

Sinovus Mining Limited
ABN 46 121 081 105 and Controlled Entities

Interim Financial Report for the Half-Year Ended 31 December 2015

TABLE OF CONTENTS

1. Table of Contents.....	Page 2
2. Directors Report.....	Page 3
3. Auditors Independence Declaration.....	Page 4
4. Statement of Profit or Loss and Other Comprehensive Income.....	Page 5
5. Statement of Financial Position.....	Page 6
6. Statement of Changes in Equity.....	Page 7
7. Statement of Cash Flow.....	Page 8
8. Notes to the Financial Statements.....	Page 9-10
9. Directors Declaration.....	Page 11
10. Independent Auditor's Review Report.....	Page 12-13

DIRECTORS' REPORT

The Directors' submit the financial report of the Consolidated Entity for the half-year ended 31 December 2015.

1. DIRECTORS

The names of the Directors' who held office during or since the end of the half-year are:

David H Sutton	-	Non-Executive Chairman
Lisa Fu	-	Non-Executive Director
Darrel Causbrook	-	Non-Executive Director

Unless otherwise stated all Directors have been in office for the whole of the period.

2. REVIEW OF OPERATIONS

The consolidated profit of the group for the half-year after providing for income tax was \$ 94,733 (December 2014: loss \$279,766).

3. Exploration and Development of Mineral Resources Projects

Laogouxu Gold Project

During the period, the Company disposed of its interest in the Laogouxu Gold Project.

4. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2015 and forms part of this report.

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



David Sutton
Director

Dated at Sydney 18th day of March 2016

Level 6, 350 Kent Street
Sydney NSW 2000

75 Lyons Road
Drummoyne NSW 2047

K.S. Black & Co.

Chartered Accountants

ABN 48 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF SINOVUS MINING LIMITED

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2015 there has been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities is in respect of Sinovus Mining Limited and the entities it controlled during the period.

Name of Firm: KS Black & Co

Name of Partner: Scott Bennison

Dated in Sydney on this 15 day of March 2016



Scott Bennison
Partner



Liability limited by a
scheme approved
under Professional
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055

www.ksblack.com.au



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated Group For the 6 Months to 31 December 2015 \$	For the 6 Months to 31 December 2014 \$
Revenue			
Profit on sale of investment		314,949	-
Interest received		-	472
Foreign exchange gain		14,156	153,000
Other income		36,000	-
Employee benefits expense		(175,200)	(175,200)
Finance costs		(68)	(125)
Other expenses		(95,104)	(257,913)
Loss before income tax		94,733	(279,766)
Income tax expense			-
Profit/(Loss) attributable after tax	2	94,733	(279,766)
Profit/(Loss) attributable to members of the parent entity		94,733	(279,766)
Profit/(Loss) attributable to minority equity interest		-	-
Overall Operations			
Basic earnings per share (cents per share)		0.0002	(0.0006)
Diluted earnings per share (cents per share)		0.0001	(0.0004)

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Consolidated Group 31 December 2015 \$	30 June 2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		702	20,275
Trade and other receivables		14,099	19,679
TOTAL CURRENT ASSETS		<u>14,801</u>	<u>39,954</u>
NON-CURRENT ASSETS			
Financial assets	3	1,862,388	1,869,509
TOTAL NON-CURRENT ASSETS		<u>1,862,388</u>	<u>1,869,509</u>
TOTAL ASSETS		<u>1,877,189</u>	<u>1,909,463</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		331,352	130,967
Other payables - employees		405,225	169,825
TOTAL CURRENT LIABILITIES		<u>736,577</u>	<u>300,792</u>
TOTAL LIABILITIES		<u>736,577</u>	<u>300,792</u>
NET ASSETS		<u>1,140,612</u>	<u>1,608,671</u>
EQUITY			
Issued capital		20,220,664	20,220,664
Reserves		-	306,435
Accumulated losses		(19,080,052)	(18,934,610)
Parent interest		1,140,612	1,592,489
Minority equity interest		-	16,182
TOTAL EQUITY		<u>1,140,612</u>	<u>1,608,671</u>

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Share Capital					
	Issued Capital Ordinary	Accumulated Losses	Options Issued	Foreign Exchange Fluctuation Reserve	Minority Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014						
Shares issued during the period	20,220,664	(18,654,844)		306,435	16,182	1,888,437
Transaction cost of rights issue						-
Option expired during the year	-	-		-	-	
Transfer from options reserve						
Profit/(Loss) attributable to members of parent entity	-	(279,766)	-	-	-	(279,766)
Loss attributable to minority shareholders	-	-	-	-	-	-
Total recognised income and expenses for the period	-	(279,766)		-	-	(279,766)
Adjustments from translation of foreign controlled entities	-	-	-	-	-	-
Adjustments for non-controlling interest	-	-	-	-	-	-
Transfer from option reserve						
Balance at 31 December 2014	20,220,664	(18,934,610)		306,435	16,182	1,608,671
Balance at 1 July 2015						
Shares issued during the period	20,220,664	(19,174,785)	-	306,435	16,182	1,368,496
Transaction cost of rights issue						-
Option expired during the year	-	-	-	-	-	-
Transfer from options reserve						
Profit/(Loss) attributable to members of parent entity	-	94,733	-	(306,435)	-	(211,702)
Loss attributable to minority shareholders	-	-	-	-	-	-
Total recognised income and expenses for the period	-	94,733	-	-	-	(211,702)
Adjustments from translation of foreign controlled entities	-	-	-	-	(16,182)	(16,182)
Adjustments for non-controlling interest	-	-	-	-	-	-
Transfer from option reserve						
Balance at 31 December 2015	20,220,664	(19,080,052)	-	-	-	1,140,612

