



Caeneus Minerals Ltd

ABN 42 082 593 235

and its controlled entities

**Half year report for the half-year ended
31 December 2018**

Corporate directory

Board of Directors

Mr Peter Christie	Chairman
Mr Johnathon Busing	Non-Executive Director
Mr David Sanders	Non-Executive Director

Company Secretary

Mr Johnathon Busing

Registered Office and Principal Place of Business

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168 Stirling Highway
Nedlands, Western Australia 6009
Tel: +61 8 6165 8858

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Perth, Western Australia 6000

Website

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Auditors

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West Perth, Western Australia 6005

Share Registry

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CAD
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Half year report for the half-year ended 31 December 2018

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Directors' report

The directors of Caeneus Minerals Ltd ("Caeneus" or "the Company") submit herewith the financial report of Caeneus Minerals Ltd and its subsidiaries ("the Group") for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Names of Directors

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

Mr Peter Christie (appointed on 03 October 2017)
 Mr Johnathon Busing (appointed on 30 November 2017)
 Mr David Sanders (appointed on 07 December 2018)
 Mr Chris Zielinski (resigned on 07 December 2018)

Review of operations

The consolidated loss of the Group for the half-year ended 31 December 2018 amounted to \$1,076,481 (31 December 2017: \$4,390,025).

Columbus Marsh Lithium Brine Project

During the first quarter, the Company have the following updates regarding the drilling activities at its 100% owned Columbus Marsh Lithium Brine Project located in Nevada, USA.

Second Lithium Brine Discovery at Columbus Marsh

The Company is pleased to announce the successful completion of the final assay processing from the initial exploratory drilling program at its Columbus Marsh Project. The completed drilling data has identified a second lithium-enriched brine zone and allowed the Company to develop a full profile of the lithium brines discovered within the shallow aquifers at the Company's property in Nevada.

Highlights:

- Discovery of the Mid Zone lithium-enriched brine zone beneath the previously announced Upper Zone discovery level.
- Three distinct lithium-enriched zones have now been confirmed at the Project.
- The latest discovered Middle Zone hosts a brine aquifer containing anomalous lithium concentrations up to 42.1 mg/l (182 ppm LCE) over a thickness of 138.46 meters (450 feet).
- Highly anomalous Lithium within basin sediments from surface to 400 meters (1,320 feet) depth, of between 296 ppm Li and 1000 ppm Li (1,575 – 5,323 ppm LCE), with an average of 566.62 ppm (3,016.13 ppm LCE).
- Given the significance of the discovery at Columbus Marsh, the Company is planning a follow-up drilling program to further test and delineate these lithium deposits.

In September 2018, the Company announced the discovery of highly anomalous concentrations of lithium brines within a shallow aquifer at the Columbus Marsh Project. Lithium bearing brines were intersected at a depth of 79.25 meters (260 feet) and continued to a depth of 103.63 meters (340 feet) resulting in a width of the aquifer of 24.38 meters (80 feet). Assay of the brine returned a high of 95.9 mg/l lithium (420.6ppm Li₂CO₃ equivalent or LCE*) with a minimum assay of the same brine returning 56.3mg/l lithium (258.5ppm LCE*). The brine also assayed up to 3,670mg/l potassium and 1,100mg/l

boron, indicating strong potential for economic concentrations of multiple commodities. The brine was confined in the aquifer hosted by a sequence of clay, salt and tuff. It is expected that the tuff would be relatively permeable, similar to the lithium producing tuff aquifer at the Clayton Valley operations. (The Columbus Marsh property is situated 40 kilometres northwest of the Clayton Valley lithium brine operations). The Columbus Marsh maximum assay is almost 50% higher in concentration than lithium brines previously processed at Searles Lake, California (65ppm lithium).

The initial exploratory drill hole was drilled near the centre of the Company's leases which cover an area of 3,280 acres (1,327.37 hectares), indicating potential for considerable volumes of lithium-rich brine. Drilling of this initial hole has been successfully completed to the target depth of 400 metres (1320 feet). Progress on this hole was hampered by wet and unfavourable weather conditions at the beginning of the drill program and by difficult ground conditions characterized by unconsolidated sediments in the stratigraphic sequence beneath the basin surface.

Drilling, sampling and laboratory analysis has identified three distinct lithium-bearing zones in the subsurface of the Columbus Marsh claims.



Drilling at Columbus Salt Marsh, September 2017

Upper Zone. The Upper Zone is, as described in the September announcement, a significant new lithium deposit discovery. Lithium-rich brine occurs within a complex sequence of clay, salt and carbonate sediments. Subsequent laboratory analysis of drill cuttings from this zone shows anomalous lithium in sediments, averaging 560 ppm (1,669.3 ppm LCE) and ranging from 310 ppm to 930 ppm (1,650.1 - 4,950.4 ppm LCE).

