ORMINEX

ABN 45 008 740 672

INTERIM FINANCIAL REPORT
For the half-year ended 31 December 2019

CONTENTS

CORPORATE DIRECTORY

Directors
Mr Daryl Henthorn – Executive Chairman
Mr John Correia – Non-Executive Director
Mr Michael Foulds - Non-Executive Director
Mr Ross Graham – Alternate Non-Executive Director
Mr Dean Hely - Non-Executive Director

Company Secretary
Ms Kelly Moore

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ASX Code
Ordinary Shares- ASX Code: ONX

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Orminex Limited ('the Company') and of the Group, being the Company and its subsidiaries for the financial half-year ended 31 December 2019 and the auditor's report thereon.

1. DIRECTORS

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

Name	Position
Daryl Henthorn	Executive Chairman
John Correia	Non-Executive Director
Michael Foulds	Non-Executive Director – appointed 9 August 2019
Ross Graham	Alternate Director – appointed 9 August 2019
Dean Hely	Non-Executive Director – appointed 17 October 2019
Emmanuel Correia	Non-Executive Director – resigned 31 August 2019

2. REVIEW OF OPERATIONS

Comet Vale Project

The Group owns 51% of the high-grade Comet Vale Project through a joint venture with Sand Queen Gold Mines Ltd. The Comet Vale Project comprises a historic open pit and underground gold mine located ~100 km NW of Kalgoorlie with an approved mine plan.

Mine Development
During the half-year, the Comet Vale mine reached a steady state of production with the mine in continuous production.

The decline at Kings Bounty Decline is now advanced below the 4.6 level. Development activities focused on strike driving the 4.6 and 5 levels and the development of the decline.

During the December quarter, a drilling program comprising both infill and extensional drilling commenced adjacent to mining operations aimed at extending mining operations at Comet Vale below the current mine plan. On 2 March 2020, the Company announced the results of the six-hole diamond drilling program consisted of 1,131.1 metres of core. The results of the program have confirmed the presence of the multiple generation of quartz reefs along the Comet Vale system. The Company is currently finalising plans for follow-up drilling at Comet Vale to further test a number of these high-grade mineralised extensions. Refer to ASX announcement date 2 March 2020 for further detail.

Processing Update
During the half-year, the Company completed its second gold pour from Comet Vale ore resulting in total gold production of 1,940 recovered ounces, at 97% recovery with an average head grade of 4.01 g/t.

A total of 15,480t of ore from the underground mining operations at Kings Bounty was processed at the Lakewood Mill during October and 19,575t in December. Results from the December processing campaign and gold pour were total gold production of 2,160 recovered ounces, at 95% recovery with an average head grade of 3.62 g/t.

2. REVIEW OF OPERATIONS (CONT)

Working Capital Recovery

On 13 March 2020 the Company announced the results of separate independent technical and engineering reports into the Comet Vale project commissioned during the half-year. These reports concluded, amongst other matters, that there remains a risk that the mining operations will not generate sufficient revenue to recover working capital costs that may be incurred to complete the current mine plan, in the absence of cost reductions and improvements in grade.

Penny's Find
During the half-year, a combined total of 20,628t of ore was delivered to the Lakewood Mill, including 3,578t of residual ore from Penny's Find. The 3,578t of ore processed from Penny's Find produced 251 recovered gold ounces with an average grade of 2.75 g/t with gold proceeds from Penny's Find being received by the Company as revenue.

The focus during the half-year was on securing the pre-requisite mining approvals ahead of the commencement of initial site works. On 13 March 2020, the Company announced that following a detailed review of the Penny's Find mine plan, it was decided that further drilling would be undertaken to provide more confidence in the resource at depth. The Company is in discussions with Mineral Ventures Pty Ltd regarding the ongoing funding requirements for the commencement of mining operations including the proposed drill program.

Corporate Matters
On 9 August 2019, Mr Michael Foulds, previous co-owner of GBF and major shareholder of Orminex, joined the Board as a Non-Executive Director. Mr Ross Graham, also a co-owner of GBF and major shareholder of Orminex, was appointed as an Alternate Director to Mr Foulds.

