

SANTANA

MINERALS LIMITED



HALF-YEAR
FINANCIAL REPORT

31 DECEMBER 2019

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Directors' Report

Your Directors present their report, including the Financial Report for the consolidated entity for the half-year ended 31 December 2019.

Directors

The directors of Santana Minerals Limited ("Santana" or "the Company") at any time during or since the half-year ended 31 December 2019 are:

Mr Norman A Seckold, Non-Executive Chairman

Appointed 15 January 2013

Mr Seckold graduated with a Bachelor of Economics from the University of Sydney in 1970. He has spent more than 30 years in the full time management of natural resource companies, both in Australia and overseas.

Mr Seckold is currently Chairman and Director of each of Sky Metals Limited and Alpha HPA Limited and is Deputy Chairman of Nickel Mines Limited, all of which are listed on the ASX.

He has been chairman of Bolnisi Gold NL, Palmarejo Silver and Gold Corporation, Moruya Gold Mines NL, Pangea Resources Limited, Timberline Minerals, Inc., Perseverance Corporation Limited, Valdora Minerals NL, Viking Gold Corporation, Mogul Mining NL, San Anton Resource Corporation Inc., Equus Mining Limited, Cockatoo Coal Limited and Cerro Resources NL.

Mr Anthony J McDonald, Non-Executive Director

Appointed 15 January 2013

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981. He was admitted as a solicitor in 1982. He has been involved in the natural resources sector in Australia and internationally for many years and in the past 18 years has been actively involved in management in the resources sector.

Mr McDonald is currently a non-executive director of PPK Group Limited (appointed September 2017).

Mr Anthony McClure, Non-Executive Director

Appointed 9 December 2019

Mr McClure graduated with a Bachelor of Science (Geology) degree from Macquarie University in 1986. He has had 30 years technical, management and financial experience in the resource sector worldwide in project management and executive development roles. He has also worked in the financial services sector within the mineral and energy sectors.

Mr McClure is currently Managing Director of listed company Silver Mines Limited (since June 2016), and is a past director of each of Bolnisi Gold NL, Nickel Mines Limited, European Gas Limited and Planet Gas Limited (now renamed Sky Metals Limited).

Mr Richard E Keevers, Independent Non-Executive Director

Appointed 15 January 2013

Mr Keevers graduated with a Bachelor of Science from the University of New England in NSW. He is a qualified and experienced geologist, having held senior positions with BH South Limited and Newmont during his 20 years in the mining industry. Subsequently he was an executive director of Pembroke Josephson Wright Limited, an Australian share brokerage firm, for ten years.

Mr Keevers is currently Chairman and director of Renascor Resources Limited (director since July 2016).

Mr Robert M Bell, Independent Non-Executive Director

Mr Bell was a non-executive director of the company from 31 May 2019 and resigned 9 December 2019.

Chief Executive Officer**Mr Shane Pike**

Mr Pike was appointed as Chief Executive Officer on 9 December 2019.

Mr Pike graduated with a Bachelor of Applied Science with a Double Major in Geology from Queensland University of Technology in 1998. He has had 20 years technical and management experience in the resource sector including most recently as Exploration Manager (East Coast) for Evolution Mining. Mr Pike's experience spans a range of exploration, mine development and mine geology roles including that with Evolution Mining (8 years), Newcrest (3 years) and Equigold (9 years).

Company Secretary**Mr Craig J McPherson**

Corporate Secretary (since 15 January 2013)

Mr McPherson graduated with a Bachelor of Commerce degree from the University of Queensland and is a member of Chartered Accountants Australia and New Zealand. He has twenty years of commercial and financial management experience and has held various roles with ASX and TSX listed companies over the past ten years in Australia and overseas.

Operating and financial review

Review of Operations

Sayabouly Project, Laos (Santana 75%)

Operational activities during the period were focused on planning for the Company's maiden drilling program at the Phu Lon Nickel Prospect, part of the Sayabouly Project in Laos, which was acquired during the period from Mekong Minerals Limited.

Phu Lon has a significant mineralisation footprint confirmed along a 14km strike length with previous trenching results from Phu Lon including:

- 975m @ 0.51% Ni (including 42m @ 1.02% Ni);
- 90m @ 0.67% Ni (including 36m @ 1.01% Ni); and
- 80m @ 0.74% Ni (including 17m @ 0.91% Ni).



Figure 1: Location of the Sayabouly Project, Laos

The interpretation of the Phu Lon Nickel Prospect is modelled on the world class Jinchuan Deposit in China (500mt @ 1.2% Ni, 0.7% Cu, 0.4g/t platinum group elements), a magmatic sulphide style of mineralisation.

To strengthen this interpretation, rock-chip samples from trench excavations were sent for petrological and Scanning Electron Microscope (SEM) analysis at the University of New South Wales. Fifteen samples were submitted for petrology to confirm the composition of the ultramafic intrusion, with six of these chosen for SEM analysis to determine the nature of the nickel mineralisation. These samples were taken from previously reported significant results from trench 4 and 6 (shown in Figure 2), which sit within a 14km x 1km mineralised envelope.

This analysis confirmed the presence of pentlandite and cobalt pentlandite, nickel and cobalt nickel sulphide minerals respectively, which are ordinarily amenable to metallurgical extraction of the contained nickel-cobalt metals.

