FINDERS RESOURCES LIMITED
ABN 82 108 547 413

HALF YEAR FINANCIAL REPORT
SIX MONTHS ENDED 30 JUNE 2015

DIRECTORS' REVIEW

Wetar Copper Project (72% interest)

Background

The Wetar Copper Project comprises the development, mining and processing of the high-grade copper sulphide deposits at Kali Kuning and Lerokis located on Wetar Island, Maluku Barat Daya, Indonesia.

Finders currently operates a 3,000 tonne per annum (tpa) copper cathode, solvent extraction-electrowinning (SX-EW) plant to test copper sulphide leach kinetics and optimise process design. To date, the plant has produced over 4,000 tonnes of LME Grade A copper cathode, all of which was sold at a premium to the LME price and without specification issues.

The current project scope includes the construction of an additional 25,000 tpa copper cathode SX-EW plant which will lift annual production capacity to 28,000 tpa when commissioned. A Bankable Feasibility Study for the expansion project estimated a US$132.4 million capital cost (excluding contingency) and a cash operating cost of US88c/lb Cu at an efficient production level.

Finders has successfully arranged a US$165 million senior facility and an additional US$45 million project level equity facility to fund the 25,000tpa SX-EW plant and has commenced construction, with the plant expected to be online in Q1 2016.

Opportunities for extending the mine life past the current 10.5 years are strongly founded on exploration upside, focussing initially on the nearby satellite Meron deposit and other identified VMS copper and gold targets on Wetar Island, including Karkopang.

3,000 tpa SX-EW Plant Production Report

March 2015 quarter copper production from the heaps was lower than previous quarters partly due to the installation of raincoats to shed water during the wet season. The covers restricted the flow of air during the heap aeration process, lowering recovered copper. The covers were removed at the end of the March quarter and copper solution grades returned to expected levels by mid-April, increasing copper production in the June 2015 quarter (Table 1). The use of raincoats will be assessed and modified to ensure these issues do not re-occur during the next wet season.

Table 1: Wetar Half-Yearly Copper Production

		Full Year 2014 Total	March 15 Quarter	June 15 Quarter	YTD 2015 Total
Ore stacked	t	139,587	-	**44,540**	44,540
Grade	% Cu	2.42	-	**1.72**	1.72
Metal stacked	t Cu	3,385	-	**764**	764
Copper stripped	t Cu	1,416	104	**203**	307
Copper sold	t Cu	1,306	127	**76**	203
Copper sale price	US$/lb Cu	2.88	2.63	**2.77**	2.68

During the reporting period, ore mining operations resumed at Kali Kuning along with the commencement of waste removal for the Stage 2 open pit.

Stacking and irrigation started on the Gold Pit Leach Pad (GPLP) with nearly 45,000 tonnes of ore stacked by 30 June, which contributed to the improved production. The GPLP has sufficient capacity to allow continuous crushing and stacking of ore until the main leach pads in the Kali Kuning Valley are completed.

Copper cathode produced has continued to be exported as LME Grade A copper cathode without any specification issues.

25,000 tpa SX-EW Plant Funding

As previously reported, Finders entered into a Senior Facilities Agreement with BNP Paribas, Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation and Societe Generale which provides for a US$165 million commitment consisting of:

- US$130 million term loan facility
- US$20 million cost overrun facility, and
- US$15 million VAT working capital facility.

These facilities will be sufficient to enable completion of construction of the 25,000 tpa plant.

Final conditions precedent under the finance facility were met during the reporting period allowing for the first drawdown of funding, with US$19 million under the term loan facility and VAT facility drawn at half-year end.

Finders' Indonesian subsidiary PT Batutua Tembaga Raya (BTR), which operates the Wetar Copper Project, completed the mandatory hedging programme relating to the finance facility on 21 May 2015. Under the hedging programme, BTR forward sold 40,699 tonnes of copper cathode over the period from July 2016 to March 2019, which represents approximately 26% of the estimated life of mine production (and less than 20% of reserves) for the Project. The average price secured for the copper is US$5,940 per tonne after all costs.