On 31 August 2019, Mr Emmanuel Correia resigned as a Non-Executive Director of Orminex.

On 17 October 2019, the Company announced the appointment of Mr Dean Hely to the Board as a Non-Executive Director.

Significant Changes in the State of Affairs
In the opinion of the directors there were no matters that significantly affected the state of affairs of the Group during the financial year, other than those matters referred to in the overview above.

3. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, is included in this half-year report for the financial half year ended 31 December 2019.

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

Daryl Henthorn
Executive Chairman
Orminex Limited
13 March 2020

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AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ORMINEX LIMITED

As auditor for the review of Orminex Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

SUAN-LEE TAN
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on this 13th day of March 2020.

Liability limited by a scheme approved under Professional Standards Legislation. Moore Stephens - ABN 16 874 357 907. An independent member of Moore Global Network Limited - members in principal cities throughout the world. The Perth Moore Stephens firm is not a partner or agent of any other Moore Global Network Limited member firm.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 $	30 June 2019 $
Assets			
Cash and cash equivalents		1,500,124	1,529,700
Trade and other receivables	4.1	171,331	77,353
Prepayments		27,975	55,000
Total current assets		1,699,430	1,662,053
Exploration and evaluation	3.1	7,802,405	7,717,164
Property, plant and equipment		31,291	31,930
Right-of-use asset	4.3	78,527	-
Trade and other receivables	4.1	3,167,058	3,267,672
Total non-current assets		11,079,281	11,016,766
Total assets		12,778,711	12,678,819
Liabilities			
Trade and other payables	4.2	622,362	659,810
Lease liability	4.3	51,552	-
Total current liabilities		673,914	659,810
Lease liability	4.3	29,782	
Total non-current liabilities		29,782	659,810
Total liabilities		703,696	659,810
Net assets		12,075,015	12,019,009
Equity			
Issued Share capital	5.1	295,661,554	295,661,554
Accumulated losses		(283,586,539)	(283,642,545)
Total equity attributable to equity holders of the Company		12,075,015	12,019,009

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $	31 December 2018 $
Revenue from operating activities			
Revenue from sales	2.2	542,934	-
Milling and treatment costs		(173,290)	-
		369,644	-
Other income	2.3	282,174	141,716
Expenses			
Directors' remuneration	6.1	(173,213)	(145,000)
Recruitment expenses		(40,350)	-
Administrative costs		(47,227)	(53,688)
Accountancy and audit costs		(65,653)	(85,345)
Legal fees		(41,134)	(34,619)
Consultants fee		(52,130)	(48,630)
Travel and accommodation		-	(36,088)
Employee benefit expense		(6,260)	-
Amortisation – Right-of-use Asset	4.3	(16,247)	-
Other expenses	2.4	(153,598)	(188,491)
Results from operating activities		56,006	(450,145)
Profit/ (loss) before income tax		56,006	(450,145)
Income tax expense		-	-
Profit/ (loss) for the period		56,006	(450,145)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period		56,006	(450,145)
Profit attributable to the owners of the Company		**56,006**	**(450,145)**
Total comprehensive profit attributable to owners of the Company		**56,006**	**(450,145)**
Earnings per share			
Basic and diluted (cents per share)		0.01	(0.08)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Share capital	Accumulated Losses	Total
Balance at 1 July 2019	295,661,554	(283,642,545)	12,019,009
Profit for the period	-	56,006	56,006
Total other comprehensive profit for the period	-	-	-
Total comprehensive loss for the period	-	56,006	56,006
Balance at 31 December 2019	295,661,554	(283,586,539)	12,075,015

	Share capital	Accumulated Losses	Total
	$	**$**	
Balance at 1 July 2018	295,645,115	(282,906,064)	12,739,051
Loss for the period	-	(450,145)	(450,145)
Total other comprehensive loss for the period	-	-	-
Total comprehensive loss for the period	-	(450,145)	(450,145)
Transactions with owners, recorded directly in equity	**-**	**-**	**-**
Balance at 31 December 2018	295,645,115	(283,356,209)	12,288,906

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers		542,934	-
Cash paid to suppliers and employees		(796,402)	(568,814)
Interest received		6,905	23,908
Other receipts		6,000	-
Refund received relating to prior periods		62,818	193,748
Net cash used in operating activities		(177,745)	(351,158)
Cash flows from investing activities			
Payment for exploration and evaluation		(38,723)	(130,416)
Payment for mine development		(46,518)	(62,994)
Payment for property, plant and equipment		(1,065)	(12,128)
Net cash used in investing activities		(86,306)	(205,538)
Cash flows from financing activities			
Proceeds from repayment of working capital		250,000	-
Lease repayments		(15,525)	-
Payment of working capital facility		-	(1,500,000)
Net cash from financing activities		234,475	(1,500,000)
Net decrease in cash and cash equivalents		(29,576)	(2,056,696)
Cash and cash equivalents at 1 July		1,529,700	4,823,745
Cash and cash equivalents at 31 December		1,500,124	2,767,049

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

SECTION 1 BASIS OF PREPARATION

The notes to the interim consolidated financial statements are grouped into the following six sections:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities relating to exploration and evaluation
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

Unless stated otherwise, the accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1.1 GENERAL INFORMATION

The Company is a for-profit, listed public company domiciled in Australia. The Company's registered office is located at Level 1, 1A, Agnew Way, Subiaco WA 6008.

The Group is an Australian gold development company, with a focus on sourcing, developing and managing stranded, high grade gold assets into production.

The interim condensed consolidated financial statements of the Group as at and for the half-year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and were authorised for issue by the Board of Directors on 13 March 2020. The half-year financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.
- have been prepared on a historical cost basis, except for share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency.
- adopt all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2019. Refer to note 6.6 for further details.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2019 and considered together with any public announcements made by the Company during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX listing rules.

1.2 BASIS OF CONSOLIDATION

The interim consolidated financial statements incorporate the interim financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each half year.

Subsidiaries are entities controlled by the Group. The Group 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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.3 IMPAIRMENT

Non-financial assets
At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than DTA's, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

1.4 ACCOUNTING JUDGEMENTS AND ESTIMATE

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements are included as follows:

- **Fair value measurement**
  Due to their short-term nature, the carrying amount of the current receivables, current payables and current borrowings are assumed to approximate their fair value. Loans and borrowings are recognised at the fair value of the consideration received, net of transaction costs.

1.5 GOING CONCERN

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

Although the Group reported a profit after tax of $56,006 for the current half year period, it previously reported a loss of $736,481 for the 30 June 2019 financial year and expects to incur further operating losses over the short to medium term based on its ongoing commitments related to its exploration, development and other operational endeavours. Consequently, the Group also expects to incur net cash outflows from its operating and investing activities over this period.

Notwithstanding this, the Directors are satisfied that the going concern basis of accounting is appropriate and that the Company and Group will be able to continue normal business activities and realise its assets and settle its liabilities in the ordinary course of business. This assessment is based on their judgement that the Company should be able to manage its obligations either from existing cash reserves or by raising funds from debt or equity sources should the need arise.

Should the Company be unable to continue as a going concern, then it may not able to realise its assets and discharge its liabilities at the amounts stated in the half year financial report. The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit.

2.1 OPERATING SEGMENTS

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being gold exploration and evaluation.
Reportable segments disclosed are based on aggregating leases where the evaluation and exploration interests are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on gold; and
- exploration programs targeting the leases as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the leases.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments, are determined in accordance with *AASB 8 Operating Segments*.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss during the half-year ended 31 December 2019.

2.2 REVENUE FROM SALES

Accounting Policy

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable amount the Group estimates the amount of consideration to which it will be entitled.

	31 December 2019 $	31 December 2018 $
Revenue from gold sales[1]	542,934	-
	542,934	-

[1] Relates to residual ore from previous open cut mining conducted at Penny's Find that was stockpiled on site. The 3,578t of residual ore was processed resulting in the recovery of 251 gold ounces.