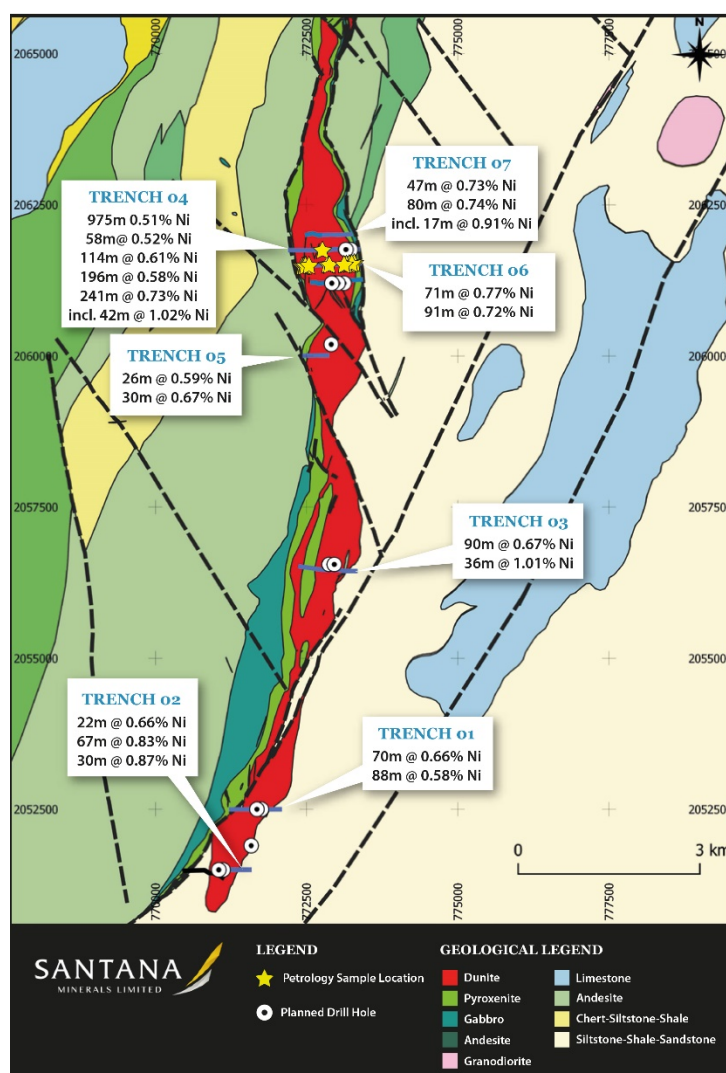


Figure 2: Petrological sample locations, with geology and previously announced significant trench results (Santana ASX Announcement, 17 July 2019).

Three of the six SEM analysed samples recorded pentlandite (a nickel sulphide) with one of these three also defining cobalt pentlandite (cobalt-nickel sulphide). These minerals were found disseminated within the ultramafic host. Nickel oxides were also noted in a number of these samples, as well as alloys of nickel and iron (awaruite). A separate sample contained chalcopyrite; a copper sulphide mineral that previously had not been identified.

The identification of chalcopyrite along with the nickel and cobalt sulphides supports the interpretation that the Phu Lon Nickel Prospect is a magmatic sulphide mineralised ultramafic intrusion with similar geological characteristics to the Jinchuan Deposit, China.

As expected with an ultramafic intrusion containing serpentine minerals, two of the six samples analysed recorded nickel within the serpentine crystal matrix of the ultramafic unit.

Subsequent to the end of the period the Company released further trenching results from the northern section of the Phu Lon Nickel Prospect. The results were from trenches 7 and 8, located directly north and south respectively of the previously reported Trench 4 which returned results of 975m @ 0.51% Ni including 42m @ 1.02% Ni. Trench 7 was an extension to the west of an existing trench, while Trench 8 was excavated along a previously completed induced polarisation survey line. This geophysical electrical survey method identified a high chargeability with coincident low resistivity anomaly at this location and is interpreted as a zone of sulphide mineralisation at a depth of approximately 100m (Figure 4).

The significant assays from these 2 additional trenches included:

- 70m @ 0.65% Ni Trench 8;
- 10m @ 0.74% Ni Trench 8;
- 11m @ 0.64% Ni Trench 8;
- 14m @ 0.60% Ni Trench 8;
- 25m @ 0.56% Ni Trench 8;
- 12m @ 0.50% Ni Trench 7; and
- 12m @ 0.53% Ni Trench 7.

These trench results can be seen in context of previously reported trenching results in Figure 3.