25,000 tpa SX-EW Plant Construction Progress

Earthmoving and mine construction activities increased during the reporting period following the conclusion of the wet season and mobilization of a second earthmoving fleet.

Earthmoving activities included completion of the Intermediate Leach Solution (ILS) pond and construction of the Storm Water Pond 3 and Kali Kuning Valley heap leach pads.

Plant construction activities were focused on concrete pours and the refurbishment of tanks.

Work on the coastal infrastructure progressed with the medical clinic and safety office refurbishment nearing completion and the concrete pads completed for the installation of the new 400 person camp. Construction also commenced on the new kitchen and mess facility. The emergency airstrip was completed with the first plane landing on the new runway.

Long lead items are continuing to be awarded and expedited. Most notably the new crushing plant has been manufactured and is being transported to site.

Construction of the project remains on track for production in Q1 2016.

OH&S

Finders and its partners are committed to the highest standards of occupational health and safety (OHS) and believe that every employee, subcontractor and visitor who comes to site has the right to leave site free of injury or work related injury.

There were no serious injuries recorded during the half year, with the Lost Time Injury Frequency Rate (LTIFR) remaining at zero. The 12 month rolling LTIFR is 0.00 and the Injury Severity Rate is 0.00. There were no injuries requiring medical treatment recorded, with all employees returning to normal duties immediately following treatment at the on-site medical clinic. A heavy emphasis was placed on reporting of minor injuries to ensure the quality of lead indicators, which has seen an increase in the Total Recordable Injury Frequency Rate (TRIFR).

At the end of the reporting period, a total of 386 of the 657 company employees at the Wetar Project originate from the local region, which is equivalent to 60% of the total project workforce. Community recruitment from the three local villages continued with most eligible candidates now employed. The employment initiative has now been extended to villages further afield of the operation.

Community Development

With respect to responsible social management, the Company believes that building relationships with local communities based on trust and mutual respect is paramount to business success and sustainability. The Company acknowledges its social responsibility such that its projects should bring benefits to the surrounding communities.

During the reporting period, stakeholder engagement included information meetings and site visits with various Government officials, community leaders, elders and landowners. The Company's community development programs assisted with health and economic development.

Of the 1,747 visits to the on-site medical clinic, 20% were from local residents. Regional infrastructure was upgraded with the successful commissioning of an airstrip for medical emergency evacuation of both employees and local residents, potentially eliminating a 15 hour boat trip. In addition, 10% of the available passenger seats on marine vessels servicing the Wetar Project were allocated to the local community.

Agricultural initiatives, including vegetable growing and chicken farming, advanced as the number of employees on the project grow, therefore increasing the demand for local produce.

Environment

Responsible environmental management and leading environmental performance is integral to an effective and successful company.

The Company adopts "best practice" environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all its project areas.

At each of its project areas, the Company has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programmes and rehabilitation. The Company is not aware of any endangered species of flora or fauna in these project areas.

The Company's projects are subject to relevant environmental regulations in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. At Wetar, the project site has historical degradation from former gold mining operations and the baseline reflects water quality in an area of acid rock drainage and former gold mining activities. Monitoring activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The Company is also required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Environmental monitoring is ongoing at Wetar and there were no non-compliance occurrences reported.

Water quality monitoring includes daily pH and weekly pH and dissolved metal monitoring. Water quality analysis at the wetland discharge compliance point was completed in accordance with requirements and no non-compliances occurred.

Half-Year Financial Result

The consolidated loss after income tax for the half-year was $18.9 million (2014: $9.5 million).

Copper sales for the period were $1.5 million (2014: $0.8 million) from 203 tonnes of copper cathode (2014: 100 tonnes) produced at the Wetar Copper Project.