2.3 OTHER INCOME

Accounting Policy

Other income is recognised when the amount can be reliably measured and control of the right to receive the income be passed to the Group.

Finance income
Interest is recognised using the effective interest method.

	31 December 2019 $	31 December 2018 $
Other operating income		
Interest received-working capital facility[1]	149,110	117,808
Interest received-other	6,905	23,908
Rental income	6,000	-
Reimbursements	120,159	-
	282,174	141,716

[1] The Company has earned interest on the $3,000,000 working capital facility with GBF Mining Pty Ltd to partially meet initial working capital costs for mining at Comet Vale. The facility incurs interest at 10% per annum.

2.4 OTHER EXPENSES

	31 December 2019 $	31 December 2018 $
Stamp duty	52,678	118,655
Other expenses	71,230	69,836
Travel expenses	2,476	-
Royalties	27,214	-
	153,598	188,491

SECTION 3
ASSETS AND LIABILITIES SUPPORTING EXPLORATION AND EVALUATION

This section focuses on the assets and liabilities which form the core of the ongoing business, including those assets and liabilities which support ongoing exploration and evaluation.

Accounting Policy

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to above is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off. Expenditure is not carried forward in respect of any area of interest unless the Group’s right of tenure to that area of interest is current.

The ultimate recovery of the carrying values of the exploration and evaluation expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements. The Directors are of the opinion that these assets are recoverable for the amount stated in the financial report.

3.1 EXPLORATION AND EVALUATION

	31 December 2019 $	30 June 2019 $
Exploration assets		
Opening balance on 1 July	7,717,164	6,834,124
Acquisition of Happy Jack Tenement	-	60,000
Acquisition of Old Penny’s Find	-	600,000
Exploration expenditure capitalised	85,241	223,040
Closing balance	7,802,405	7,717,164

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 TRADE AND OTHER RECEIVABLES

	31 December 2019 $	30 June 2019 $
Other receivables	171,331	77,353
Working capital facility – Mineral Ventures Pty Ltd (formerly GBF Mining Pty Ltd[1])	3,167,058	3,267,672
	3,338,389	3,345,025
Current	171,331	77,353
Non-current	3,167,058	3,267,672
	3,338,389	3,345,025

[1] The Company maintains a $3 million unsecured working capital facility with Mineral Ventures Pty Ltd (Mineral Ventures) to partially meet initial working capital costs for mining at Comet Vale. The facility incurs interest at 10% per annum. Pursuant to the mine management agreement (MMA) with Mineral Ventures, net proceeds from the Comet Vale gold sales are used to repay the $3 million loan, in a pro rata arrangement with any return on working capital to Mineral Ventures, less amounts reserved by Mineral Ventures to meet future working capital needs. On 2 December 2019, $250,000 was repaid by Mineral Ventures from net gold proceeds.

During the period, the Company commissioned separate independent technical and engineering reports into the Comet Vale project. As announced by the Company on 13 March 2020, these reports concluded, amongst other matters, that there remains a risk that the mining operations will not generate sufficient revenue to recover working capital costs that may be incurred to complete the current mine plan, in the absence of cost reductions and improvements in grade. In light of the above conclusions and the Company's current working capital position, there is an increased risk of potentially not fully recovering the loan, as it remains subject to the future performance of the project and whose cashflows are currently difficult to forecast.

The Group uses the general approach to impairment, as applicable under AASB 9: *Financial Instruments*. Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Based on this assessment, there was no impairment to receivables for the period.

4.2 TRADE AND OTHER PAYABLES

	31 December 2019 $	30 June 2019 $
Current		
Trade payables	4,512	68,550
Other payables and accrued expenses	617,850	591,260
	622,362	659,810

4.3 LEASES

The Group adopted AASB 16 *Leases* (AASB16) using the modified retrospective approach on 1 July 2019.

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

a. **Initial Application of AASB 16: Leases**

The Company has adopted the modified retrospective approach under AASB 16: Leases at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018/19 reporting period have not been restated.

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Company is the lessee. At 1 July 2019, the Company has also elected to measure the ROU asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at transition date. As a result, there is no adjustment to retained earnings.

Lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

4.3 LEASES (continued)

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use asset

Right-of-use assets related to leased properties are presented below

	31 December 2019 $	30 June 2019 $
Land & Building		
Opening balance at 1 July	94,774	-
Additions/adjustments	-	-
Amortisation for the year	(16,247)	-
Balance at 31 December	78,527	-

(b) Lease liabilities

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-of-use assets equals to the lease liabilities and there was no adjustment to the retained earnings. The lease liabilities are presented below:

	31 December 2019 $	30 June 2019 $
Operating lease commitments disclosed as at 30 June 2019	28,463	
Changes to extension option assumptions and discounted using incremental borrowing rate at the date of initial application	66,311	
Balance at 1 July 2019	94,774	-
Payment	(15,525)	-
Interest charged during the period	2,085	-
Balance at 31 December	81,334	-
Lease liability recognised as at 31 December 2019		
Current	51,552	-
Non-current	29,782	-
Balance at 31 December	81,334	-
Amounts recognised in profit or loss		
Leases under AASB 16		
Interest on lease liabilities	2,085	-
Amortisation	16,247	
	18.332	-

SECTION 5 EQUITY AND FUNDING

This section focuses on the share capital, options and debt funding available to the Group at year end.

5.1 CAPITAL AND RESERVES

(a) Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	6 months to 31 December 2019	Year to 30 June 2019	6 months to 31 December 2019	Year to 30 June 2019
On issue at the beginning of the period	539,102,168	538,554,223	295,661,554	295,645,115
Shares issued and expensed during the period:				
Issue of shares on option conversion	-	547,945	-	16,439
On issue at end of the period	**539,102,168**	**539,102,168**	**295,661,554**	**295,661,554**

(b) Options on issue

	6 months to 31 December 2019	Year to 30 June 2019
Exercisable at $0.03 on or before 15-Apr-21	9,452,055	9,452,055
On issue at the end of the period	9,452,055	9,452,055

(c) Movements in options on issue

	6 months to 31 December 2019	Year to 30 June 2019
On issue at the beginning of the period	**9,452,055**	**10,027,698**
Exercise options	-	(547,945)
Expiry of options	-	(27,698)
On issue at the end of the period	**9,452,055**	**9,452,055**

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focus on other mandatory disclosures, such as details of related party transactions.

6.1 RELATED PARTY TRANSACTIONS

	31 December 2019 $	31 December 2018 $
Short term employee benefits – director fees	173,213	145,000
Short term employee benefits – consulting fees	40,000	-
Post-employment benefits	-	-
	213,213	145,000

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Other key management personnel transactions

A number of these companies transacted with the Company during the half-year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

- Viridian Capital Pty Ltd, a company of which Mr Daryl Henthorn is a director, provided the Company with bookkeeping, administrative and analyst services totalling $36,262 (2018: $47,840), director fees totalling $90,000 (2018: $85,000) and consulting fees totalling $20,000 (2018: $nil). No balance (2018: $nil) was outstanding at period end.

- Cardrona Energy Pty Ltd, a company of which Mr Emmanuel Correia is a director, charged the Company for director fees totalling $15,000 (Dec 2018: $30,000) and consulting fees totalling $5,000 (2018: $nil). No balance (2018: $nil) was outstanding at period end.

- C4 Capital Pty Ltd, a company of which Mr John Correia is a director, charged the Company for director fees totalling $35,000 (2018: $30,000) and consulting fees totalling $15,000 (2018: $nil). No balance (2018: $nil) was outstanding at period end.

- Michael Foulds is a director, charged the Company for director fees totalling $25,000 (2018: $nil) and this balance is outstanding (2018: $nil) at period end.

- Dean Hely, is a director, charged the Company for director fees totalling $8,213 (2018: $nil). No balance was outstanding (2018: $nil) at period end.

- Mineral Ventures Pty Ltd (formerly GBF Mining Pty Ltd), a company of which Mr Ross Graham and Mr Michael Foulds are shareholders and directors, repaid the Company $250,000 during the half year under the Working Capital Facility Agreement.