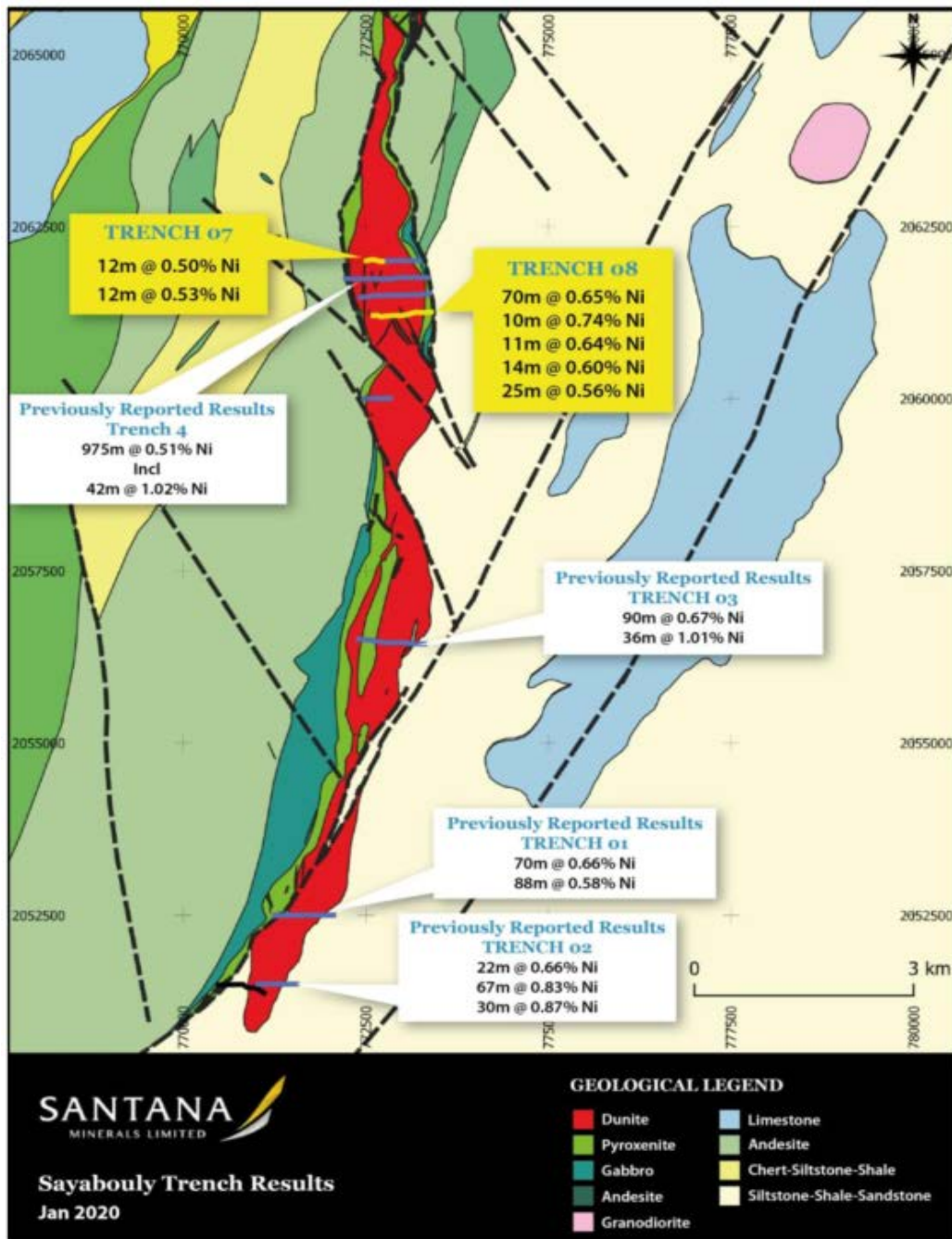


Figure 3: Trench 7 and 8 Sample Results from the Sayabouly Project

Importantly, the trench samples were taken below the lateritic profile from the weathered ultramafic intrusion that hosts the nickel mineralisation. These latest results from the weathered ultramafic further bolster the interpretation that Phu Lon has similar geological characteristics to the Jinchuan Nickel deposit.

The results from Trench 8 are particularly encouraging and strengthen the interpretation that a buried zone of nickel sulphide mineralisation is located approximately 100m below surface. The zone shown in Figure 4 is a key focus for the Company's maiden drilling campaign which commenced in January 2020.

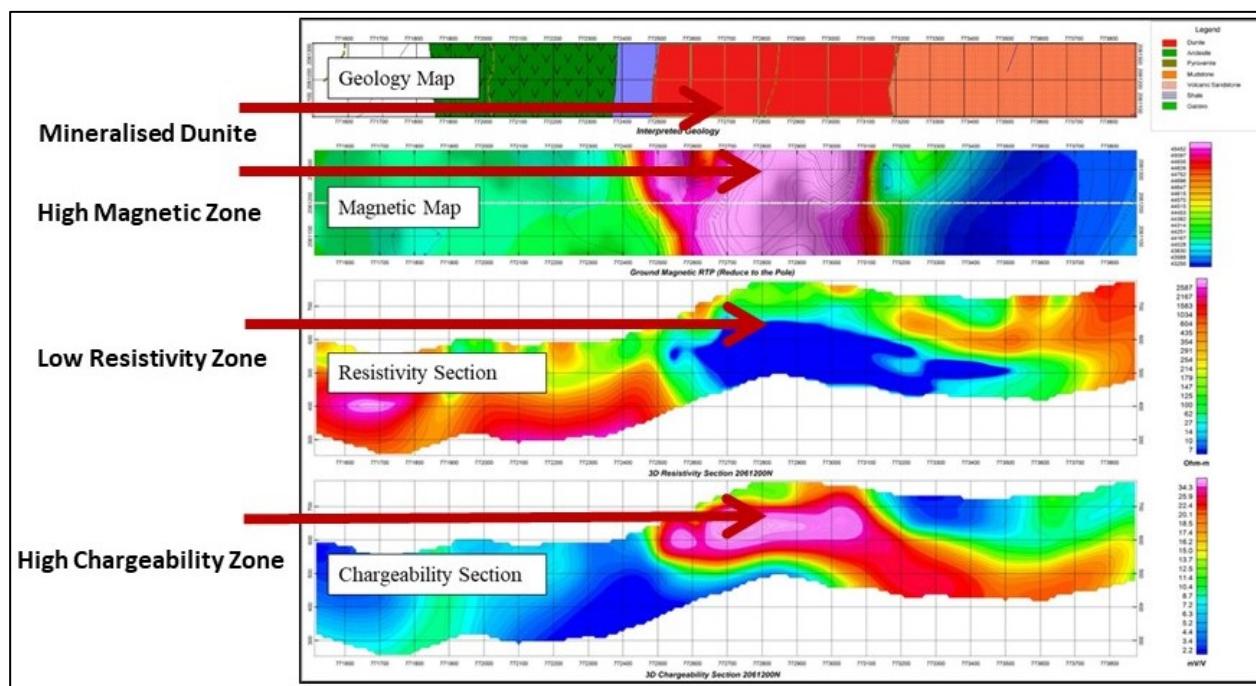


Figure 4: Induced Polarisation Survey, show low resistivity and high chargeability, looking north on section 2,041,200N (WGS84 Zone 47). Interpreted to be an untested zone of nickel sulphide mineralisation at approximately 100m depth (Santana ASX Announcement, 17 July 2019).