Middle Zone. The Middle Zone is a 138.46 metre (450 feet) thick, porous clay formation that is host to a lithium-bearing, high-density brine that is distinctly different from the Upper Zone brine. Recently discovered lithium concentrations in the Middle Zone average 37mg/l and range from a low of 25.8 mg/l (122.6 ppm LCE) to a high of 42.1 mg/l (182.97 ppm LCE). Water flows in this zone were measured up to

208.45 litres (55 gallons) per minute. Anomalous lithium concentrations are present in the formation drill cuttings ranging from 296 ppm (1,575 ppm LCE) to 1,000 ppm (5,323 ppm LCE) lithium and average 602 ppm (3,204.45 ppm LCE) over the entire 450-foot thick Middle Zone.

Lower Zone. Below a depth of 255.38 metres (830 feet) the drill intersected soft, saturated black clay in the so-called Lower Zone where air and drilling fluid circulation was lost. The drill hole was subsequently advanced to the target depth by employing conventional mud rotary drilling techniques. This aquifer zone hosts saline groundwater which contains comparatively low but anomalous lithium concentrations. Brine samples collected from the interval between 255.38 metres (830 feet) and 310.77 metres (1010 feet) contained lithium concentrations ranging from a low of 6.0 mg/l to a high of 13.0 mg/l. The drillhole was not accessible below this depth. Drill cuttings from this zone show anomalous lithium concentrations ranging from 480 ppm to 610 ppm (2,555 to 3,247 ppm LCE) with an average of 537 ppm (2,858.5 ppm LCE) through the entire Lower Zone.

* Note: Lithium concentration is converted to Li_2CO_3 or Lithium Carbonate Equivalent (LCE) by multiplying by 5.323. LCE conversions between mg/l and ppm are compensated for brine specific gravity.

Pardoo Project

During the half-year, diamond drilling of three modelled HPFLTEM plate conductors was completed at the Pardoo – Supply Well Project (refer to announcement 19 October 2018).

Subsequently, all three modelled ground HPFLTEM plates (PRC10b, CV3 and PRC07) were tested for a total of 690.6m drilled. The geology intersected at the three targets was very similar and predominantly comprised of deformed and tightly folded cherty to shale-rich metasedimentary units with interlayer bands of sulphides comprising substantially of pyrrhotite and pyrite. The bands typically measured in thickness from fine millimetre-scale to several 10's of centimetres thick sulphide layers and bands within and parallel to the sedimentary layering. The individual sulphide-bearing metasedimentary chert and shale units measured in thickness from 10 to 70 metres down hole thickness. Sufficient sulphide was intersected at the target depths to explain the conductivity anomalies targeted.

The results of the drilling validated the HPFLTEM survey approach with sulphides intersected at the modelled conductivity plates. With this, the company had confidence that continued use of the system on the project will generate further targets for drill testing.

A total of 18 representative samples across the three holes were selected, cut and sent for assays at ALS Global. All samples had a multi element assay package including gold, silver and platinum group elements.

The Company looks forward to keeping the market updated with the assays once they become available.

Corporate

The Company received a Conversion Notice on 13 July 2018 in respect of the \$1.25m Convertible Note Facility ("Facility") (previously announced on 20 April 2018).

As a result of obtaining the necessary shareholder approvals and receiving the Conversion Notice, the Company has issued the securities required under the Facility. The Company has calculated the interest paid under the Facility to the date of receipt of the Conversion Notice.

Accordingly, the total securities issued for the conversion of loan and accrued interest is;

- 5,050,939,131 shares; and
- 5,050,939,131 free attaching options exercisable \$0.0015 on or before 31 December 2023.

Furthermore, for the purpose of funding the diamond drilling program and provide ongoing working capital, the Company issued 1,170,924,212 shares at a price of \$0.0005 with an attaching 1:1 option \$0.0015 expiring 31 December 2023 to raise \$585,462.

On 6 September 2018, the Company announced the new registered office and principal place of business addresses and contact details of the Company and all of its subsidiaries.

Then the Company announced on 11 December 2018 that it has raised \$450,000 by way of a convertible note raising ("Fund Raising").

All necessary shareholder approvals were obtained by the Company at the AGM held on 27 November 2018. Details of the Fund Raising are set out in Section 12 of the Company's Notice of Annual General Meeting announced to the market on 29 October 2018.

The Company intends to use the funds raised towards exploration on the Company's existing assets (the Nevada Lithium project and Pardoo Nickel project), and as a working capital in respect of the Company's existing activities, together with ongoing standard corporate expenses. Further details of the indicative use of funds are set out in details in the Company's Notice of Annual General Meeting announced to the market on 29 October 2018.

On 07 December 2018, the Company advised that Mr Christopher Jan Zielinski has tendered his resignation as Non-Executive Director due to personal commitments and to pursue other business interests.

On the other hand, the Board announced that Mr David Sanders was appointed as a Non-Executive Director.

Mr Sanders has more than 20 years of experience in corporate law. He has advised numerous entities, including ASX-Listed and private companies on capital raising, mergers and acquisitions, Corporations Act and ASX Listing Rules compliance, as well as commercial transactions across a range of industries and jurisdictions. David also advises a range of public, private and indigenous corporation Boards in relation to compliance and corporate governance. In addition to his legal qualifications, David has a Bachelor of Commerce and Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. David is the Chairman of Murlpirrmarra Connection Limited, which focuses on education and training for indigenous youth in the Yilgarn Region of Western Australia. He is also a non-executive director of a range of public and private companies.