Operating expenses at the Wetar Copper Project were significantly higher than the previous corresponding period. Mining and crushing costs were higher as mining re-commenced during the period to provide fresh ore needed to feed the 3,000tpa SX-EW plant. The Company has geared up in preparation for the commissioning of the 25,000tpa SX-EW plant later this year. Personnel costs and the corresponding indirect costs such as transport, accommodation and meals have increased substantially with the expanded workforce. To provide for the higher number of employees and to ensure their safety while commuting to and from site, the Company has chartered two boats, each capable of transporting up to 70 passengers. Boat charter costs together with fuel costs have also increased.

Expenditure incurred on the Project expansion have been capitalized and classified under Development expenditure in the balance sheet. During the period, the Company also incurred project financing costs. In accordance with accounting standards, $3.95 million in financing costs have been capitalized as part of development costs. Total amount capitalized as capital works in progress amounted to $32.4 million at balance date.

Funds for the Project development have been provided by the proceeds from the Daewoo investment and the project finance facility. At 30 June, the Company had drawn A$24.5 million (US$19.0 million) of the project finance facility, leaving US$146.0 million unused and available to complete the Project construction.

Hedging

During the half year, the Company entered into a mandatory copper hedging programme required under the project finance facility agreement. The Company sold forward 40,699 tonnes of copper cathode over the period from July 2016 to March 2019 at an average price of US$5,940 per tonne. The amount hedged represents approximately 26% of the estimated life of mine production (and less than 20% of reserves) for the Project.

The forward contracts are cashflow hedges and qualify for hedge accounting. At 30 June 2015, a hedge derivative asset of A$19.0 million has been recognised in the balance sheet.

Ojolali Au-Ag Project (72% interest)

Background

The Ojolali Project is an advanced gold-silver prospect covering a large epithermal system with numerous mineralized shoots within the highly productive Sumatran Gold Belt. The Jambi oxide gold deposit has potential for a small scale mining and heap leach operation.

Activities

Field activities at Ojolali comprised additional sampling of infill trenches at prospective locations within the project licence identified by either anomalous soil values or gradient array IP geophysical surveys.

The Ojolali exploration licence (IUP B.24/DPE-WK/HK/2014) expired on 11 March 2015. Prior to the expiry of the exploration license, an application with the required supporting documents for a mining licence (IUP Operation Production) was lodged with the Provincial Mines Department. Assessment of the documentation by the Mines Department is ongoing. If approved, the mining license will provide tenure of 20 years.

Finders also completed a further series of formal meetings related to the award of the AMDAL study covering potential gold leach operations at the Jambi prospect. Final documents were completed for the following:

- Environmental Impact Analysis (AMDAL), containing definition of the environmental baseline;
- Environmental Management Plan (RKL), together with mine closure objectives; and
- Environmental Monitoring Plan (RPL).

At the time of reporting, the Provincial Government was finishing internal administrative steps and the Company expects the AMDAL to be awarded shortly.

Outlook

The Company's primary focus in the near term is the completion of the Wetar Copper Project expansion to unlock the value inherent in the project. Based on the revised bankable feasibility study completed in 2013, the expanded Project is expected to produce a total of 155,000 tonnes of LME Grade A copper cathode over a mine life of 10.5 years at an attractive cash operating cost of US$1.05/lb and US$0.88/lb at efficient production levels (>1,500 tpm).

1 September 2015

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Finders Resources Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2015.

Directors

The directors who held office during the financial period and up to the date of this report are –

Gary E Comb	Non-Executive Chairman
Barry J Cahill	Managing Director
Christopher B Farmer	Executive Director - Indonesia
Gavin A Caudle	Non-Executive Director
Gordon T Galt	Non-Executive Director
Christopher H Brown	Alternate to Gordon T Galt
Douglas L Tay	Alternate to Gavin A Caudle

Review and Results of Operations

A review of the consolidated entity's operations during the half year is set out on pages 1 to 4.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 dated 10 July 1998 issued by the Australian Securities and Investments Commission and in accordance with that Class Order, amounts in the Directors' Report and the Half Year Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed in accordance with a resolution of the directors.