The objective of this maiden drill campaign at the Phu Lon Nickel Prospect is to test the extensive nickel mineralisation (Figure 2 and 3), and coincident Induced Polarisation (IP) anomalies (Figure 4) targeting bulk tonnage nickel sulphides.

This program comprises an initial 13 holes for 2,000 diamond drilled metres with first assay results from this program expected in March 2020.

Chile – Becker Gold Project (earning to 85%)

No exploration activities were conducted on the Becker Project during the period. The Company plans to progress an independent geological review of work undertaken on the project to identify future exploration programs.

Mexico – Cuitaboca (earning to 80%)

No exploration activities were carried out at the Cuitaboca Project during the period. Significant funds are required for infrastructure works to advance the project and silver prices have remained low with priority spending focused on the Sayabouly Project during the period.

Corporate

Transaction with Mekong Minerals

During the month of December, the Company announced completion of the acquisition of Mekong Mineral's 75% interest in the Sayabouly Project in Laos and 85% interest in two Cambodian gold projects in which Mekong held farmed out interests. The Company issued 648,721,076 fully paid ordinary shares (Consideration Shares) and 45,862,352 options to Mekong option holders and reimbursed \$210,000 of exploration costs to Mekong Minerals at completion. The Consideration Shares are subject to 12 months escrow.

As part of the transaction, the Company also completed a placement of 1,360,000,000 fully paid ordinary shares at \$0.003 per share to raise \$4.08 million.

Financial review

At the end of the reporting period the consolidated entity had \$2,817,700 (30 June 2019: \$208,249) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure carried forward was \$6,237,979 (30 June 2019: \$4,780,425).

The consolidated entity had net assets of \$10,004,405 (30 June 2019: \$4,963,447).

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the Board of Directors:



Norman A Seckold

Chairman

Dated this 13th day of March 2020.

Previous Disclosure - 2012 JORC Code

Information relating to Mineral Resources, Exploration Targets and Exploration Data associated with the Company's projects in this report is extracted from the following ASX Announcements:

- ASX announcement titled "Acquisition of Highly Prospective Sayabouly Project" dated 17th July 2019;
- ASX announcement titled "Petrology Confirms Nickel, Cobalt and Copper Sulphides at The Phu Lon Prospect, Laos", dated 25th November 2019; and
- ASX announcement titled "Significant Trench Results from The Sayabouly Project", dated 16th January 2020.

A copy of such announcements is available to view on the Santana Minerals Limited website www.santanaminerals.com. The reports were issued in accordance with the 2012 Edition of the JORC Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Santana Minerals Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Santana Minerals Limited for the half-year ended 31 December 2019 there have been:

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

KPMG

Stephen Board
Partner

Brisbane
13 March 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Interim Statement of Profit or Loss for the Half Year Ended 31 December 2019

	Note	31 December 2019	31 December 2018
		\$	\$
Gain on sale of exploration assets		-	300,000
General and administrative expenses		(693,160)	(341,643)
Exploration and evaluation expenses		(8,544)	(14,599)
Results from operating activities		(701,704)	(56,242)
Financing income	6	276	2,123
Financing expenses	6	(3,020)	-
Net financing expense		(2,744)	2,123
Share of loss of equity-accounted investees, net of tax	8	(3,676)	-
Loss before income tax expense		(708,124)	(54,119)
Income tax benefit		-	-
Loss for the period – attributable to Shareholders of the Company		(708,124)	(54,119)
Earnings per share			
Basic loss per share		(0.08) cents	(0.01) cents
Diluted loss per share		(0.08) cents	(0.01) cents

The consolidated interim statement of profit or loss is to be read in conjunction with the condensed notes to the consolidated interim financial statements.

Consolidated Interim Statement of Other Comprehensive Income for the Half Year Ended 31 December 2019

	31 December 2019	31 December 2018
	\$	\$
Loss for the period	<u>(708,124)</u>	<u>(54,119)</u>
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss:</i>		
Foreign exchange translation differences	<u>(35,543)</u>	<u>226,816</u>
Other comprehensive income for the period, net of income tax	<u>(35,543)</u>	<u>226,816</u>
Total comprehensive income for the period – attributable to Shareholders of the Company	<u>(743,667)</u>	<u>172,697</u>

The consolidated interim statement of other comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial statements.

Consolidated Interim Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
Current assets			
Cash and cash equivalents		2,817,700	208,249
Trade and other receivables	7	70,013	17,472
Prepayments		19,056	35,735
Total current assets		<u>2,906,769</u>	<u>251,456</u>
Non-current assets			
Property, plant and equipment		25,416	31,646
Equity-accounted investees	8	1,328,161	-
Exploration and evaluation expenditure	9	6,237,979	4,780,425
Total non-current assets		<u>7,591,556</u>	<u>4,812,071</u>
Total assets		<u>10,498,325</u>	<u>5,073,527</u>
Current liabilities			
Trade and other payables		437,042	74,004
Employee benefits		56,878	36,076
Total current liabilities		<u>493,920</u>	<u>110,080</u>
Total liabilities		<u>493,920</u>	<u>110,080</u>
Net assets		<u>10,004,405</u>	<u>4,963,447</u>
Equity			
Share capital	10	35,071,891	29,299,538
Reserves		299,482	335,025
Accumulated losses		(25,366,968)	(24,671,116)
Total equity		<u>10,004,405</u>	<u>4,963,447</u>