On 12 July 2018, the Company held a General Meeting and all resolutions were passed by the requisite majority.

The Annual General Meeting was held on 27 November 2018. All resolutions were passed by poll initiated by the Chair of the meeting. Details of the poll in respect of each resolution are set out in a summary attached to the announcement made on 28 November 2018.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'P. Christie', with a stylized flourish at the end.

Mr Peter Christie

Chairman

15 March 2019

Perth, Western Australia

15 March 2019

Board of Directors
Caeneus Minerals Limited
Ground Floor
168 Stirling Highway,
NEDLANDS WA 6009

Dear Directors

RE: CAENEUS MINERALS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Caeneus Minerals Limited.

As Audit Director for the review of the financial statements of Caeneus Minerals 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.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CAENEUS MINERALS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Caeneus Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Caeneus Minerals Limited (the consolidated entity). The consolidated entity comprises both Caeneus Minerals Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Caeneus Minerals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 Caeneus Minerals 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

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*, has been provided to the directors of Caeneus Minerals Limited on 15 March 2019.

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 Caeneus Minerals 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 Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter regarding Going Concern

We draw attention in Note 1 to the interim financial report which describe the consolidated entity's use of the going concern basis of preparation of the financial report. Our conclusion is not modified in respect of these matters.

As noted in Note 1, at 31 December 2018, the consolidated entity had cash and cash equivalents of \$314,622. The consolidated entity had incurred a loss for the half year ended 31 December 2018 of \$1,076,481.

The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration, and other commitments is dependent upon the consolidated entity raising further working capital, and/or commencing profitable operations. In the event that the consolidated entity is not successful in raising further working capital, and/or commencing profitable operations, the consolidated entity may not be able to meet its liabilities as and when they fall due, and the realisable value of the Consolidated Entity's current and non-current assets may be significantly less than book values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
15 March 2019

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 *'Interim Financial Reporting'* and giving a true and fair view of the financial position and performance of the Group for the period ended 31 December 2018.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



Mr Peter Christie

Chairman

15 March 2019

Perth, Western Australia

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

		Consolidated	
		Half-year ended	
	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Continuing operations			
Other income	3	136	731
Administration costs		(93,079)	(35,895)
Consultants costs		(193,543)	(687,128)
Compliance costs		(98,933)	(90,151)
Impairment of receivables		-	(36,000)
Exploration & Evaluation Expenditure Written Off	5	(514,822)	(3,490,386)
Impairment of formation costs		-	(1,862)
Other costs		(2,531)	(21,739)
Interest Costs	7	(156,906)	-
Foreign exchange losses		(16,803)	(27,595)
Loss before income tax		(1,076,481)	(4,390,025)
Income tax expense		-	-
Loss for the period		(1,076,481)	(4,390,025)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		(1,076,481)	(4,390,025)
Loss attributable to:			
Owners of Caeneus Minerals Ltd		(1,076,481)	(4,390,025)
Total comprehensive loss attributable to:			
Owners of Caeneus Minerals Ltd		(1,076,481)	(4,390,025)
Loss per share:			
Basic and diluted (cents per share)		(0.01)	(0.07)
Weighted average number of shares		13,338,940,783	6,201,445,283

Condensed notes to the consolidated financial statements are included on pages 14 to 25.

Consolidated statement of financial position as at 31 December 2018

	Note	Consolidated	
		31 Dec 2018 \$	30 Jun 2018 \$
Current assets			
Cash and cash equivalents		314,622	372,980
Trade and other receivables	4	68,626	87,867
Other assets		1,862	1,862
Total current assets		385,110	462,709
Non-current assets			
Exploration and evaluation expenditure	5	1,140,442	-
Total non-current assets		1,140,442	-
Total assets		1,525,552	462,709
Current liabilities			
Trade and other payables		140,271	424,518
Deferred considerations	11	177,403	295,366
Convertible Notes	7	-	1,108,003
Total current liabilities		317,674	1,827,887
Non-current liabilities			
Deferred considerations	11	149,018	175,976
Total non-current liabilities		149,018	175,976
Total liabilities		466,692	2,003,863
Net assets/(liabilities)		1,058,860	(1,541,154)
Equity			
Issued capital	6	85,368,385	82,383,969
Convertible Notes (Equity)		553,479	101,305
Reserves	8	2,055,258	1,815,353
Accumulated losses		(86,918,262)	(85,841,781)
Total equity/(deficiency)		1,058,860	(1,541,154)

Condensed notes to the consolidated financial statements are included on pages 14 to 25.

