



AUSTSINO RESOURCES GROUP LIMITED

ABN 12 009 076 242

FINANCIAL REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2018**

AUSTSINO RESOURCES GROUP LIMITED

TABLE OF CONTENTS

	Page
CORPORATE DIRECTORY	3
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	8
CONDENSED STATEMENT OF COMPREHENSIVE INCOME	9
CONDENSED STATEMENT OF FINANCIAL POSITION	10
CONDENSED STATEMENT OF CHANGES IN EQUITY	11
CONDENSED STATEMENT OF CASH FLOWS	12
NOTES TO THE CONDENSED FINANCIAL STATEMENTS	13
DIRECTORS' DECLARATION	22
INDEPENDENT AUDITOR'S REVIEW REPORT	23

AUSTSINO RESOURCES GROUP LIMITED

CORPORATE DIRECTORY

DIRECTORS

Chun Ming Ding (Executive Chairman)
Michael Keemink (Executive Director)
Philip McKeiver (Non-Executive Director)
Dr Bielin Shi (Non-Executive Director)

COMPANY SECRETARY

Henko Vos

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 5, 35 Havelock Street
WEST PERTH WA 6005

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Facsimile: (08) 6460 0254

SHARE REGISTRY

Automatic Share Registry Services
Level 2, 267 St Georges Terrace
PERTH WA 6000

Telephone: 1300 288 664

AUDITORS

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade Perth
PERTH WA 6000

SECURITIES EXCHANGE

AustSino Resources Group Limited shares are listed on the Australian Securities Exchange (ASX:ANS).

WEBSITE

www.aust-sino.com

AUSTSINO RESOURCES GROUP LIMITED

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2018.

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Chun Ming Ding	Executive Chairman
Michael Keemink	Executive Director
Ian King	Non-Executive Director (ceased 20 February 2019) *
Philip McKeiver	Non-Executive Director
Dr Bielin Shi	Non-Executive Director (appointed 28 August 2018)

** The Company was deeply saddened by the passing of Mr Ian King on 20 February 2019. Ian was a much respected member of the Board and made an invaluable contribution to the Company since his appointment. As Chairman of Geraldton Port Authority for a decade and a half, Ian also made an enormous contribution to the Mid West Region of Western Australian. He will be greatly missed by all at AustSino.*

PRINCIPAL ACTIVITIES

The principal continuing activities during the half-year of entities within the consolidated entity was exploration for iron ore.

OPERATING RESULTS

The net loss for the half-year ended 31 December 2018 was \$2,049,279 (31 December 2017: \$1,372,375).

REVIEW OF OPERATIONS

EXPLORATION

AustSino Resources Limited (ASX: ANS) ('the Company' or 'AustSino') is a Perth-based exploration company listed on the Australian Securities Exchange (ASX) focused on the Mid West region of Western Australia.

During the half-year ended 31 December 2018, the Company completed exploration work for 2018 on its tenements. It included a new Heritage Survey, a series of rock chip samples and approx. 3,300 metres of Reverse Circulation Percussion (RC) drilling targeting several high priority magnetite (\pm DSO) iron ore targets across several of its tenements.

The initial part of the program was focused on extending the Telecom Hill magnetite resource to the southeast in the mining lease and then south onto E52/1557. The rest of the program was then spread across several tenements targeting other high priority targets, some DSO and some magnetite.

The Company continued planning for exploration for 2019 with the aim to build on the program from 2018 and to further identify iron ore targets and to further define the resources already identified.

AUSTSINO RESOURCES GROUP LIMITED

DIRECTORS' REPORT

Following is the schedule of AustSino's tenements as at 31 December 2018:

Area of Interest W.A.	Tenement Reference	Interest
Peak Hill	M 52/1068	100%
Peak Hill	E 52/1557	100%
Peak Hill	E 52/1860	100%
Peak Hill	E 52/2368	100%
Peak Hill	E 52/2993	100%
Peak Hill	E 52/3598	100%
Mt Padbury	E 52/1862	100%
Mt Padbury	E 52/1976	100%
Mt Padbury	E 52/2279	100%

PROPOSED WAPRC AND SUNDANCE TRANSACTIONS

In August 2018, the Company subscribed for 187,500,000 fully paid ordinary shares in Sundance Resources Ltd ('Sundance') (ASX: SDL) for a subscription price of AUD \$0.004 per share. The total placement cost of AUD 750,000 was paid on 7 August 2018.