The consolidated interim statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity for the Half Year Ended 31 December 2019

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total equity
Opening balance as at 1 July 2019	29,299,538	335,025	(24,671,116)	4,963,447
Loss for the period	-	-	(708,124)	(708,124)
Foreign currency translation differences	-	(35,543)	-	(35,543)
<i>Total comprehensive income for the period</i>	-	(35,543)	(708,124)	(743,667)
Transactions with owners recorded directly in equity				
Share-based payments (net of tax)	-	-	12,272	12,272
Shares issued	6,026,913	-	-	6,026,913
Transaction costs	(254,560)	-	-	(254,560)
<i>Total transactions with owners</i>	5,772,353	-	12,272	5,784,625
Balance at 31 December 2019	35,071,891	299,482	(25,366,968)	10,004,405

	Issued capital	Foreign currency translation reserve	Accumulated losses	Total equity
Opening balance as at 1 July 2018	28,662,467	(70,056)	(21,838,596)	6,753,815
Loss for the period	-	-	(54,119)	(54,119)
Other comprehensive income for the period	-	226,816	-	226,816
<i>Total comprehensive income for the period</i>	-	226,816	(54,119)	172,697
Transactions with owners recorded directly in equity				
Shares issued	100,000	-	-	100,000
Transaction costs	(15,719)	-	-	(15,719)
<i>Total transactions with owners</i>	84,281	-	-	84,281
Balance at 31 December 2018	28,746,748	156,760	(21,892,715)	7,010,793

The consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial statements.

Consolidated Interim Statement of Cash flows for the Half Year Ended 31 December 2019

	31 December 2019	31 December 2018
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(406,096)	(406,101)
Cash paid for exploration and evaluation expenditure expensed	(8,544)	(23,710)
Interest received	276	2,079
Net cash used in operating activities	(414,364)	(427,732)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure capitalised	(592,423)	(893,799)
Payment for completion of Mekong Minerals Limited transaction	(210,000)	-
Deferred consideration paid	-	(150,000)
Proceeds from sale of exploration assets	-	270,000
Acquisition of property, plant and equipment	-	(1,090)
Net cash used in investing activities	(802,423)	(774,889)
Cash flows from financing activities		
Proceeds from issue of shares	4,080,750	-
Share issue costs	(254,560)	(15,719)
Net cash provided by/(used in) financing activities	3,826,190	(15,719)
Net increase/(decrease) in cash and cash equivalents held	2,609,403	(1,218,340)
Effects of exchange rate fluctuations on cash held	48	1,259
Cash and cash equivalents at 1 July	208,249	1,800,381
Cash and cash equivalents at 31 December	2,817,700	583,300

The consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial statements.

Condensed Notes to the Consolidated Financial Statements for the Period Ended 31 December 2019

1. REPORTING ENTITY

Santana Minerals Limited (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the “consolidated entity”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2019 is available upon request from the Company’s registered office at Level 5, 10 Eagle Street, Brisbane, Queensland Australia or on the Company’s website at www.santanaminerals.com.

2. BASIS OF ACCOUNTING

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

Except as described below, the accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2019:

- AASB 16 *Leases* is applicable from 1 July 2019, however as the consolidated entity does not have any leases, adoption of the standard has had no effect on the consolidated entity; and
- The consolidated entity has early adopted amendments to AASB 3 *Business Combinations: Definition of a Business* effective from 1 July 2019, which provides clarification of the definition of a business to assist entities determine whether a transaction should be accounted for as a business combination or as an asset acquisition. Early adoption of the amendments does not affect previously recognised transactions and assists in confirming the acquisition of assets from Mekong Minerals Limited (see notes 8 and 9) are not business combinations.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2019 and any public announcements made by Santana Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position of the Group since the last consolidated financial report as at and for the year ended 30 June 2019.

The condensed consolidated interim financial report was authorised for issue by the directors on 13 March 2020.

Interests in equity-accounted investees

The consolidated entity’s interests in equity-accounted investees comprise interest in associates.

Associates are those entities in which the consolidated entity has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the consolidated entity’s share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

3. BASIS OF MEASUREMENT

The consolidated interim financial report is presented in Australian dollars, which is the Company's functional currency. The consolidated interim financial report is prepared on the historical cost basis.

The preparation of the consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2019.

During the period ended 31 December 2019, the consolidated entity acquired interests in Southern Gold (Asia) Pty Ltd and has determined that it has significant influence over that entity, accordingly the interests have been accounted for using the equity method. The consolidated entity has exercised judgement in determining where it has significant influence. See note 8.

4. GOING CONCERN

The consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern" which assumes the consolidated entity will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The consolidated entity has the ability to seek to raise funds from the public and intends to raise such funds as and when required to complete its projects.

The consolidated entity currently has no source of operating cash inflows, other than interest income, and has incurred net cash outflows from operating and investing activities for the period ended 31 December 2019 of \$1,216,787.

At 31 December 2019, the consolidated entity had cash balances of \$2,817,700 (30 June 2019: \$208,249) and net working capital (current assets less current liabilities) of \$2,412,849 (30 June 2019: \$141,376).

The directors have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern. These cash flow projections assume the consolidated entity continues significant exploration activities which will require sufficient additional funding from shareholders or other parties that has not been secured at the date of issuing this financial report. If such funding is not achieved, the consolidated entity plans to reduce expenditure significantly, which may result in an impairment loss on the book value of exploration and evaluation expenditure recorded at reporting date.

These conditions give rise to a material uncertainty that may cast doubt upon the consolidated entity's ability to continue as a going concern. The ongoing operation of the consolidated entity is dependent upon:

- The consolidated entity raising additional funding from shareholders or other parties; and/or
- The consolidated entity reducing expenditure in line with available funding.