Consolidated statement of changes in equity for the half-year ended 31 December 2018

Consolidated

	Issued Capital \$	Convertible notes	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2017	81,191,657	-	1,815,353	(80,641,122)	2,365,888
Loss for the period	-	-	-	(4,390,025)	(4,390,025)
Other comprehensive income, net of income tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(4,390,025)	(4,039,025)
Issue of ordinary shares	951,000	-	-	-	951,000
Share issue costs	(6,338)	-	-	-	(6,338)
Balance at 31 December 2017	82,136,319	-	1,815,353	(85,031,147)	(1,079,475)
Balance at 1 July 2018	82,383,969	101,305	1,815,353	(85,841,781)	(1,541,154)
Loss for the period	-	-	-	(1,076,481)	(1,076,481)
Other comprehensive income, net of income tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(1,076,481)	(1,076,481)
Issue of shares to DG Resources Management Ltd	160,000	-	-	-	160,000
Issue of shares in lieu of interest on convertible notes	12,735	-	-	-	12,735
Issue of shares as part of settlement of the acquisition of Mt Roe	1,030,000	-	-	-	1,030,000
Issue of shares to convert the convertible notes	1,250,000	-	-	-	1,250,000
Issue of shares to sophisticated and professional investors	585,462	-	-	-	585,462
Share based payments	-	-	239,905	-	239,905
Convertible notes (equity portion) (Refer Note 7)	-	452,174	-	-	452,174
Share issue costs	(53,781)	-	-	-	(53,781)
Balance at 31 December 2018	85,368,385	553,479	2,055,258	(86,918,262)	1,058,860

Condensed notes to the consolidated financial statements are included on pages 14 to 25.

Consolidated statement of cash flows for the half-year ended 31 December 2018

	Consolidated	
	Half-year ended	
	31 Dec 2018	31 Dec 2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(525,353)	(132,617)
Interest received	136	731
Net cash (used in) operating activities	(525,217)	(131,886)
Cash flows from investing activities		
Payments for exploration and evaluation	(514,822)	(1,170,700)
Payment of deferred consideration	-	-
Cash acquired from acquisition of subsidiary	-	-
Net cash (used in) investing activities	(514,822)	(1,170,700)
Cash flows from financing activities		
Proceeds from shares and options issued	585,462	500,000
Proceeds from convertible notes	450,000	-
Share issue costs	(53,781)	(6,338)
Net cash provided by financing activities	981,681	493,662
Net (decrease) in cash and cash equivalents	(58,358)	(808,924)
Cash and cash equivalents at the beginning of the period	372,980	922,426
Cash and cash equivalents at the end of the period	314,622	113,502

Condensed notes to the consolidated financial statements are included on pages 14 to 25.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2018

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. The Group 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*'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with annual financial statements of the Company for the year ended 30 June 2018 together with any public announcements made during the following half year.

The half-year financial report was authorised for issue by the directors on 15 March 2019.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern basis

The consolidated financial statements have 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.

For the half-year ended 31 December 2018, the Group incurred a loss after tax of \$1,076,481 (31 December 2017: \$4,390,025) and a net cash outflow from operations of \$525,217 (31 December 2017: \$131,866). At 31 December 2018, the Group had net current assets of \$67,437 (30 June 2018: net current liabilities of \$1,365,178).

The Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate on the basis that the Group has been successful to date in securing required funding and the Directors are of the opinion that it will continue to do so through a combination of debt and equity. The Directors are currently assessing options for additional funding.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of new standard and interpretations described below.

Principles of consolidation

The consolidated financial statements incorporate all assets, liabilities, and results of the parent and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Company. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Significant accounting judgements and key estimates

The preparation of interim financial statements 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 these half-yearly statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2018.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group is required to change some of its accounting policies as a result of new or revised accounting standards which became effective from 1 January 2018. The affected policies and standards are:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

New and amended standards adopted by the Group**AASB 9 Financial Instruments**

The Group has adopted AASB 9 from 1 July 2018 because the new accounting standard provides more relevant information to users of the financial report, in that it introduces new requirements for the classification and measurement of financial assets and financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets and liabilities as compared to the requirements of AASB 139. The new standard is effective for annual reporting periods beginning on or after 1 January 2018.

The adoption of AASB 9 now requires the Group to account for impairment losses on financial assets through a forward-looking expected credit loss (ECL) approach. For trade and other receivables, the Group has applied the standard's simplified approach for calculating ECLs based on lifetime expected credit losses. This did not result in the recognition of a material impairment loss on the Group's receivable. There were no changes to the Group's other financial liabilities.

Due to the nature of the Group's financial assets and liabilities, the adoption of AASB 9 did not result in a significant impact to any transactions or balances recognised in the financial statements at 31 December 2018.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

Based on the Group's current assessment, the standard has not had a material impact on the transactions and balances recognised in the financial statements as the Group is not currently in production and therefore does not generate operating revenue.

New standard and interpretations not yet applicable

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease-related Interpretations. In summary, AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements. The Group doesn't have any current lease obligations.

2. Segment information

2.1 Geographical segment

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 chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group operates in two (2) principal geographical areas – Australia (country of domicile) and United States of America.

The table below presents the asset and liability information and operating results regarding the geographical segments for the period ended 31 December 2018:

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Assets		
Australia	1,522,145	459,302
United States of America	3,407	3,407
Total assets	1,525,552	462,709
Liabilities		
Australia	464,818	2,001,989
United States of America	1,874	1,874
Total liabilities	466,692	2,003,863
	31 Dec 2018	31 Dec 2017
	\$	\$
Operating result		
Australia	(1,040,321)	(2,803,254)
United States of America	(36,160)	(1,586,771)
Total loss from operations	(1,076,481)	(4,390,025)

3. Other income

	31 Dec 2018	31 Dec 2017
	\$	\$
Interest income	136	731
	136	731

4. Trade and other receivables

	31 Dec 2018	30 Jun 2018
	\$	\$
Prepayments	25,738	36,660
Other receivables (i)	42,888	51,207
	68,626	87,867

(i) None of the trade and other receivables are past due at the reporting date.

5. Exploration and evaluation expenditure

	6 months ended	12 months ended
	31 Dec 2018	30 Jun 2018
	\$	\$
Carried forward exploration and evaluation expenditure	-	2,144,686
Issue of shares to Segue Resources (i)	-	175,000
Arising on acquisition of Pardoo Project (ii)	-	200,000
Arising on acquisition of Mt Roe Mining Pty Ltd (iii)	1,140,442	-
Expenditure incurred during the period	514,822	1,352,055
Impairment of exploration and evaluation expenditure (iv)	(514,822)	(3,871,741)
Carrying value at end of the period	1,140,442	-

(i) On 28 September 2017, the company issued 58,333,333 fully paid ordinary shares to Segue Resources to earn in stage 2 interest being 80% of the Pardoo Nickel project.

(ii) On 13 June 2018, the company agreed terms with Arrow Minerals to finalise the acquisition of the remaining 20% interest where the Company will own 100% of Pardoo Project. The first instalment of \$100,000 was paid in prior year and the balance \$100,000 was paid on 10 December 2018.

(iii) This represents the excess of purchase consideration over net assets acquired on acquisition of Mt Roe Mining Pty Ltd which was capitalised to exploration and evaluation expenditure.

(iv) An impairment expense of \$514,822 has been recognised in profit or loss for the half-year ended 31 December 2018 (30 June 2018: \$3,871,741). This is consistent with the Group's policy on exploration and evaluation expenditure. Refer to the 2018 annual financial report.

6. Issued capital

14,063,075,478 fully paid ordinary shares
(30 June 2018: 7,166,212,075)

31 Dec 2018	30 Jun 2018
\$	\$
85,368,385	82,383,969

Fully paid ordinary shares

	31 Dec 2018		30 Jun 2018	
	No.	\$	No.	\$
Balance at beginning of period	7,166,212,075	82,383,969	5,973,155,428	81,191,657
Issue of shares (i)	50,939,191	12,735		
Issue of shares (ii)	515,000,000	1,030,000		
Issue of shares (iii)	5,000,000,000	1,250,000		
Issue of shares (iv)	160,000,000	160,000		
Issue of shares (v)	1,170,924,212	585,462		
Issue of shares (vi)			58,333,333	175,000
Issue of shares (vii)			200,000,000	300,000
Issue of shares (viii)			133,333,333	200,000
Issue of shares (ix)			138,000,000	276,000
Issue of shares (x)			663,389,981	265,356
Share issue costs		(53,781)	-	(24,044)
	14,063,075,478	85,368,385	7,166,212,075	82,383,969

(i) Issue of fully paid ordinary shares at \$0.00025 each on 12 July 2018 in lieu of interest pursuant to the conversion of convertible notes of \$1.25 million.

(ii) Issue of fully paid ordinary shares at \$0.0020 each on 12 July 2018 as part of settlement on the acquisition of Mt. Roe Mining Pty Ltd.

(iii) Issue of fully paid ordinary shares at \$0.00025 each on 12 July 2018 pursuant to the conversion of convertible notes of \$1.25 million issued in April 2018.

(iv) Issue of fully paid ordinary shares at \$0.0010 each on 12 July 2018 to DG Resources Management Ltd as deferred consideration pursuant to a contractual obligation on the Company pursuant to the Mining Claims Acquisition Agreement for as part consideration for the Lida Valley and Muddy Mountain Project.

(v) Issue of fully paid ordinary shares at \$0.0005 each on 30 August 2018 pursuant to a placement to sophisticated investors of the Company.

(vi) Issue of fully paid ordinary shares at \$0.003 each on 28 September 2017 to Segue Resources to earn in stage 2 interest in Pardoo Nickel project.

(vii) Issue of fully paid ordinary shares at \$0.0015 each on 3 October 2017 pursuant to a placement to sophisticated investors of the Company.

(viii) Issue of fully paid ordinary shares at \$0.0015 each on 23 October 2017 pursuant to a placement to sophisticated investors of the Company.

(ix) Issue of fully paid ordinary shares at \$0.0020 each on 23 October 2017 for corporate advisory services rendered.

(x) Issue of fully paid ordinary shares at \$0.003 each on 15 July 2016 pursuant to a placement to sophisticated investors of the Company.

7. Convertible Note

The Company signed a mandate on 10 December 2018 to raise up \$450,000 by way of a convertible note facility with one or more investors who are not related parties of the Company.