Subsequent to the above, the Company entered into a binding but conditional placement agreement with Western Australian Port Rail Construction (Shanghai) Ltd (WAPRC) under which WAPRC will subscribe for approximately 7,692,307,693 fully paid ordinary shares at \$0.013 per share for a total price of AUD 100 Million, which following completion will equate to approximately 61% of the total issued share capital of AustSino (**Proposed WAPRC Transaction**).

On the same date the Company also announced that it has entered into a binding but conditional agreement (**Sundance Agreement**) with Sundance Resources Limited pursuant to which the Company will acquire:

- 62,500,000 shares in Sundance at an issue price of \$0.004 per share within 15 business days of the date of the Sundance Agreement for consideration of AUD 250,000 (**First Placement**). (The First Placement was satisfied in October 2018); and
- 10,545,454,545 shares in Sundance at an issue price of AUD 0.0055 (0.55 cents) per share together with 10,545,454,545 unlisted options at an exercise price of AUD 0.02 (2.0 cents) per option and an expiry date of five years after the date of issue (**Second Placement**) for a consideration of AUD 58 Million which on completion of the Second Placement will give the Company effective control of Sundance (approximately 50.8%) (**Proposed Sundance Transaction**).

It was not possible for AustSino and Sundance to satisfy all of the condition's precedent for completion of the proposed transactions by 31 December 2018. Accordingly AustSino, Sundance and all the Noteholders agreed to extend the end date to 31 March 2019.

AustSino and Sundance are continuing to take steps to satisfy the conditions precedent for completion of the above transactions. In the meantime, AustSino remains in suspension while it responds to the ASX's request for further information concerning the proposed WAPRC Transaction, which include requests regarding WAPRC and its corporate / capital structure, the source of the funds and the new controllers of the Company following completion of the WAPRC placement.

AUSTSINO RESOURCES GROUP LIMITED

DIRECTORS' REPORT

CORPORATE

In early July 2018, the Company relocated to its new office at 5/35 Havelock Street, West Perth WA 6005.

On 2 August 2018 that the Company announced that it has agreed terms with Mr Guan Min Jie to raise additional capital of \$3 Million. Mr Guan (a resident of China) has agreed to subscribe for approximately 230,769,231 fully paid ordinary shares in AustSino for a subscription price of \$0.013 (1.3 cents) per share to raise \$3 Million (Refer to Note 11 for further details).

On 6 August 2018, a new wholly owned subsidiary, Havelock Resources Pty Ltd, was incorporated within Australia.

On 28 August 2018, the Company welcomed Dr Bielin Shi as a Non-Executive Director to the AustSino board. Dr Shi is a leading mining executive and geologist who specialises in investment management, mining geology, geostatistics, resource estimation and optimisation, exploration and project development.

On 30 November 2018 the Company held its AGM for the 2018 year. Resolution 1, seeking adoption of the 30 June 2018 Remuneration report, did not receive the required 75% vote and the Company incurred a “first strike” against the Remuneration Report. Resolutions 2 to 11 were all carried and, where applicable, shares and options approved via these resolutions were issued during December 2018.

For further details on the Company's activities over the half-year period ended 31 December 2018, refer to the Quarterly Reports and the ASX announcements made during the half-year period ended 31 December 2018.

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the entity's state of affairs in the Company during the period ended 31 December 2018, other than that referred to in the half-year financial statements or notes thereto.

EVENTS SUBSEQUENT TO REPORTING DATE

Passing of Mr Ian King

AustSino was deeply saddened by the passing of Non-Executive Director, Mr Ian King, on 20 February 2019. Ian was a much respected member of the Board and made an invaluable contribution to the Company since his appointment in December 2017. As Chairman of Geraldton Port Authority for a decade and a half, Ian also made an enormous contribution to the Mid West Region of Western Australia and he will be greatly missed. The Company passes on its sincere condolences to Ian's family.