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Gary E Comb
Chairman
Sydney, 1 September 2015

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

In relation to our review of the financial report of Finders Resources Limited for the half-year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

T S Hammond
Partner
1 September 2015

TSH:JT:FINDERS:007

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Note	Six months ended 30 June 2015 $'000	Six months ended 30 June 2014 $'000
Sales revenue		**1,544**	763
Interest income		**4**	19
Exchange (loss)/ gain		**(639)**	18
Raw materials and consumables used		**(3,511)**	(3,044)
Depreciation and amortisation		**(401)**	(528)
Change in inventories of finished goods and work in progress		**31**	1,877
Personnel costs		**(7,605)**	(3,782)
Transportation and travel		**(4,297)**	(1,517)
Catering		**(1,088)**	(476)
Development costs written off		**-**	(338)
Exploration expenditure		**(99)**	(129)
Financing costs		**(379)**	(424)
Royalty expense		**(29)**	(62)
Other expenses		**(2,444)**	(1,840)
Loss before income tax		**(18,913)**	(9,463)
Income tax expense		**-**	-
Loss for the period		**(18,913)**	(9,463)
Other comprehensive income			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Adjustments from translation of foreign controlled entities		**2,947**	(2,027)
Gain on cash flow hedges	3	**18,958**	-
Tax effect on cash flow hedges		**(4,740)**	-
Other comprehensive income/(loss), net of tax		**17,165**	(2,027)
Total comprehensive income/(loss) for the period		**(1,748)**	(11,490)
Loss for the period attributable to:			
Members of the parent entity		**(14,437)**	(8,891)
Non controlling interest		**(4,476)**	(572)
		(18,913)	(9,463)
Total comprehensive income/(loss) for the period attributable to:			
Members of the parent entity		**(145)**	(10,741)
Non controlling interest		**(1,603)**	(749)
		(1,748)	(11,490)
Loss per share		**cents**	cents
Basic loss per share		**(2.8)**	(1.6)
Diluted loss per share		**(2.8)**	(1.6)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015

	Note	30 Jun 2015	31 Dec 2014
		$'000	**$'000**
CURRENT ASSETS			
Cash and cash equivalents		**26,629**	47,946
Receivables		**330**	1,249
Inventories	2	**4,182**	2,762
Financial assets		**6,485**	40
Other assets		**94**	344
Total Current Assets		**37,720**	52,341
NON-CURRENT ASSETS			
Receivables		**7,213**	4,700
Financial assets		**243**	4,418
Hedging derivative asset	3	**18,958**	-
Plant and equipment	4	**21,579**	20,660
Development expenditure	5	**69,154**	39,510
Total Non-Current Assets		**117,147**	69,288
Total Assets		**154,867**	121,629
CURRENT LIABILITIES			
Trade and other payables		**11,861**	10,301
Provisions		**605**	703
Total Current Liabilities		**12,466**	11,004
NON-CURRENT LIABILITIES			
Borrowings	6	**65,874**	38,538
Provision		**7,521**	6,140
Deferred tax liability		**4,740**	-
Total Non-Current Liabilities		**78,135**	44,678
Total Liabilities		**90,601**	55,682
NET ASSETS		**64,266**	65,947
EQUITY			
Issued capital	7	**156,884**	156,884
Reserves		**30,593**	16,234
Accumulated losses		**(131,399)**	(116,962)
Equity attributable to owners of Finders Resources Limited		**56,078**	56,156
Non-controlling interest		**8,188**	9,791
TOTAL EQUITY		**64,266**	65,947