The notes will be converted at the election of the note holders into ordinary shares at \$0.0001 per share with one (1) free attaching unlisted option (exercise price \$0.0015 per option, expiry 31 December 2023) for every share issued. Interest will accrue on the value of the note at 6% per annum and will be converted into shares and free attaching Options.

7. Convertible Note (cont'd)

The term of the notes will be three months from the date of the Annual General Meeting, unless otherwise agreed by the noteholder and the Company.

Since all the notes were converted into equity on 26 February 2019 the entire loan has been treated as equity as at 31 December 2018.

	31 Dec 2018	30 Jun 2018
	\$	\$
Balance at the beginning of the period	1,108,003	-
Placement of Notes	450,000	1,250,000
Adjustment to Equity	(452,174)	(101,305)
Unwinding of Finance Costs/Interest	156,906	44,308
Conversion during the year along with interest	(1,262,735)	-
Issue Costs	-	(85,000)
Balance at the end of the Year	-	1,108,003

During the half year the Company fully converted the \$1.25 million convertible notes raised in April 2018 along with accrued interest of \$12,735.

8. Reserves

	6 months ended	12 months ended
	31 Dec 2018	30 Jun 2018
	\$	\$
Balance at beginning of the period	1,815,353	1,815,353
Options issued to Chinsiro Pty Ltd (i)	75,000	-
Options issued on acquisition of Mt Roe Mining Pty Ltd (ii)	110,442	-
Options issued to RM Corporate Finance Pty Ltd (iii)	54,463	-
Carrying value at end of the period	2,055,258	1,815,353

(i) This represent the value attributed to 750,000,000 unlisted options issued as consideration for services provided by Chinsiro Pty Ltd to the Company pursuant to the fundraising agreement.

(ii) This represent the value attributed to 515,000,000 unlisted options issued as part of the consideration for the acquisition of Mt. Roe Mining Pty Ltd.

(iii) This represent the value attributed to 20,000,000 unlisted options issued to RM Corporate Finance Pty Ltd as a signing fee contained in the Sale and Purchase Agreement.

9. Acquisition of exploration assets

9.1 Acquisition of Mount Roe Mining Pty Ltd

On 19 October 2017, the Company announced it had reached a conditional agreement to acquire 100% of the issued capital of Mt Roe Mining Pty Ltd which has acquired the rights to key Pilbara Craton projects. Approval of shareholders was obtained at the General meeting of the Company held on 12 July 2018. The effective date of acquisition is 12 July 2018.

The terms of the acquisition are summarised below

- Cash Consideration: \$45,000 payable in cash on execution of the Share Purchase Agreement between Caeneus and Mt Roe. These amount were paid and expensed to profit and loss in prior year.
- Equity Consideration;
 - o 515,000,000 fully paid ordinary shares ("Shares") to be issued to the Mt Roe shareholders in the capital of Caeneus (257,500,000 Shares to be issued at settlement following satisfaction of all conditions precedent to the acquisition, including inter alia, shareholder approval at a General Meeting later to be convened and 257,500,000 on granting of the three Exploration Licenses); These shares were issued on 13 July 2018 following the shareholder approval at the General Meeting held on 12 July 2018.
 - o 515,000,000 unlisted options (exercisable at \$0.005 expiring on 30 November 2019) (257,500,000 unlisted options to be issued at settlement following satisfaction of all conditions precedent to the acquisition, including, inter alia, shareholder approval at a General Meeting later to be convened and 257,500,000 on granting of the three Exploration Licenses); The Company issued 515,000,000 options on 13 July 2018 following the shareholder approval at the General Meeting held on 12 July 2018.
- Deferred Consideration: On either E47/3846 and/or E45/5041 and/or E47/3857: 200,000 ounces JORC resource of gold (or gold equivalent on any metals) issue of A\$1.0m in Caeneus Shares at a five-day VWAP prior to notification of this milestone/payment of A\$1.0m in cash (at the election of Caeneus).
- RM Corporate Finance Pty Ltd ("RM Corporate Finance") (AFSL 315235) has acted as corporate adviser to the Acquisition and will receive a success fee of 138,000,000 Caeneus Shares issued under the Company's 7.1 capacity (at a deemed issue price of \$0.002 each) together with 138,000,000 listed options issued under the Company's 7.1A capacity and a sign on fee of 20,000,000 listed options issued under the Company's 7.1A capacity (to acquire Shares at \$0.003 each on or before 31 December 2020). The Company has issued 138,000,000 shares on 23 October 2017. These were recognised in the prior year in profit and loss. The 138,000,000 listed option and 20,000,000 sign on fee options were issued on 12 July 2018 after receiving shareholder approval.
- The Acquisition is also subject to relevant shareholder approvals, regulatory approvals, compliance with ASIC laws, compliance with ASX Listing Rules and due diligence by all parties.