Share Subscription Agreement with Mr Guan

A sophisticated investor, Mr Guan Min Jie, executed a Share Subscription Agreement with the Company in the 3rd quarter of 2018, to subscribe for approximately 230,769,231 fully paid ordinary shares for a price of \$0.013 (1.3 cents) per share, for a total subscription price of \$3 Million. As at the end of 2018, Mr Guan had not yet satisfied his payment obligations under his Subscription Agreement. Accordingly, the transaction had not yet been completed and the Company had not yet issued any shares to Mr Guan.

In February 2019, the Company announced that it had reached agreement with Mr Guan, whereby Ms Peiyu Liang (a resident of China) would instead purchase a parcel of 30,769,231 shares at a subscription price of \$0.013 (1.3 cents) per share for a purchase price of \$400,000 (Mr Guan will be released from any obligations in relation to that particular parcel of shares); and Mr Guan must pay \$2.6

AUSTSINO RESOURCES GROUP LIMITED

DIRECTORS' REPORT

Million as consideration for approx. 200 Million shares at a subscription price of \$0.013 (1.3 cents) per share by no later than 5.00pm on Friday 15 March 2019, otherwise Mr Guan's Subscription Agreement would automatically terminate on that date.

The Company reserved its rights in respect of Mr Guan's failure to pay for the shares by the due date. The \$400,000 in funds, for the transaction with Ms Peiyu referred to above, have already been received in the Company's bank account. Accordingly, the Company issued 30,769,231 fully paid ordinary shares to Ms Peiyu on 15 February 2019.

Sundance Agreement Update

In January 2019, the Company provided updates regarding the binding agreement that it signed on 24 September 2018 ("Agreement") with Sundance Resources Limited (ASX: SDL) ("Sundance") and the Noteholders of Sundance (excluding Wafin Limited, which subsequently acceded to the Agreement on 28 September 2018).

The key terms of the Agreement are set out in AustSino's ASX announcement on 25 September 2018 ("Announcement"). The Announcement specified that the Agreement was subject to a number of conditions precedent ("Conditions") including (without limitation) regulatory and shareholder approvals, which needed to be satisfied or waived (as applicable) by 31 December 2018 ("End Date").

On 2 January 2019, AustSino and Sundance reached agreement with all Noteholders to extend the End Date to 31 March 2019.

Placement Funding in Sundance

In January 2019, AustSino increased its investment in Sundance Resources Limited (ASX:SDL) (Sundance) via a placement of \$120,000. Sundance issued 30,000,000 fully paid ordinary shares to AustSino at \$0.004 per share. AustSino also received 60,000,000 unlisted bonus options (2 options per share issued) at an exercise price of \$0.006 and an expiry date of 5 years post issue.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has 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 future financial periods.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year ended 31 December 2018 is included within this financial report.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Michael Keemink
Executive Director

Perth, 15 March 2019

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of AustSino Resources Group Limited for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



Perth, WA
Dated: 15 March 2019

J A KOMNINOS
Partner

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RSM Australia Partners ABN 36 965 185 036

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AUSTSINO RESOURCES GROUP LIMITED
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2018

		Consolidated	Consolidated
	Note	31 December 2018 \$	31 December 2017 \$
Interest income		3,427	3,244
Other income		19,001	-
Depreciation expense		(44,068)	(38,254)
Impairment of exploration assets		-	(28,949)
Exploration and evaluation expenditure written off	4	(574,153)	(323,304)
Directors fees and benefits		(377,374)	(108,863)
Consulting fees		(74,117)	(295,309)
Share based payment	7	(155,000)	-
Legal fees		(220,661)	(171,525)
Other expenses		(626,334)	(409,415)
Loss before income tax expense		(2,049,279)	(1,372,375)
Income tax expense		-	-
Loss for the period after income tax		(2,049,279)	(1,372,375)
Other comprehensive income, net of tax			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		12,106	5,243
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Gain on financial assets designated at fair value through other comprehensive income		250,000	-
Other comprehensive income for the period		262,106	5,243
Total comprehensive loss for the period		(1,787,173)	(1,367,132)
Basic and diluted loss per share (cents per share)	6	(0.04)	(0.03)

The accompanying notes form part of these financial statements

AUSTSINO RESOURCES GROUP LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

		Consolidated	Consolidated
		31 December	30 June
	Note	2018	2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	3	2,846,811	5,388,309
Trade and other receivables		84,909	309,743
Total Current Assets		2,931,720	5,698,052
Non-Current Assets			
Other assets		65,420	65,083
Financial assets at fair value through other comprehensive income	8	1,250,000	-
Plant and equipment		258,957	229,425
Deferred exploration and evaluation	4	3,027,531	3,027,531
Total Non-Current Assets		4,601,908	3,322,039
Total Assets		7,533,628	9,020,091
LIABILITIES			
Current Liabilities			
Trade and other payables	5	971,903	847,488
Provisions		21,295	-
Total Current Liabilities		993,198	847,488
Total Liabilities		993,198	847,488
Net Assets		6,540,430	8,172,603
EQUITY			
Issued capital	6	70,355,920	70,200,920
Reserves		6,521,918	6,259,812
Accumulated losses		(70,337,408)	(68,288,129)
Total Equity		6,540,430	8,172,603

The accompanying notes form part of these financial statements

AUSTSINO RESOURCES GROUP LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2018

Consolidated	Issued Capital \$	Accumulated Losses \$	Revaluation Reserve \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total Equity \$
At 1 July 2017	61,229,894	(64,960,336)	-	5,423	6,266,834	2,541,815
Loss for the period	-	(1,372,375)	-	-	-	(1,372,375)
Foreign currency translation	-	-	-	5,243	-	5,243
Total comprehensive loss for the period	-	(1,372,375)	-	5,243	-	(1,367,132)
Issue of shares	2,517,850	-	-	-	-	2,517,850
Less: Shares issue costs	(17,277)	-	-	-	-	(17,277)
At 31 December 2017	63,730,467	(66,332,711)	-	10,666	6,266,834	3,675,256
At 1 July 2018	70,200,920	(68,288,129)	-	(37,152)	6,296,964	8,172,603
Loss for the period	-	(2,049,279)	-	-	-	(2,049,279)
Foreign currency translation	-	-	-	12,106	-	12,106
Other comprehensive income	-	-	250,000	-	-	250,000
Total comprehensive loss for the period	-	(2,049,279)	250,000	12,106	-	(1,787,173)
Issue of shares	155,000	-	-	-	-	155,000
At 31 December 2018	70,355,920	(70,337,408)	250,000	(25,046)	6,296,964	6,540,430

The accompanying notes form part of these financial statements

AUSTSINO RESOURCES GROUP LIMITED
CONDENSED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2018

		Consolidated	Consolidated
	Note	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,142,529)	(995,884)
Payments for exploration expenditure		(759,902)	(275,199)
Interest received		3,427	3,244
Other income		19,001	-
Deposits paid		-	(43,571)
Net cash used in operating activities		<u>(1,880,003)</u>	<u>(1,311,410)</u>
Cash flows from investing activities			
Purchase of plant and equipment		(73,176)	(4,905)
Purchase of financial assets		<u>(1,000,000)</u>	<u>-</u>
Net cash used in investing activities		<u>(1,073,176)</u>	<u>(4,905)</u>
Cash flows from financing activities			
Capital raising costs		-	(2,242)
Application funds received pending allotment of shares	3	400,000	310,000
Net cash provided by financing activities		<u>400,000</u>	<u>307,758</u>
Net decrease in cash held		(2,553,179)	(1,008,557)
Cash at beginning of the half-year		5,388,309	2,266,406
Effect of foreign exchange		11,681	-
Cash and cash equivalents at end of the half-year	3	<u><u>2,846,811</u></u>	<u><u>1,257,849</u></u>

The accompanying notes form part of these financial statements

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by AustSino Resources Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year, except for the impact of the new Standards and Interpretations effective 1 July 2018 disclosed in section 1(b). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair value of the consideration given in exchange for assets.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2018

The following standards and amendments became applicable during the current reporting period:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 9: Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value. Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income. The Group has elected to do this as at 1 July 2018. Previously classified available-for-sale investments, now carried at fair value, are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

AASB 15: Revenue from Contracts with Customers

The implementation of AASB 15 has not had a material impact on the Group's financial statements as it is currently a pre-revenue business.

Other than the above, the Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2018.

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases. The application date of this standard is for annual reporting periods beginning on or after 1 January 2019. The Group has decided against early adoption of these standards. Whilst the impact of AASB 16 has not yet been quantified the Group currently has operating lease commitments for \$730,231 worth of non-cancellable operating leases, the Group anticipates most of this will be brought onto the statement of financial position except for amount pertaining to short term or low value leases. Interest and amortisation expense will increase and rental expense will decrease.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to Group accounting policies.