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Consolidated Group	
	For the 6 Months to 31 December 2015	For the 6 Months to 31 December 2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	36,000	12,693
Payments to suppliers and employees	(39,103)	(62,768)
Foreign exchange gain/ loss		-
Interest received		472
Finance costs	(68)	(125)
Payment for exploration & evaluation		-
Net cash used in operating activities	<u>(3,171)</u>	<u>(49,728)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	-	-
Exploration and resource capital expenditure	-	-
Loss on non controlling interesting entity	-	-
Purchase of investment	-	-
Net cash (used in) / provided by investing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from redemption of promissory note	-	-
Receipts from rights issue	-	-
Costs of raising equity	-	-
Net cash (used in) / provided by financing activities	<u>-</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents held	(3,171)	(49,728)
Cash and cash equivalents at beginning of period	3,374	70,003
Effect of exchange rates on cash holdings in foreign currencies	-	-
Cash and cash equivalents at end of reporting period	<u>203</u>	<u>20,275</u>

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Sinovus Mining Ltd and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2015 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The financial statements have been prepared on a going concern basis, the validity of which depends upon the positive cash position.

The Company's existing projections show that further funds will be required to be generated, either by capital raising, sales of assets, or other initiatives to, enable the Company to fund its currently planned activities for at least the next twelve months from the date of signing these financial statements. Should new opportunities present, that require additional funds, the directors will take action to re-priorities activities, dispose of assets and/or raise further funds. The directors are currently exploring new opportunities that will strengthen the groups cash flow.

Notwithstanding this issue, accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

NOTE 2: LOSS FOR THE PERIOD

	Consolidated Group	
	For the 6 Months to 31 December 2015	For the 6 Months to 31 December 2014
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Australian Stock Exchange Listing Fees	(12,812)	(12,500)

NOTE 3: FINANCIAL ASSETS

NON CURRENT

	Consolidated Group	
	31 December 2015	30 June 2015
Available – for – sale financial assets		
- 15% interest in Hebei Sinovus Mining Co Ltd	833,387	833,387
- Less: Provision for Diminution	(833,387)	(833,387)
- Shares in Paltar Petroleum Ltd	1,777,057	1,777,057
- Shares in High Peak Royalties Ltd	34,903	34,903
- Less: Provision for Diminution	(24,572)	(12,565)
- Shares in Ignite Energy Resources Ltd	75,000	75,000
Total	1,862,388	1,874,395

NOTE 4: SEGMENT INFORMATION

The consolidated entity had one business segment being exploration and mining in China which was supported by an administration office in Sydney.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There are no other events subsequent to balance date.

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 10:
 - a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporation Regulations; and
 - b) give a true and fair view of the economic entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
2. In the director's opinion 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 Board of Directors.

On behalf of the Directors



David Sutton
Director

Dated at Sydney 18th day of March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Sinovus Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sinovus Mining Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the entity.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the 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 Performed by 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 *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 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 Sinovus Mining Limited, ASRE 2410 required 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 subsequently less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurances 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 Sinovus Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Our responsibility is to express an opinion on the financial report based on conducting the review in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient audit evidence to provide a basis for a review opinion.

Basis for Disclaimer of Opinion

The entity's investment in Paltar Petroleum Limited as at 31 December 2015 is valued at \$1,777,057, which represents more than the net assets of the business as at 31 December 2015. We have not been able to access audited signed financial statements for Paltar Petroleum Limited after the year ended 31 August 2012 and as a result we are unable to determine whether any adjustments were necessary in terms of the carrying value of this investment. Management has determined the fair value based on the last off market share transfer in November 2015.

In addition, as the new signing audit partner, we are required to be reasonably satisfied that the comparative information is correct. Due to the above, we cannot satisfy ourselves that the comparative for this investment stated as at 30 June 2014 is correct. We are therefore unable to determine whether any adjustments might have been found necessary in respect of the fair value of the Paltar Petroleum Limited investments, and the elements making up the consolidated statement of profit and loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows.

Emphasis of matter

Without amendment to our conclusion we emphasise the following matter.

Going Concern

The Directors opinion as detailed in Note 1 to the half-year financial report, indicates that the ability of the entity to continue as a going concern is dependent upon future consulting fees from an associated entity. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

KS Black & Co
Chartered Accountants



Scott Bennison

Partner

Dated: 18/3/16



Liability limited by a
scheme approved
under Professional
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055

www.ksblack.com.au



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND