,194** |

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 8 – SHARE CAPITAL AND RESERVES (CONTINUED)

| **(e) Foreign Exchange Reserve** | **$** |
|---|---|
| Balance as at 1 January 2017 | 493,330 |
| Currency translation differences arising during the year | (458,403) |
| **Balance at 31 December 2017** | **34,927** |

| **(f) Non-Controlling Interests Reserve** | **Consolidated** | |
|---|---|---|
| | **31 December 2017** | **31 December 2016** |
| | **$** | **$** |
| Carrying amount of non-controlling interests acquired | (1,049,941) | - |
| Consideration paid (or payable) to non-controlling interests | (8,350,707) | - |
| Excess of consideration paid recognised in the transactions with non-controlling interests reserve in equity | **(9,400,648)** | **-** |

**Share based Payments**

*Fair value of unlisted options granted*

The fair value of unlisted options issued has been determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the non-tradeable nature of the options, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the options.

The table below summarises the model inputs for unlisted options granted during the period:

| **Model Inputs** | Options issued to consultants in lieu of cash |
|---|---|
| 1. Options granted for consideration of services: | 14,500,000 |
| 2. Exercise price (cents): | 3 |
| 3. Valuation date: | 02/01/2018 |
| 4. Expiry date: | 04/04/2021 |
| 5. Underlying security spot price at grant date (cents): | 3.5 |
| 6. Expected price volatility of the Company's shares: | 128% |
| 7. Expected dividend yield: | 0% |
| 8. Risk-free interest rate: | 2.18% |
| 9. Discount: | - |

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 8 – SHARE CAPITAL AND RESERVES (CONTINUED)

*Fair value of listed options granted*

A total of 5,388,164 listed options were issued to the former minority holders of Mineração Curral de Pedra Ltda as a part of the cost of acquisition. These options were valued at the quoted option price on grant date being $0.021 per option.

*Fair value of performance rights granted*

Performance rights issued to directors and management have been valued with reference to the underlying share price on grant date as follows:

| # Performance Rights | Date of Grant | Share Price | Value |
|---|---|---|---|
| 60,000,000 | 18/01/2018 | $0.097 | $5,820,000 |
| 58,000,000 | 30/06/2018[1] | $0.071 | $4,118,000 |

[1] Performance Rights were not allotted by balance date, hence were valued at balance date as individuals have rendered services in respect of that grant during the reporting period.

*Fair value of shares issued*

1. During the period the company issued 1,444,877 of shares @ $0.045 as payment to acquire an option over mineral rights. The valuation agreed on as settlement of US$50,000.
2. The Group had a liability to pay the former owners of the non-controlling interest in MCP US$1,500,000 in cash and US$1,350,000 in shares on 1 September 2018. On 23 March 2018, the Group settled these liabilities through the issue of 45.1m shares and 5.4m options with an exercise price of $0.11 and an expiry date of 31 March 2020. The share price was calculated using a 30 day VWAP after payment date plus a 30 day VWAP before issue as per the sale agreement. The shares were subject to escrow until 1 September 2018.

## NOTE 9 – CONTINGENCIES

A Group company is involved in a dispute with a Brazilian based service provider in regards to the recovery of fees paid by the Company totalling approximately R$1.1 million (A$385,000) and the cancellation of unpaid invoices totalling approximately R$300,000 (A$105,000) due to the unsatisfactory quality of work, in the Company's opinion.

A Group company, Sertão Mineração Ltda, is involved in a series of disputes with the Brazilian federal tax authority which has disagreed with the company netting certain tax credits against income tax owed in the years prior to purchase by Orinoco. The credits claimed by Sertão Mineração Ltda total approximately R$3.9 million (A$1.37 million). Any future liability will depend on the extent to which the Brazilian federal tax authority allows or disallows each individual claims for credits plus interest and penalties on any claims that are disallowed.

A Group company received a claim for payment from the DNPM (Brazil Department of Mines) for approximately R$500,000 (A$175,000) for unpaid taxes relating to exploration permits held briefly in the State of Pernambuco. The claim is being contested by the Group company via a court proceeding.

The group is required to pay a net smelter royalty on gold produced from the Cascavel gold mine to the former minority partners of Mineração Curral de Pedra Ltda on the following terms:

- 1.5% payable on gold produced (net of ounces delivered under the Gold Stream facility) from 1 September 2017.
- On or before 1 March 2019, the group can either
    - pay an increased royalty of 3%
    - make a payment of US$3,000,000 to keep the royalty at 1.5%
    - purchase the royalty for US$6,000,000

## Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

During September 2018, the Group also received claims for unpaid taxes and entitlements from two former senior executives who were terminated during the half year. The combined value of the claims is approximately R$2,500,000 (A$875,000). The claims are yet to be formally assessed by the Group, however, the Company expects that it will defend these claims.

The Directors are not aware of any other contingent liabilities that may arise from the Company's operations as at 30 June 2018.

### NOTE 10 – COMMITMENTS

### Expenditure Commitments

Operating Lease Commitments
Commitments for minimum lease payments are:

| | Consolidated | |
|---|---|---|
| | **30 June 2018** | **31 December 2017** |
| | **$** | **$** |
| Within one year | 7,167 | 28,669 |
| Later than one year but less than five years | - | - |
| Later than five years | - | - |
| | **7,167** | **28,669** |

The Group had no other material commitments at 30 June 2018.

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 11 – SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of Orinoco Gold Limited in order to allocate resources to the segment and to assess its performance.

**Segment Reporting**

The Group has identified one reportable segment being gold exploration and development. All remaining segments that do not satisfy the threshold under AASB 8 are aggregated as “All Other Segments”.

| **CONSOLIDATED** | **Gold** **$** | **All Other Segments** **$** | **Total** **$** |
|---|---|---|---|
| **30 June 2018** | | | |
| **Segment Revenue** | - | 17,128 | 17,128 |
| **Segment loss after tax** | (19,380,478) | (1,630,006) | (21,010,484) |
| Interest revenue | - | 17,128 | 17,128 |
| Depreciation | (98,169) | (7,108) | (105,277) |
| Impairment of non-current assets | (13,769,410) | - | (13,769,410) |
| Other non-cash expenses | - | - | - |
| **Segment assets** | 18,442,525 | 2,851,994 | 21,294,519 |
| **Additions to Non-Current Assets** | 1,126,652 | - | 1,126,652 |
| **Segment liabilities** | (17,835,799) | (135,140) | (17,970,939) |
| **Cash Flow Information** | | | |
| Net cash flow from operating activities | (4,132,904) | (985,421) | (5,118,325) |
| Net cash flow from investing activities | (1,091,451) | - | (1,091,451) |
| Net cash flow from financing activities | (1,759,244) | 7,645,940 | 5,886,696 |

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 11 – SEGMENT REPORTING (CONTINUED)

| CONSOLIDATED | Gold $ | All Other Segments $ | Total $ |
|---|---|---|---|
| **30 June 2017** | | | |
| **Segment Revenue** | 17,466 | 32,339 | 49,805 |
| **Segment loss after tax** | (4,253,045) | (1,221,623) | (5,474,668) |
| Interest revenue | 160 | 32,339 | 32,499 |
| Depreciation | (93,543) | (24,780) | (118,323) |
| Other non-cash expenses | - | (99,075) | (99,075) |
| **Segment assets** | 31,823,671 | 3,472,281 | 35,295,952 |
| **Additions to Non-Current Assets** | 291,131 | 7,604 | 298,735 |
| **Segment liabilities** | (22,133,267) | (369,312) | (22,502,579) |
| **Cash Flow Information** | | | |
| Net cash flow from operating activities | (2,734,118) | (2,209,594) | (4,943,712) |
| Net cash flow from investing activities | (2,946,220) | (10,417) | (2,956,637) |
| Net cash flow from financing activities | - | 9,991,571 | 9,991,571 |

**Geographical information**

The following table presents the geographical information from the Group's two geographical locations, Brazil and Australia

| | Brazil $ | Australia $ | Total $ |
|---|---|---|---|
| **CONSOLIDATED** | | | |
| **30 June 2018** | | | |
| Revenue from external customers | - | - | - |
| Non-current assets | 17,495,825 | 15,947 | 17,511,772 |
| **CONSOLIDATED** | | | |
| **30 June 2017** | | | |
| Revenue from external customers | - | - | - |
| Non-current assets | 30,126,148 | 37,824 | 30,163,972 |

# Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

## NOTE 12 – TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the prior period, the Group entered into a binding agreement to purchase the remaining 30% interest in Mineração Curral de Pedra Ltda from the Company's minority holders. Consideration for the acquisition is as follows:

- An upfront option fee of US$300,000 in cash and US$300,000 in shares
- Payment of US$1,500,000 cash and US$1,350,000 in shares (paid on 1 September 2017)
- Payment of US$1,500,000 cash and US$1,350,000 in shares to be paid on 1 September 2018 (settled during the period via the issue of 45,095,543 ordinary shares and 5,388,164 listed options exercisable at $0.11 with an expiry date of 31 January 2020)
- A royalty of 1.5% on production from the Cascavel Gold Mine net of gold deliverable to the Company's existing Gold Stream financier on production after 1 September 2017

The transfer of the minority's 30% was transferred on the payment of the upfront option fee which was paid on 3 May 2017.

The effect on the equity attributable to the owners of Orinoco Gold Limited during the period are as follows:

| | Consolidated | |
|---|---|---|
| | **30 June 2018** | **31 December 2017** |
| | **$** | **$** |
| Carrying amount of non-controlling interests acquired | (9,400,648) | (1,049,941) |
| Consideration paid to non-controlling interests | (113,151) | (8,350,707) |
| Excess of consideration paid recognised in the transactions with non-controlling interests reserve in equity | **(9,513,799)** | **(9,400,648)** |

## Notes to the Condensed Consolidated Financial Statements

**For the half-year ended 30 June 2018**

### NOTE 13 – SUBSEQUENT EVENTS

On 31 August 2018, the Company announced that it had secured funding by way of Convertible Notes issue to MEF I, L.P (Magna). Under the terms of the agreement with Magna, Orinoco had access to A$2,000,000 immediately followed by up to three further tranches of A$2,000,000 over the next 12 months (the additional tranches are available at Orinoco's discretion). The terms of the Convertible Notes are as follows:

- The convertible notes issued under the Convertible Note Agreement will be issued at US$1.00 per note at the prevailing AUD/USD exchange rate and have a face value of US$1.10 per note.
- The Convertible Notes are convertible at any time by the Investor at a 10% discount of the lowest daily VWAP during the 5 Trading Days prior to the Conversion Notice Date.
- The facility has a maturity of 12 months after their respective issue dates for Tranches A, B, C and D. Tranches B, C and D are at the discretion of Orinoco to draw down.
- Tranche A and/or the following Tranches may be repaid at the option of Orinoco within 12 months on the following terms:
  - (a) On or before 6 months after the issue date, the Company is required to repay 110% of the face value of the relevant Convertible Note; and
  - (b) From 6 months after the issue date, the Company is required to repay 115% of the face value of the relevant Convertible Note.
- The Convertible Notes bear no interest and are unsecured.
- The Investor will receive 1,363,636 Orinoco shares by way of a commitment fee upon execution of the agreement.
- The Investor may elect to convert a Convertible Note to shares at any time
- Shareholder approval is not required for the initial funding to proceed however the agreement contains provisions requiring the approval of the shareholders if required under Listing Rule 7.1.
- The Investor is bound by a list of trading restrictions including a cap on the market value of shares periodically traded including restrictions preventing short selling

Other than disclosed above, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### NOTE 14 – FINANCIAL INSTRUMENTS

The Group also has number of financial instruments which are not measured at fair value in the statement of financial position.

The carrying amounts of the current receivables, current payables and current borrowings are considered to be a reasonable approximation of their fair value.

## Directors' Declaration

**For the half-year ended 30 June 2018**

**In the Directors' opinion:**

a) the financial statements and notes are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the six months ended on that date; and

ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the six months ended 30 June 2018.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

JOSEPH PINTO

Joseph Pinto
Non-Executive Chairman

Perth
13 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Orinoco Gold Limited

**Report on the Condensed Consolidated Interim Financial Report**

*Conclusion*

We have reviewed the accompanying condensed consolidated interim financial report of Orinoco Gold Limited ("the company") which comprises the condensed consolidated statement of financial position as at 30 June 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed consolidated interim financial report of Orinoco Gold Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

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

*Material uncertainty related to going concern*

We draw attention to Note 1 in the condensed consolidated interim financial report, which indicates 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 condensed consolidated interim financial report*

The directors of the company are responsible for the preparation of the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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

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any matter that makes us believe that the condensed consolidated interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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 condensed consolidated interim 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*.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

**M R Ohm**
**Partner**

**Perth, Western Australia**
**13 September 2018**