Consideration transferred

	Fair value
	\$
Non-cash (fully paid ordinary shares) (i)	1,030,000
Non-cash (unlisted options) (ii)	110,442
	1,140,442

(i) This represents the issue of 515,000,000 Caeneus shares at a deemed issue price of \$0.002 to Mt Roe vendors as part of settlement of the acquisition of Mt Roe Mining Pty Ltd.

(ii) This represents the issue of 515,000,000 unlisted options exercisable at \$0.005 on or before 30 November 2019 valued at grant date.

9. Acquisition of exploration assets (cont'd)

9.1 Acquisition of Mount Roe Mining Pty Ltd (cont'd)

Assets acquired and liabilities assumed at the date of acquisition (12 July 2018)

Excess arising on acquisition and impairment of Scotty's South project

	\$
Consideration transferred	1,140,442
Less: fair value of identifiable net assets acquired	-
Excess previously allocated to exploration and evaluation expenditure (i)	1,440,442

(i) At 12 July 2018 (effective date of acquisition), the excess consideration over fair value of net assets acquired of \$1,140,442 was capitalised to exploration and evaluation expenditure.

10. Options

The following options arrangements were in existence at the reporting date:

Option series	Number	Grant date	Grant date fair value \$	Exercise price \$	Expiry date	Vesting date
CAD0	3,491,280,030	Various	-	0.0030	31 Dec 2020	Vested
CAD67913	1,150,233,917	Various	0.0019	0.0050	30 Jun 2021	Vested
CAD67904	750,000,000	Various	0.0001	0.0015	30 Jun 2023	Vested
CAD67921	5,050,939,191	Various	-	0.0015	31 Dec 2023	Vested

There has been no alteration of the terms and conditions of the above options arrangements since the grant date.

10.1 Options granted during the half year

The following options were granted during the period:

- On 12 July 2018, the Company issued 50,939,191 free attached unlisted options along with fully paid ordinary shares in lieu of interest pursuant to the conversion of Convertible Notes of \$1.25 million.
- On 12 July 2018, the Company issued 515,000,000 free attached unlisted options along with fully paid ordinary shares as part of settlement on the acquisition Mt Roe Mining Pty Ltd.
- On 12 July 2018, the Company issued 5,000,000,000 free attached unlisted options along with fully paid ordinary shares pursuant to the conversion of Convertible Notes of \$1.25 million issued in April 2018.
- On 12 July 2018, the Company issued 160,000,000 free attached unlisted options along with fully paid ordinary shares to DG Resources Management Ltd as deferred consideration pursuant to a contractual obligation on the Company pursuant to the Mining Claims Acquisition Agreement for as part consideration for the Lida Valley and Muddy Mountain Project.
- On 12 July 2018, the Company issued 750,000,000 unlisted options issued as consideration for services provided by Chinsiro Pty Ltd to the Company pursuant to the fundraising agreement.
- On 12 July 2018, the Company issued 515,000,000 unlisted options issued as part of the consideration for the acquisition of Mt. Roe Mining Pty Ltd. (Refer to note 10.3)
- On 12 July 2018, the Company issued 20,000,000 unlisted options issued to RM Corporate Finance Pty Ltd as a signing fee contained in the Sale and Purchase Agreement. (Refer to note 10.3)

10.2 Options exercised during the half year (cont'd)

No share options were exercised during the half-year ended 31 December 2018 (31 Dec 2017: NIL).

10.3 Fair value of options granted during the period as share-based payments

The fair value of options issued during the period ended 31 December 2018 has been independently determined using the Black-Scholes option pricing model.

	515 million options for Mt Roe Mining	20 million options to RM Corporate Pty Ltd
Grant Date / Valuation date	12/7/18	19/10/2017
Share price on Grant Date	\$0.001	\$0.002
Exercise price	\$0.003	\$0.003
Risk free rate	2.070%	1.97%
Expiry date	31/12/2020	31/12/2020
σ=volatility	80.00%	186%
Fair Value of call option	\$0.000214	\$0.00272

The 20 million options to RM Corporate were accrued for at 30 June 2018 for \$54,463.

The 750 million options to Chinsiro Pty Ltd has been valued at \$75,000 which is the value of services received from Chinsiro Pty Ltd.

11. Deferred considerations

	31 Dec 2018 \$	30 Jun 2018 \$
Current		
Deemed value of shares and cash consideration to be issued to DGRM (i)(ii)	-	160,000
Cash consideration payable to GEM for acquisitions of ATC Resources and Nevada Clays(iii)(iv)(vi)(vii)(viii)	177,403	135,366
	177,403	295,366
Non-current		
Deemed value of cash consideration to GEM for acquisition of ATC Resources and Nevada Clays(v)(ix)	149,018	175,976
	149,018	175,976

Deferred consideration to DG Resource Management Ltd ("DGRM") arising from acquisition of Nevada Metals Pty Ltd

On 15 June 2016, ASX Limited ("ASX") granted the Company a waiver from ASX Listing Rule 7.3.2 ("Waiver"). The Waiver was in connection with the acquisition of 100% of the issued capital of Nevada Metals Pty Ltd ("Acquisition"), in particular with the deferred issue of the following shares to DG Resource Management Ltd ("DGRM") pursuant to a binding Heads of Agreement:

- (i) 75,000,000 shares at a deemed issue price of \$0.001 each on the date that is 24 months after the date of receipt of shareholder approval (being 24 months from 28 June 2016); and
- (ii) 125,000,000 shares at a deemed issue price of \$0.001 each on that date that is 24 months after the date of settlement of the Acquisition (being 24 months from 28 June 2016).