In the event that the consolidated entity does not obtain additional funding and/or reduce expenditure in line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated interim financial report.

In the longer term, the development of economically recoverable mineral deposits found on the consolidated entity's existing or future exploration properties depends on the ability of the consolidated entity to obtain financing through equity financing, debt financing or other means. If the consolidated entity's exploration programs are ultimately successful, additional funds will be required to develop the consolidated entity's properties and to place them into commercial production. The ability of the consolidated entity to arrange such funding in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the consolidated entity. There can be no assurance that the consolidated entity will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the consolidated entity. If adequate financing is not available, the consolidated entity may be required to delay, reduce the scope of, or eliminate its current or future exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the consolidated entity to forfeit its interests in some or all of its properties and reduce or terminate its operations.

5. SEGMENT INFORMATION

Each area of interest represents an operating segment, however for reporting purposes areas of interest are aggregated where they are located in the same region and relate to the exploration of similar commodities. The Consolidated Entity's current areas of interest relate to the exploration of precious metals in Mexico, Chile, Laos and Cambodia. In reviewing segment results the Managing Director and Board consider total expenditure on exploration and evaluation activities (expensed and capitalised) and results of such activities.

	31 December 2019 \$	31 December 2018 \$
<u>Becker Project - Chile</u>		
Exploration and evaluation expenditure expensed in profit or loss	37	10,409
Exploration and evaluation expenditure capitalised	93,833	614,730
	<u>93,870</u>	<u>625,139</u>
<u>Cuitaboca Project - Mexico</u>		
Exploration and evaluation expenditure expensed in profit or loss	4,548	4,190
Exploration and evaluation expenditure capitalised	179,615	174,258
	<u>184,163</u>	<u>178,448</u>
<u>Sayabouly Project - Laos</u>		
Exploration and evaluation expenditure expensed in profit or loss	3,958	-
Exploration and evaluation expenditure capitalised	370,661	-
	<u>374,619</u>	<u>-</u>
Total exploration and evaluation expenditure	<u>652,652</u>	<u>803,587</u>
	31 December 2019 \$	30 June 2019 \$
<u>Exploration and evaluation assets</u>		
Becker Project – Chile	824,720	877,500
Cuitaboca Project - Mexico	4,234,950	3,902,925
Sayabouly Project - Laos	1,178,309	-
	<u>6,237,979</u>	<u>4,780,425</u>
<u>Equity accounted investee</u>		
Southern Gold (Asia) Pty Ltd – Cambodian Projects	1,328,161	-
	<u>7,566,140</u>	<u>4,780,425</u>

6. NET FINANCING INCOME/ (EXPENSE)

	31 December 2019	31 December 2018
	\$	\$
Interest income	276	2,079
Foreign exchange gain	-	44
Financing Income	<u>276</u>	<u>2,123</u>
Foreign exchange loss	(3,020)	-
Financing expense	(3,020)	-
Net financing income/(expense)	<u>(2,744)</u>	<u>2,123</u>

7. TRADE AND OTHER RECEIVABLES

	31 December 2019	30 June 2019
	\$	\$
<i>Current</i>		
Other receivables	7,384	4,179
GST Receivable	<u>62,629</u>	<u>13,293</u>
	<u>70,013</u>	<u>17,472</u>

8. EQUITY-ACCOUNTED INVESTEEES

	31 December 2019	30 June 2019
	\$	\$
Interests in associate – Southern Gold (Asia) Pty Ltd	<u>1,328,161</u>	<u>-</u>

On 17 July 2019, the consolidated entity announced that it had signed an agreement with Mekong Minerals Limited ('Mekong') to purchase Mekong's 75% interest in the Sayabouly Project in Lao and two Cambodian gold projects in which Mekong held farmed out interests. The transaction with Mekong completed on 9 December 2019, with consideration for the transaction being the issue of 648,721,076 fully paid ordinary shares (to be distributed to Mekong Shareholders) and 45,862,352 options to Mekong option holders and reimbursement of \$210,000 to Mekong for exploration expenses.

Upon completion of the transaction, the consolidated entity acquired 100% of the ordinary share capital in two companies, Southern Gold (Asia) Pty Ltd and Dominion Metals Pty Ltd (refer note 9).

Southern Gold (Asia) Pty Ltd ("SGA", an associate) holds the interests in the Cambodian gold projects. SGA is a party to an unincorporated joint venture agreement with Southern Gold Limited (SGL) in respect of two Cambodian Exploration Licences (CELs). Pursuant to the agreement, SGL has a 15% unincorporated joint venture interest in the CELs, which is free carried until completion of a feasibility study.

SGA has also entered into a farm-out and incorporated joint venture agreement with Renaissance Cambodia Pty Ltd (Renaissance) (the "Farm-Out Agreement"). Under the Farm Out Agreement Renaissance will manage SGA and sole fund US\$0.5million of exploration expenditure on each of the CELs in order to earn a 30% shareholding in SGA. After earning the 30% shareholding, Renaissance can elect to sole fund a further US\$1.0million of exploration expenditure on each of the CELs over the following two years and increase its shareholding in SGA to 60%.

When Renaissance has earned a 60% shareholding in SGA, the consolidated entity may elect to either contribute to further exploration activities on the CELs and maintain its 40% shareholding in SGA, or alternatively elect not to contribute, in which case Renaissance may earn a further 25% shareholding in SGA by continuing to manage SGA and funding completion of a definitive feasibility study. During the definitive feasibility study period the consolidated entity interests would be free carried.