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Share capital	Accumulated losses	Equity reserve	Hedging derivative reserve	Foreign currency translation reserve	Share-based payments reserve	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2015								
Balance at 1 Jan 2015	**156,884**	**(116,962)**	**6,045**	**-**	**8,709**	**1,480**	**9,791**	**65,947**
Loss for the period	**-**	**(14,437)**	**-**	**-**	**-**	**-**	**(4,476)**	**(18,913)**
Other comprehensive income	**-**	**-**	**-**	**10,252**	**4,040**	**-**	**2,873**	**17,165**
Total comprehensive income	**-**	**(14,437)**	**-**	**10,252**	**4,040**	**-**	**(1,603)**	**(1,748)**
Transactions with owners recorded directly in equity:								
Shares issued during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share issue expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**67**	**-**	**67**
Balance at 30 Jun 2015	**156,884**	**(131,399)**	**6,045**	**10,252**	**12,749**	**1,547**	**8,188**	**64,266**
30 June 2014								
Balance at 1 Jan 2014	137,358	(98,994)	6,045	-	3,747	1,351	(3,312)	46,195
Loss for the period	-	(8,891)	-	-	-	-	(572)	(9,463)
Other comprehensive loss	-	-	-	-	(1,850)	-	(177)	(2,027)
Total comprehensive loss	-	(8,891)	-	-	(1,850)	-	(749)	(11,490)
Transactions with owners recorded directly in equity:								
Shares issued during the period	20,292	-	-	-	-	-	-	20,292
Share issue expenses	(795)	-	-	-	-	-	-	(795)
Share-based payments	-	-	-	-	-	68	-	68
Balance at 30 Jun 2014	156,855	(107,885)	6,045	-	1,897	1,419	(4,061)	54,270

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Six months ended 30 Jun 2015 $'000	Six months ended 30 Jun 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**2,280**	701
Payments to suppliers and employees	**(12,460)**	(12,017)
Interest received	**11**	16
Net cash used in operating activities	**(10,169)**	(11,300)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	**(3,003)**	(2,542)
Payments for development expenditure	**(26,144)**	(1,515)
Payments for security deposits	**(32)**	(137)
Net cash used in investing activities	**(29,179)**	(4,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**-**	20,272
Payments for share issue expenses	**-**	(921)
Proceeds from borrowings	**24,452**	-
Payments for borrowing costs	**(6,422)**	(225)
Net cash provided by financing activities	**18,030**	19,126
Net (decrease)/ increase in cash held	**(21,318)**	3,632
Cash and cash equivalents at beginning of period	**47,946**	7,872
Exchange rate effect	**1**	(1)
Cash and cash equivalents at end of period	**26,629**	11,503

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2015

NOTE 1: BASIS OF PREPARATION

This condensed general purpose interim financial report for the half year reporting period ended 30 June 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and were authorised for issue in accordance with a resolution of the directors on 1 September 2015.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 31 December 2014 and any public announcements made by Finders Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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

Change in accounting policies, accounting standards and interpretations

(i) New and amended standards adopted

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts in the current period or any period and are not likely to affect future periods.

(ii) Early adoption of standards

Except as discussed below, the Company has not elected to apply any pronouncements before their operative dates in the half year reporting period beginning 1 January 2015.

The Company elected to early adopt AASB 9 *Financial Instruments* (2014) from 1 January 2015 and applied all of the consequential amendments to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10, AASB 2014-1 – Part E and AASB 2014-7.

The early adoption of AASB 9 (2014) has been applied on a retrospective basis. No material differences were identified on the adoption of AASB 9 (2014).

Changes to classification and measurement of financial assets and financial liabilities

The adoption of AASB 9 has resulted in amendments to the measurement and classification requirements for financial instruments previously accounted for under AASB 139 *Financial Instruments.*

Under AASB 9 an entity classifies its financial assets as subsequently measured at either amortised cost or fair value. An election can be made to designate a financial asset as measured at fair value through profit or loss on initial recognition if this significantly reduces an accounting mismatch. The designation at fair value through profit or loss is irrevocable.

The requirements in AASB 139 regarding classification and measurement of financial liabilities have been retained, including the related application and implementation guidance. Financial liabilities continue to be measured at either fair value through profit or loss or amortised cost. The criteria for designating a financial liability at fair value through profit or loss also remain unchanged.

Hedge accounting

AASB 9 (2014) aligns hedge accounting more closely with common risk management practices.