(c) Statement of compliance

The interim financial statements were authorised for issue on 15 March 2019.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (con't)

(d) Significant accounting estimates and judgements

The preparation of the interim financial statements requires management to make judgments, 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.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018, except for the impact of the new Standards and Interpretations effective 1 July 2018 as disclosed in section 1(b).

2. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reported to the Board (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Board regularly reviews the identified segments in order to allocate resources to the segment and to assess its performance.

The Group operates predominately in one industry, being mineral exploration.

The main geographic areas that the entity operates in are Australia and China. The parent entity is registered in Australia. The Group's exploration assets are located in Australia.

The following table present revenue, expenditure and certain asset and liability information regarding geographical segments as follows:

	Australia	China	Total
Period ended 31 December 2018			
Interest income	3,427	-	3,427
Other	19,000	1	19,001
Segment revenue	22,427	1	22,428
Result			
Loss before income tax	(1,846,349)	(202,930)	(2,049,279)
Income tax expense	-	-	-
Loss for the period after income tax	(1,846,349)	(202,930)	(2,049,279)
Asset and liabilities			
Segment assets	5,212,467	2,321,161	7,533,628
Segment liabilities	906,527	86,671	993,198
	Australia	China	Total
Period ended 31 December 2017			
Interest income	3,123	120	3,244
Segment revenue	3,123	120	3,244
Result			
Loss before tax	(1,256,744)	(115,630)	(1,372,375)
Income tax expense	-	-	-
Loss for the year	(1,256,744)	(115,360)	(1,372,375)
Asset and liabilities			
Segment assets	3,858,373	869,380	4,727,753
Segment liabilities	1,028,121	24,376	1,052,497

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

3. CASH AND CASH EQUIVALENTS

	31 December 2018 \$	30 June 2018 \$
Petty cash	1,500	1,500
Cash at bank	2,445,311	5,386,809
Restricted cash ¹	400,000	-
	2,846,811	5,388,309

¹ 31 December 2018: Initial application funds received under the Subscription Agreement with Mr Guan Min Jie being held on trust by the Company. Refer Note 11 for further information.

4. DEFERRED EXPLORATION EXPENDITURE

	31 December 2018 \$	30 June 2018 \$
Deferred exploration and evaluation	3,027,531	3,027,531
Movement		
Opening balance	3,027,531	3,056,481
Exploration and evaluation expenditure incurred	574,153	702,086
Exploration and evaluation expenditure written off	(574,153)	(702,086)
Impairment of exploration and evaluation assets	-	(28,950)
Closing balance	3,027,531	3,027,531

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

5. TRADE AND OTHER PAYABLES

	31 December 2018 \$	30 June 2018 \$
Trade payables and accruals	571,903	847,488
Application funds received ¹	400,000	-
	971,903	847,488

¹ 31 December 2018: Initial application funds received under the Subscription Agreement with Mr Guan Min Jie being held on trust by the Company. Refer Note 11 for further information.

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

6. ISSUED CAPITAL

(a) Ordinary Shares

	31 December 2018 \$	30 June 2018 \$
Ordinary shares – fully paid	70,355,920	70,200,920

	31 December 2018 Number	31 December 2018 \$
Movement in ordinary shares on issue		
Balance at beginning of half-year	5,071,651,832	70,454,725
Issue of shares on 6 August 2018	3,000,000	45,000
Issue of shares on 19 December 2018	10,000,000	110,000
Less: Share issue costs	-	(253,805)
Balance at end of half-year	5,084,651,832	70,355,920

(b) *Loss per Share*

	31 December 2018 \$	31 December 2017 \$
Basic loss per share (cents per share)	(0.04)	(0.03)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	5,074,717,406	2,086,877,534
Loss used in the calculation of basic loss per share (\$)	(2,049,279)	(1,372,375)

7. SHARE-BASED PAYMENTS

Ordinary Shares

On 6 August 2018, the Company issued 3,000,000 ordinary shares to unrelated parties in settlement of outstanding debts owed. The shares were issued at the share price of 1.5 cent per share. Expenses of \$45,000 were recognised in the statement of profit and loss and other comprehensive income.