At 31 December 2019 Renaissance is earning, but has yet to earn, a shareholding in SGA. Under the Farm-out Agreement the consolidated entity currently retains 100% of equity in SGA but has given control of the entity to Renaissance whilst retaining significant influence through representation on the board of Southern Gold (Asia) Pty Ltd.

	31 December 2019 \$	30 June 2019 \$
Percentage ownership interest	100%	-
Non-current assets	1,380,578	-
Current assets	20,554	-
Non-current liabilities	(2,960)	-
Current liabilities	(70,011)	-
Net assets (100%)	1,328,161	-
Consolidated entity's share of net assets	100%	-
Carrying amount of interest in associate	1,328,161	-
Revenue	-	-
Loss from continuing operations (100%)	(3,676)	-
Total comprehensive income/(loss) (100%)	(3,676)	-
Consolidated entity's share of total comprehensive income/(loss)	(3,676)	-

9. EXPLORATION AND EVALUATION EXPENDITURE

	6 months 31 December 2019 \$	12 months 30 June 2019 \$
Capitalised exploration and evaluation expenditure		
Exploration and evaluation phase – at cost		
Becker Project – Chile	824,720	877,500
Cuitaboca Project - Mexico	4,234,950	3,902,925
Sayabouly Project - Laos	1,178,309	-
	6,237,979	4,780,425
<u>Reconciliations</u>		
Becker Project – Chile		
Opening balance at beginning of period	877,500	720,771
Expenditure for the period	93,833	792,236
Impairment	-	(649,719)
Effect of foreign exchange movement	(146,613)	14,212
Closing balance at end of period	824,720	877,500

Cuitaboca Project - Mexico

Opening balance at beginning of period	3,902,925	4,908,400
Expenditure for the year	179,615	360,445
Impairment	-	(1,749,142)
Effect of foreign exchange movement	152,410	383,222
Closing balance at end of period	<u>4,234,950</u>	<u>3,902,925</u>

Sayabouly Project - Laos

Opening balance at beginning of period	-	-
Expenditure for the year	370,661	-
Fair value on acquisition	824,326	-
Effect of foreign exchange movement	(16,678)	-
Closing balance at end of period	<u>1,178,309</u>	<u>-</u>

Becker Project, Chile

On 4 June 2018 the consolidated entity announced that it had completed a share purchase agreement for the acquisition of the Becker Project by acquiring 100% of the shares in Carlin Resources Pty Ltd ('Carlin'), which holds rights to earn into the Becker Project. This transaction has been accounted for as an acquisition of assets, not a business combination. At completion the Consolidated Entity issued 10,000,000 fully paid ordinary shares in the Company and committed to make monthly payments of \$50,000 per month for ten consecutive months from July 2018 being repayment of a loan by the previous owner to Carlin.

As at 31 December and 30 June 2019 \$nil remained owing by the Consolidated Entity to the previous owner. During the 30 June 2019 year the consolidated entity repaid \$400,000 to the previous owner by way of cash and a further \$100,000 through the issue of shares in the parent company, Santana Minerals Limited.

On 1 March 2019, the Consolidated Entity announced that it had reached agreement with its Joint Venture Partner, to vary the terms of the Becker Gold Project Joint Venture ("Becker JVA"). In accordance with the variation, cash option payments (US\$1M) have been omitted and the Consolidated Entity will instead pay the Joint Venture Partner a sum of US\$1 per oz AuEq once an indicated resource (JORC 2012 standard) of not less than 1M oz AuEq is estimated by an independent competent person. The US\$1 per oz AuEq will be paid on such estimate and continue for every oz discovered and subsequently estimated.

The material agreed obligations and timetable are:

- meet a minimum exploration expenditure of US\$1M, including a non-binding drill target of 1,800m by 28 February 2022; and
- complete a minimum of 2,500m drilling, undertake an initial JORC 2012 compliant resource estimate and undertake a scoping study, each by 28 February 2024.

Cuitaboca Project, Mexico

On 29 July 2014 the consolidated entity announced that it had entered into agreements allowing it to earn 80% of the Cuitaboca Project located in the State of Sinaloa, Mexico. Under the terms of the agreements, the consolidated entity made an initial payment of A\$100,000 and committed to meeting 100% of expenditure, thereby providing the consolidated entity with management of the Cuitaboca Project through an initial 100% ownership of Minera Cuitaboca S.A. de C.V. (Project Company). The Project Company has the right to acquire the Cuitaboca Project mining concessions under an option agreement (Concession Option Agreement) with Consorcio Minero Latinoamericano S.A. de C.V (Concession Holder). The Concession Option Agreement provides that the Project Company can acquire a 100% interest in the mining concessions from the Concession Holder by paying option fees totalling US\$3,500,000, with those option fees payable on a six monthly basis. A balance of

US\$2,890,168 in option fees remains payable by the Project Company to the Concession Holder as at 31 December 2019. The Consolidated Entity is required to meet all expenditure during the term of the Concession Option Agreement (including option fees which the Project Company has agreed to pay the Concession Holder, concession rentals plus exploration expenditure as the Consolidated Entity determines) with the Vendors free carried. Once the Concession Option Agreement is completed the expenditure and ownership of the Project Company will revert to 80% Consolidated Entity 20% Vendors. The Consolidated Entity retains the right to withdraw from the Cuitaboca Project at any time without making the recurring option payments.

Sayabouly Project, Laos

On 17 July 2019, the consolidated entity announced that it had signed an agreement with Mekong Minerals Limited ('Mekong') to purchase Mekong's 75% interest in the Sayabouly Project in Lao and two Cambodian gold projects in which Mekong holds farmed out interests. The transaction with Mekong completed on 9 December 2019, with consideration for the transaction being the issue of 648,721,076 fully paid ordinary shares to Mekong (to be distributed to Mekong Shareholders) and 45,862,352 options to Mekong option holders and reimbursement of \$210,000 to Mekong for exploration expenses.

Upon completion of the transaction, the consolidated entity acquired 100% of the ordinary share capital in two companies, Southern Gold (Asia) Pty Ltd (refer note 8) and Dominion Metals Pty Ltd.

Dominion Metals Pty Ltd currently holds a 75% interest in the Sayabouly Project, with joint venture parties of the other 25% free carried to completion of a feasibility study.

This transaction has been accounted for as an acquisition of assets, not a business combination.

10. SHARE CAPITAL

The Company recorded the following amounts within shareholders' equity as a result of having issued ordinary shares and options over ordinary shares.

31 December 2019	Number of ordinary shares	Issue price \$	Share capital \$
Balance at 1 July 2019	675,199,487		29,299,538
Share issue September 2019 (cash)	24,991	0.03	750
Share issue December 2019 (cash)	1,360,000,010	0.003	4,080,000
Share issue December 2019 (non-cash)	648,721,076	0.003	1,946,163
Share issue costs	-		(254,560)
Balance at 31 December 2019 – fully paid	<u>2,683,945,564</u>		<u>35,071,891</u>

31 December 2018	Number of ordinary shares	Issue price \$	Share capital \$
Balance at 1 July 2018	546,820,454		28,662,467
Share issue August 2018 (non-cash)	5,083,436	0.0098	50,000
Share issue September 2018 (non-cash)	6,875,597	0.0073	50,000
Share issue costs	-		(15,719)
Balance at 31 December 2018 – fully paid	<u>558,779,487</u>		<u>28,746,748</u>

	Number of options 31 December 2019	Number of options 30 June 2019
Employee share options	106,500,000	6,500,000
Options issued as part of Right Issue in June 2018	-	110,419,414
Options issued as part of acquisition of assets from Mekong Minerals Limited in December 2019	45,862,352	-
Total options over ordinary shares currently issued	152,362,352	116,419,414

Reconciliation	Number of options 31 December 2019	Number of options 31 December 2018
Total options over ordinary shares – 1 July	116,919,414	118,419,414
Options issued as part of acquisition of assets from Mekong Minerals Limited in December 2019	45,862,352	-
Employee share options issued during period	100,000,000	-
Options exercised during the period	(24,991)	-
Options lapsed during the period	(110,394,423)	-
Total options over ordinary shares – 31 December	152,362,352	118,419,414

11. SHARE BASED PAYMENTS

During the six-month period ended on 31 December 2019, directors approved the issue of share options to the Chief Executive Officer, consistent with industry practice and to provide a long term incentive to maximise the value of the Company.

Tranche	Grant Date	Granted	Vesting	Contract Life
Tranche 1	23/12/19	25,000,000	09/12/20	2.96 years from grant date
Tranche 2	23/12/19	25,000,000	09/06/21	2.96 years from grant date
Tranche 3	23/12/19	25,000,000	09/06/21	3.96 years from grant date
Tranche 4	23/12/19	25,000,000	09/12/21	3.96 years from grant date

The fair value of the options granted is measured using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted.

Tranche	Fair value at grant date	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free interest rate
Tranche 1	\$0.0020	\$0.003	\$0.006	135.9%	2.96	-	0.77%
Tranche 2	\$0.0020	\$0.003	\$0.006	135.9%	2.96	-	0.77%
Tranche 3	\$0.0022	\$0.003	\$0.01	141.0%	3.96	-	0.83%
Tranche 4	\$0.0022	\$0.003	\$0.01	141.0%	3.96	-	0.83%

12. RELATED PARTIES

There were no significant changes in arrangements with related parties from those arrangements set out in the 30 June 2019 annual financial report.

13. SUBSEQUENT EVENTS

Since the end of the half year and to the date of this report no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Directors' Declaration

1. In the opinion of the directors of Santana Minerals Limited ("the Company")
 - a) the consolidated interim financial statements and notes that are set out on pages 10 to 23 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the six month period ended on that date; and
 - ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; 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.

Signed in accordance with a resolution of the directors:



Norman A Seckold
Chairman

Dated this 13th day of March 2020



Independent Auditor's Review Report

To the shareholders of Santana Minerals Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Santana Minerals Limited.

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 Santana Minerals Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its financial performance for the half - year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2019;
- Consolidated interim statement of profit or loss, consolidated interim statement of other comprehensive income, consolidated interim statement of changes in equity, and consolidated interim statement of cash flows for the half-year ended on that date;
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises of the Company and the entities it controlled at the year-end or from time to time during the half-year.

Material uncertainty related to going concern

We draw attention to Note 4, "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 4 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Santana Minerals Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Stephen Board'.

Stephen Board
Partner

Brisbane
13 March 2020

Corporate Directory

Australian Business No.	37 161 946 989
Directors	Norman A Seckold, Chairman Anthony J McDonald, Non-Executive Director Anthony J McClure, Non-Executive Director Richard E Keevers, Non-Executive Director
Chief Executive Officer	Shane Pike
Corporate Secretary	Craig J McPherson
Registered Office	Level 5 10 Eagle Street Brisbane, QLD 4000 Phone: +61 7 3221 7501 Email: admin@santanaminerals.com Website: www.santanaminerals.com
Postal Address	P O Box 1639 Milton LPO QLD 4064
Auditors	KPMG Level 16 Riparian Plaza 71 Eagle Street Brisbane, Qld 4000
ASX Code	SMI
Share Registrars	Link Market Services Limited Level 21 10 Eagle Street Brisbane, QLD 4000
Exchange	Australian Securities Exchange Level 8 Exchange Plaza 2 The Esplanade PERTH WA 6000