The key components of the standard are as follows:

- Risk components that are separately identifiable and reliably measurable will be eligible as hedged items, including nonfinancial items
- Effectiveness measurement testing is required only on a prospective basis. New hedge effectiveness criteria include existence of an economic relationship between the hedged item and the hedging instrument

- Certain requirements must be met for discontinuing hedge relationship. Changes to the hedge relationship may result in rebalancing of the hedge ratio rather than de-designation

Derivative financial instruments for which Finders elects to adopt hedge accounting will be accounted for at fair value through other comprehensive income. Hedge ineffectiveness will continue to be recognised in profit or loss.

Impairment considerations

The impairment requirements of AASB 9 are based on an expected credit loss model and replace the previous incurred loss model. The expected credit loss model applies to debt instruments recorded at amortised cost or at fair value through other comprehensive income. At each reporting date an assessment of the recoverability of financial instruments based on the probability-weighted outcome, the time value of money and the best available forward-looking information is performed.

Impact of changes to the standard

The impact on each class of financial instruments is outlined below:

Class of financial instrument presented in the statement of financial position	AASB 139- Previous classification	AASB 9 (2014)- New Classification
Cash and cash equivalents	Amortised cost	Amortised cost
Receivables	Amortised cost	Amortised cost
Financial and other financial assets	Amortised cost	Amortised cost
Derivative Financial Instruments	N/A*	Fair value through other comprehensive income**
Trade and Other Payables	Amortised cost	Amortised cost
Borrowings	Amortised cost	Amortised cost

*As at 31 December 2014, the Company did not hold any derivative assets or liabilities. Refer to Note 3 for information regarding the forward sales contracts entered into during the period.
**Ineffectiveness will be immediately recognised in the profit and loss

The adoption of AASB 9 does not have any material impact on the Finders financial information and comparatives have not been restated.

Update to Statement of Significant Accounting Policies

The following accounting policy was introduced during the period:

Derivative financial instruments and hedging
The Company has entered into derivative financial instruments to manage its exposure to fluctuations in commodity prices. Hedge accounting is applied where the derivative financial instrument provides an effective hedge of the hedged item.

Where hedge accounting applies, at the inception of the instrument the Company designates hedges as either fair value or cash flow hedges in accordance with the nature of the underlying instrument and the company's hedging policy. Hedging documentation is established that outlines the nature of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

To date all hedges entered into by the Company has been designated as cash flow hedges. Cash flow hedges are used to mitigate the risk of variability of future cash flows attributable to movements in the commodity prices in relation to highly probable purchase or settlement commitments in foreign currencies.

Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument at each reporting date is recognised directly in the hedging reserve via other comprehensive income until such time as the hedged item affects profit or loss, and then the gains or losses are transferred to the profit and loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit and loss. If a forecast hedged transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that were reported in other comprehensive income are transferred immediately to the profit and loss.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998 issued by the Australian Securities and Investments Commission and in accordance with that Class Order, amounts in the Directors' Report and the Half Year Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Comparative numbers

Certain comparative numbers in the Consolidated Statement of Comprehensive Income have been reclassified to conform with the current year's presentation. An amount of $4.0 million previously disclosed as pre-production cost has been reclassified and disclosed in other expense categories in the previous period. This has had no impact on the loss for the previous period.

NOTE 2: INVENTORIES

	30 Jun 2015	31 Dec 2014
	$'000	$'000
Inventories, at cost		
Raw materials and consumables	**2,960**	1,635
Work in progress	**829**	797
Finished goods	**393**	330
	4,182	2,762

NOTE 3: HEDGING DERIVATIVE ASSET

The group has entered into forward sale contracts in respect of 40,699 tonnes of copper to be produced from its Wetar Copper Project. The contracts are at an average price of US$5,940 per tonne and cover the period from July 2016 to March 2019. At 30 June 2015, the contracts have a fair value of A$19.0 million.

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

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

NOTE 4: PLANT AND EQUIPMENT

	30 Jun 2015	31 Dec 2014
	$'000	$'000
Plant and equipment – at cost	**23,034**	22,384
Less: Accumulated depreciation	**(4,035)**	(4,168)
Provision for impairment	**(4,895)**	(4,638)
	14,104	13,578
Construction in progress	**7,475**	7,082
	21,579	20,660
Movements:		
Plant and equipment		
Opening net book value	**20,660**	21,658
Additions	**523**	3,013
Disposals	**(506)**	-
Impairment provision	**-**	(4,638)
Depreciation charge	**(245)**	(1,490)
Exchange rate effect	**1,147**	2,117
Closing net book value	**21,579**	20,660

		30 Jun 2015 $'000	31 Dec 2014 $'000
NOTE 5: DEVELOPMENT EXPENDITURE			
Development expenditure		**38,036**	31,862
Less: Accumulated amortisation		**(1,316)**	(1,063)
		36,720	30,800
Capital works in progress		**32,434**	8,710
		69,154	39,510
Movements:			
Opening net book value		**39,510**	21,185
Additions		**27,583**	16,821
Amortisation charge		**(133)**	(423)
Exchange rate effect		**2,194**	1,927
Closing net book value		**69,154**	39,510
NOTE 6: BORROWINGS			
NON CURRENT			
Loan (secured)	6(a)	**23,607**	-
Loan (unsecured)	6(b)	**42,267**	38,538
		65,874	38,538

a) Loan (secured)

The Group has signed a Senior Secured Project Finance Facility Agreement with a syndicate of banks. Under the agreement, the banking syndicate has agreed to provide loan facilities totaling US$165 million consisting of:

Facility	Amount	Interest rate	Maturity date
Term loan facility	US$130 million	LIBOR + 5.00%	31 Mar 2019
Cost overrun facility	US$20 million	LIBOR + 5.75%	30 Sep 2018
VAT working capital facility	US$15 million	LIBOR + 5.00%	30 Sep 2018

The facilities have first ranking security over the Wetar Copper Project.

b) Loan (unsecured)

The Group secured US$45 million in funding from Daewoo International Corporation for the expansion of the Wetar Copper Project, of which US$31.4 million was provided as an unsecured loan. Interest at the rate of 10% per annum is payable on the loan from commencement of commercial production at the Wetar Copper Project. The loan is subordinated to the secured loan above.

	Note	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
		'000	'000	$'000	$'000
NOTE 7: ISSUED SECURITIES					
Contributed equity					
Issued and paid up shares		**661,267**	661,267	**151,699**	151,699
Employee incentive reserved shares	7(a)	**16,590**	14,957	**-**	-
Converting Notes	7(b)	**-**	-	**5,185**	5,185
		677,857	676,224	**156,884**	156,884

Movement:	Number '000	Number '000
At beginning of reporting period	**676,224**	511,439
Shares issued during the period:		
Placements	**-**	126,985
Entitlement offer	**-**	37,800
Employee incentive shares	**1,633**	-
At end of reporting period	**677,857**	676,224

a) Employee incentive shares

The Company has issued incentive shares to employees and executive directors under the Finders Employee Share Plan. This share-based compensation under which the employees and executive directors purchase shares funded by limited recourse loans from the Company is measured as the value of the options inherent within the shares issued and is expensed over the vesting period of the shares with a corresponding credit to the share-based payments reserve.

b) Converting Notes

The Company raised US$5,500,000 from Standard Bank Plc in 2012 pursuant to mandatory Converting Notes, which will convert into 12,248,538 shares in the Company on or before 16 March 2018 at a conversion price of A$0.427 per share. The Notes will convert into shares and have been treated as equity for accounting purposes.

c) Unlisted Options

Exercise Price	Expiry Date	30 Jun 2015 Number '000	31 Dec 2014 Number '000
$0.35	05 Jun 2017	**22,857**	22,857
$0.2556	22 Oct 2017	**31,299**	31,299
		54,156	54,156

NOTE 8: OPERATING SEGMENTS

The consolidated entity's operations are situated in two geographical locations, being Australia and Indonesia. Its minerals business is based in Indonesia where it is currently producing copper cathode from a 3,000 tonnes per annum plant from the Wetar Copper Project, in parallel with the development of the project to expand the production capacity to 28,000 tonnes per annum by the addition of a 25,000 tonnes per annum plant. It is also conducting mineral exploration on Wetar Island and in Sumatra. Corporate activities are based in Australia and are not considered an operating segment.