On 19 December 2018, the Company issued 10,000,000 ordinary shares to Executive Director, Mr Michael Keemink in lieu of amounts owed to him for consultancy services provided (above his standard service contract) following shareholder approval at the Company's AGM held on 30 November 2018. Mr Keemink agreed to accept 10,000,000 shares at 1.1 cent per share in settlement of the debt. Expenses of \$110,000 were recognised in the statement of profit and loss and other comprehensive income.

Unlisted Options

On 19 December 2018, the Company issued 65,000,000 unlisted options (**Options A**) to four current Directors and one former Director following shareholder approval at the Company's AGM held on 30 November 2018. Options A are exercisable at \$0.02 per option and expires 30 November 2019.

On the same day, 40,000,000 unlisted options (**Options B**) were issued to the four current Directors following shareholder approval at the Company's AGM on 30 November 2018. Options B are exercisable at \$0.03 per option and expires 30 November 2020.

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

7. SHARE-BASED PAYMENTS (con't)

The unlisted options were issued to the following current and former directors:

Name	Role	Number of Options		Total
		Options A	Options B	
Chun Ming Ding	Executive Chairman	15,000,000	10,000,000	25,000,000
Michael Keemink	Executive Director	15,000,000	10,000,000	25,000,000
Philip McKeiver	Non-Executive Director	10,000,000	10,000,000	20,000,000
Ian King	Non-Executive Director ¹	10,000,000	10,000,000	20,000,000
Edward Saunders	Former Non-Executive Director	15,000,000	-	15,000,000
Total		65,000,000	40,000,000	105,000,000

¹ Mr Ian King ceased to be a director following his passing on 20 February 2019.

Both Options A and B are subject to, and vest on, the successful completion of the conditional placement agreement with Western Australian Port Rail Construction (Shanghai) Ltd (WAPRC) under which WAPRC will subscribe for approximately 7,692,307,693 fully paid ordinary shares at 1.3 cents (\$0.013) per share for a total price of \$100 million, which following completion will equate to approximately 61% of the total issued share capital of AustSino (Proposed WAPRC Transaction). The Proposed WAPRC Transaction was announced on the ASX platform on 25 September 2018. The Proposed WAPRC Transaction is subject to a number of conditions, including shareholder approval, which will be sought at a separate general meeting of the Company.

The fair value of the options issued is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the share price at valuation date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The Proposed WAPRC Transaction is subject to a number of conditions precedent, including regulatory and shareholder approvals. At the balance date, the Directors have estimated that the likelihood of the vesting condition being achieved before the expiry date is extremely low due to the uncertainties regarding the success of the Proposed WAPRC Transaction. Accordingly, the directors have not recognised any share based payment expense associated with these options during the half-year.

The table below summarises the values and inputs for the options granted during the period and valued using the Black-Scholes option pricing models:

	Options A	Options B
Number of options issued	65,000,000	40,000,000
Grant date share price (cents)	\$0.017	\$0.017
Exercise price (cents)	\$0.020	\$0.030
Expected volatility	100%	100%
Option life	1 year	2 years
Dividend yield	-	-
Risk-free interest rate	2.04%	2.04%
Valuation per option	\$0.0058	\$0.0067
Total valuation	\$377,000	\$268,000

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

8. FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair value of various financial assets and financial liabilities.

The three levels are defined based on the observe ability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis as at 31 December 2018 and 30 June 2018.

	31 December 2018 Fair value \$	30 June 2018 Fair value \$	Fair value hierarchy	Valuation technique
Financial assets designated at fair value through other comprehensive income	1,250,000	-	Level 1	Quoted market prices in an active market

The directors consider that the carrying amounts of current receivables and current payables are a reasonable approximation of their fair values.

Movement in financial assets designated at fair value through other comprehensive income:

	31 December 2018 \$	30 June 2018 \$
Opening balance	-	-
Additions	1,000,000	-
Fair value movement through other comprehensive income	250,000	-
	<u>1,250,000</u>	<u>-</u>

9. CONTINGENT LIABILITIES

There has been no significant changes in contingent liabilities since the last annual reporting date.

10. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2018 or in the prior period, and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2018.

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

11. EVENTS SUBSEQUENT TO REPORTING DATE

Passing of Mr Ian King

AustSino was deeply saddened by the passing of Non-Executive Director, Mr Ian King on 20 February 2019. Ian was a much respected member of the Board and made an invaluable contribution to the Company since his appointment in December 2017. As Chairman of Geraldton Port Authority for a decade and a half, Ian also made an enormous contribution to the Mid West Region of Western Australia and he will be greatly missed. The Company passes on its sincere condolences to Ian's family.

Share Subscription Agreement with Mr Guan

A sophisticated investor, Mr Guan Min Jie, executed a Share Subscription Agreement with the Company in the 3rd quarter of 2018, to subscribe for approximately 230,769,231 fully paid ordinary shares for a price of \$0.013 (1.3 cents) per share, for a total subscription price of \$3 Million. As at the end of 2018, Mr Guan had not yet satisfied his payment obligations under his Subscription Agreement. Accordingly, the transaction had not yet been completed and the Company had not yet issued any shares to Mr Guan.

In February 2019, the Company announced that it had reached agreement with Mr Guan, whereby Ms Peiyu Liang (a resident of China) would instead purchase a parcel of 30,769,231 shares at a subscription price of \$0.013 (1.3 cents) per share for a purchase price of \$400,000 (Mr Guan will be released from any obligations in relation to that particular parcel of shares); and Mr Guan must pay \$2.6 Million as consideration for approx. 200 Million shares at a subscription price of \$0.013 (1.3 cents) per share by no later than 5.00pm on Friday 15 March 2019, otherwise Mr Guan's Subscription Agreement would automatically terminate on that date.

The Company reserved its rights in respect of Mr Guan's failure to pay for the shares by the due date. The \$400,000 in funds, for the transaction with Ms Peiyu referred to above, have already been received in the Company's bank account. Accordingly, the Company issued 30,769,231 fully paid ordinary shares to Ms Peiyu on 15 February 2019.

Sundance Agreement Update

In January 2019, the Company provided updates regarding the binding agreement that it signed on 24 September 2018 ("Agreement") with Sundance Resources Limited (ASX: SDL) ("Sundance") and the Noteholders of Sundance (excluding Wafin Limited, which subsequently acceded to the Agreement on 28 September 2018).

The key terms of the Agreement are set out in AustSino's ASX announcement on 25 September 2018 ("Announcement"). The Announcement specified that the Agreement was subject to a number of conditions precedent ("Conditions") including (without limitation) regulatory and shareholder approvals, which needed to be satisfied or waived (as applicable) by 31 December 2018 ("End Date").

On 2 January 2019, AustSino and Sundance reached agreement with all Noteholders to extend the End Date to 31 March 2019.

AUSTSINO RESOURCES GROUP LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

11. EVENTS SUBSEQUENT TO REPORTING DATE (con't)

Placement Funding in Sundance

In January 2019, AustSino increased its investment in Sundance Resources Limited (ASX:SDL) (Sundance) via a placement of \$120,000. Sundance issued 30,000,000 fully paid ordinary shares to AustSino at \$0.004 per share. AustSino also received 60,000,000 unlisted bonus options (2 options per share issued) at an exercise price of \$0.006 and an expiry date of 5 years post issue.

Other than noted above, there has been no additional matter or circumstance that has arisen after balance date that has 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 future financial periods.

12. RELATED PARTY TRANSACTIONS

Related party transactions are in the form of short-term employee benefits, post-employment benefits, share based payments and loans to subsidiaries. Arrangements with related parties continue to be in place. For further details of these arrangements please refer to the 30 June 2018 annual report.

AUSTSINO RESOURCES GROUP LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of AustSino Resources Group Limited ('the company'):

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Michael Keemink
Executive Director

Perth, 15 March 2019

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
AUSTSINO RESOURCES GROUP LIMITED**

We have reviewed the accompanying half-year financial report of AustSino Resources Group Limited (the consolidated entity) which comprises of the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 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 AustSino Resources Group Limited, 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of AustSino Resources Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

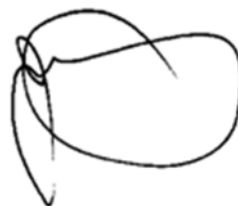
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AustSino Resources Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 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 *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



J A KOMNINOS
Partner

Perth, WA
Dated: 15 March 2019