11. Deferred considerations (cont'd)

The total consideration payable \$200,000 to DGRM was reduced by \$40,000 as per the variation agreement with DGRM in the prior year.

For the purpose of reporting, the total deemed value of the above deferred shares (i) and (ii) being \$160,000 have been settled thru the issuance of shares on 12 July 2018.

Deferred consideration to Gold Exploration Management Inc. ("GEM") arising from acquisition of ATC Resources Pty Ltd and Nevada Clays Pty Ltd

Following the acquisitions of 100% of ATC Resources Pty Ltd and Nevada Clays Pty Ltd, Caeneus is liable to pay Gold Exploration Management Inc. deferred cash payments spread out as follows:

ATC Resources Pty Ltd

(iii) US\$15,000 on the date that is 24 months after the settlement of the acquisition (being 24 months from 23 June 2016);

(iv) US\$50,000 on the date that is 36 months after the settlement of the acquisition (being 36 months from 23 June 2016); and

(v) US\$70,000 on the date that is 48 months after the settlement of the acquisition (being 48 months from 23 June 2016).

Nevada Clays Pty Ltd

(vi) US\$15,000 on the date that is 12 months after the settlement of the acquisition (being 12 months from 13 September 2016). This is not yet paid;

(vii) US\$20,000 on the date that is 24 months after the settlement of the acquisition (being 24 months from 13 September 2016);

(viii) US\$25,000 on the date that is 36 months after the settlement of the acquisition (being 36 months from 13 September 2016); and

(ix) US\$35,000 on the date that is 48 months after the settlement of the acquisition (being 48 months from 13 September 2016).

For the purpose of reporting, the total value of the above deferred cash payments (iii) to (ix) have been converted to Australian dollars based on the exchange rate prevailing at 31 December 2018.

12. Contingent liabilities and contingent assets

Upon acquiring 100% interest in the Scotty's South-Sarcobatus Flats and Columbus Marsh lithium projects ("ATC Projects"), Caeneus is liable to pay a 2% Net Smelter Royalty to Gold Exploration Management Inc. ("GEM") on production from the ATC Projects (to be documented with a standard industry royalty agreement). Caeneus has the right to buyback 1% of the royalty for the sum of US\$1,000,000.

Upon acquiring 100% interest in the New King lithium project ("New King Project"), Caeneus is liable to pay a 2% Net Smelter Royalty to GEM on production from the New King Project (to be documented with a standard industry royalty agreement). Caeneus has the right to buyback 1% of the royalty for the sum of US\$1,000,000.

13. Share Based Payments

The following share based payments were made during the period:

- a) On 12 July 2018, the Company issued 50,939,191 fully paid ordinary shares in lieu of interest pursuant to the conversion of Convertible Notes of \$1.25 million.
- b) On 12 July 2018, the Company issued 515,000,000 fully paid ordinary shares as part of settlement on the acquisition Mt Roe Mining Pty Ltd.
- c) On 12 July 2018, the Company issued 5,000,000,000 fully paid ordinary shares pursuant to the conversion of Convertible Notes of \$1.25 million issued in April 2018.
- d) On 12 July 2018, the Company issued 160,000,000 fully paid ordinary shares to DG Resources Management Ltd as deferred consideration pursuant to a contractual obligation on the Company pursuant to the Mining Claims Acquisition Agreement for as part consideration for the Lida Valley and Muddy Mountain Project.
- e) On 12 July 2018, the Company issued 750,000,000 unlisted options issued as consideration for services provided by Chinsiro Pty Ltd to the Company pursuant to the fundraising agreement. These options have been fair valued at \$75,000 using the black scholes option pricing model.
- f) On 12 July 2018, the Company issued 515,000,000 unlisted options issued as part of the consideration for the acquisition of Mt. Roe Mining Pty Ltd. These options have been fair valued at \$110,422 using the black scholes option pricing model.
- g) On 12 July 2018, the Company issued 20,000,000 unlisted options issued to RM Corporate Finance Pty Ltd as a signing fee contained in the Sale and Purchase Agreement. These options have been fair valued at \$54,463 using the black scholes option pricing model.

14. Subsequent events

On 26 February 2019, the Company received a formal notice of conversion in respect of the \$450,000 convertible note announced on 11 December 2018.

As set out in the Company's announcement on 11 December 2018, interest accrues on the Convertible Note at 6% per annum, which is also to be converted into additional shares and free attaching options along with the principal. With this, the Company calculated that \$5,657 (subject to rounding) in interest was payable under the Convertible Note to the date of conversion (refer to 11 December 2018 announcement).

On the same date, the Company posted its Appendix 3B, as well as a Cleansing Prospectus for the purpose of section 708A(11) of the Corporations Act.