6.2 SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 December 2019 %	30 June 2019 %
Orminex West Pty Ltd	Exploration	Australia	100	100
Golden Lode Pty Ltd	Exploration	Australia	100	100
Orminex Happy Jack Pty Ltd	Exploration	Australia	100	100
Orminex Penny's Find Pty Ltd	Exploration	Australia	100	100
Old Pirate Pty Ltd	Exploration	Australia	100	100

6.3 SUBSEQUENT EVENTS

On 13 March 2020 the Company announced the results of separate independent technical and engineering reports into the Comet Vale project commissioned during the half-year. These reports concluded, amongst other matters, that there remains a risk that the mining operations will not generate sufficient revenue to recover working capital costs that may be incurred to complete the current mine plan, in the absence of cost reductions and improvements in grade.

There were no other significant events subsequent to the half-year to the date of this report.

6.4 COMMITMENTS

There were no significant changes in commitments held by the Group since the last annual reporting date.

6.5 CONTINGENT LIABILITIES

The Group has consideration payables on the acquisition of Happy Jack Tenement, including net smelter royalty contingent on milestones being met and Penny's Find Gold Mine's acquisition fee contingent on the commencement of mining activities. There are no other contingent liabilities as at 31 December 2019 (30 June 2019: nil).

6.6 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the changes below, the Group has consistently applied the accounting policies set out in the notes to the consolidated financial statements to all periods presented in these consolidated financial statements.

The Group has adopted all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The Group had to change its accounting policies as a result of adopting AASB 16 Leases (refer to note 4.3). The adoption of other standards and interpretations as follows did not materially impact the Group's accounting policies and did not require retrospective adjustments for the half-year ended 31 December 2019.

- AASB Interpretation 23 – Uncertainty over Income Tax Treatments
- AASB 2018-1 Annual improvements to IFRS Standards 2015-2017 Cycle

DIRECTORS' DECLARATION

The Directors of the Group declare that:

1 The financial statements and notes are in accordance with the Corporations Act 2001, and:

(a) comply with Australian Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory reporting requirements; and

(b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half year ended on that date of the Group;

2 The Chief Executive Officer and Chief Financial Officer have each declared that:

(a) the financial records of the Group for the half year have been properly maintained in accordance with section 266 of the Corporations Act 2001;

(b) the financial statements and note for the half year comply with the Accounting Standards; and

(c) the financial statements and notes for the half year give a true and fair view.

3 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.

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

Daryl Henthorn
Executive Chairman
Orminex Limited

13 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ORMINEX LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Orminex Limited (the company) and its controlled entities (the consolidated entity or group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the company 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 2019 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter – Material Uncertainty Related to Going Concern

In forming our conclusion on the half-year financial report, which is not modified, we have considered the adequacy of the disclosure made in Section 1.5 to the financial report concerning the Group's ability to continue as a going concern. The conditions explained in Section 1.5 to the financial report indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The half-year financial report does not include any adjustments that would result if the Group were unable to continue as a going concern.

Emphasis of Matter – Material Uncertainty regarding Recoverability of Loan Receivable and Capitalised Exploration and Evaluation Assets

We draw attention to Section 4.1 to the half-year financial report and specifically to the working capital facility loan receivable from Mineral Ventures Pty Ltd amounting to $3,167,058. The ability of the Company to recover the book value of the loan is largely dependent upon sufficient cashflows being generated from the Comet Vale Project, which is currently difficult to forecast. The conditions explained in Section 4.1 indicate the existence of a material uncertainty concerning the recoverability of this loan balance. As a result of the matters described above and in Section 3, there is also uncertainty as to whether the company will be able to recover the carrying value of exploration expenditure for the amount recorded in the financial report. The ultimate recovery of these assets is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interest in the tenements. Our review conclusion is not modified in respect of these matters.

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 (including 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.

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MOORE STEPHENS

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 Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports 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:

a. giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and

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

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Moore Stephens

MOORE STEPHENS
Chartered Accountants

SL TAN
Partner

Dated this 13th March 2020 in Perth, Western Australia

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