	Copper Mining		Total	
	Six months ended 30 Jun 2015 $'000	Six months ended 30 Jun 2014 $'000	Six months ended 30 Jun 2015 $'000	Six months ended 30 Jun 2014 $'000
Revenue				
Sales revenue	**1,544**	763	**1,544**	763
Unallocated revenue			**-**	37
Total revenue			**1,544**	800
Profit or loss				
Segment loss	**(16,715)**	(6,689)	**(16,715)**	(6,689)
Unallocated income less unallocated expenses			**(2,198)**	(2,774)
Loss before income tax			**(18,913)**	(9,463)
Income tax expense			**-**	-
Loss after income tax			**(18,913)**	(9,463)

Unallocated expenses represent corporate, administration and financing costs.

	30 Jun 2015 $'000	31 Dec 2014 $'000	30 Jun 2015 $'000	31 Dec 2014 $'000
Assets				
Segment assets	**141,607**	115,225	**141,607**	115,225
Unallocated assets			**13,260**	6,404
Total assets			**154,867**	121,629
Liabilities				
Segment liabilities	**82,023**	55,318	**82,023**	55,318
Unallocated liabilities			**8,578**	364
Total liabilities			**90,601**	55,682

Unallocated assets and liabilities are in relation to the corporate activities.

NOTE 9: COMMITMENTS

a) Capital commitments

The Group has entered into contracts for the construction and development of the Wetar Copper Project. The capital commitments at balance date are set out below.

	30 Jun 2015	31 Dec 2014
	$'000	$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment		
- Payable within 1 year	**42,580**	14,085
- Payable later than 1 year but not later than 5 years	**33,535**	-
	76,115	14,085

b) Operating lease commitments

The Group leases offices and equipment under operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

	30 Jun 2015	31 Dec 2014
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases		
- Payable within 1 year	**5,694**	534
- Payable later than 1 year but not later than 5 years	**33**	12
	5,727	546

NOTE 10: CONTINGENT LIABILITIES

In 2011, PT Batutua Tembaga Raya ("BTR"), a subsidiary of the Company, entered into a contract for the purchase and refurbishment of six marine fuel oil generators for use at the Wetar Copper Project. The contract amounted to approximately US$8.6 million, of which the subsidiary has paid US$3.8 million (including storage charges).

In September 2014, BTR terminated the contract following breaches of the contract identified by BTR. During the half-year, an arbitration process between BTR and the contractor was commenced. Due to the uncertainty relating to the arbitration, the Group adopted a conservative approach and fully impaired the carrying value of the generators in the prior period. The Group intends to vigorously pursue its rights under the contract which may lead to a recovery of some or all of the amount impaired. In the event that the outcome of the arbitration is unfavourable, the Group has a possible exposure. It is not practical to estimate the potential effect of this claim but the directors are of the view that it is not probable that a significant liability will arise.

NOTE 11: EVENTS AFTER BALANCE DATE

There have been no significant events, occurring after balance date which may affect the Company's operations, results of those operations or the Company's state of affairs.

DIRECTORS' DECLARATION

In the opinion of the directors:

1. the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standards AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

....
Gary E Comb
Chairman

Sydney, 1 September 2015

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Independent review report to the members of Finders Resources Limited

Report on the 30 June 2015 half-year financial report

We have reviewed the accompanying half-year financial report of Finders Resources Limited, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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* ("ASRE 2410"), 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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 Finders Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

TSH:JT:FINDERS:008

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 Finders Resources Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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*.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
1 September 2015

CORPORATE DIRECTORY

Directors	Gary E Comb	Non-Executive Chairman
	Barry J Cahill	Managing Director
	Christopher B Farmer	Executive Director - Indonesia
	Gavin A Caudle	Non-Executive Director
	Gordon T Galt	Non-Executive Director
	Christopher H Brown	Alternate to Gordon T Galt
	Douglas L Tay	Alternate to Gavin A Caudle

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