



CANNINDAH RESOURCES LIMITED

ABN 35 108 146 694

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

CANNINDAH RESOURCES LIMITED

DIRECTORS' REPORT

Your Directors submit their report for the half year ended 31 December 2016.

Directors

The names of the Company's Directors in office during the half year and until the date of this report are set out below. All Directors held office for the whole of the period unless otherwise stated.

Thomas J Pickett – Executive Chairman
Laurie Johnson – Non- executive Director
John Hamilton – Non- executive Director
Geoff Missen – Non- executive Director

Review of Operations

The loss for the consolidated entity for the half year ended 31 December 2016 was \$378,115 (2015: \$529,575). The loss for the year includes capitalised and current year exploration expenditure written off of \$1,273 (2015: \$221,388).

Exploration Activities

During the six month period to 31 December 2016 the Company continued to evaluate exploration targets at its Mt Cannindah Project a large high level "porphyry style" Cu-Mo-Au mineralised system. The evaluation work focussed on and continued the exploration work during the prior year period within the mining leases and tenements including the Little Wonder-Midway-Cannindah East prospects, North Mt Cannindah, Apple Tree, Lifesaver / Monument / Dunno, Mt Theodore and Barrimoon.

Other activities during the period included:

- The proposed transaction with Little Treasure which had been announced in the previous period was discontinued with the Company advising Little Treasure it did not intend to continue discussions regarding the possible purchase of the Little Treasure branded infant formula business.
- Discussions were held with interested parties from both domestic and international entities regarding both the Mt Borium project and the Mt Cannindah project. To date the company has not signed any agreements and discussions are on-going.
- The Department of Environment and Heritage Protection once again completed an inspection of the Mt Cannindah site as part of an on-going application process to amend the environmental authority attached to the project. No penalties were imposed as a result of these site inspections for any issues of non-compliance.

Strategy

In accordance with its strategy, the Company continues to investigate and evaluate new opportunities both within and external to the mining and exploration sector. The company is currently evaluating its options with respect to projects that it may become involved with during the 2017 calendar year.

Going Concern

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

On 10 March 2015, the Company entered into a \$2m secured loan facility with a private investor (the Lender) to fund the company's ongoing exploration and administration costs. Under the terms of the agreement the Company may elect to extend the facility for 2 further periods of 12

months each. Pursuant to the Loan Agreement the Company will be required to pay an extension fee being the greater of \$200,000 or the 20 day VWAP of 12 million shares at that time. This fee may be paid by the issue of a further 12 million shares in lieu of a cash payment. On 16 January 2017, the Company provided the Lender with a notice of its intention to extend the repayment date for a further 12 months to 19 March 2018. The Lender has advised its requirement for the fee to be paid in cash. The Directors expect that the facility will be increased to accommodate the payment.

On 16 February 2017, the Company announced that it had entered into a Convertible Note agreement for \$225,000 with Hong Kong based EKG Limited. In addition, the Company has lodged an application for a tax refund of \$150,133 (net of claim preparation fees) under the Federal Government's Research and Development ("R&D") Tax Incentive program.

The Directors expect that additional funds will be required for the Company to operate and conduct exploration activities over the next 12 months. The Directors are confident that based on recent experience, these additional funds can be obtained.

Accordingly, the Directors believe that the Company continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of 12 months from the date of this report. If for any reason the Company is unable to continue as a going concern, it would impact on the Company's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Subsequent Events

On 16 February, the Company announced that it had entered into a Convertible Note agreement for \$225,000 with Hong Kong based EKG Limited. The key terms of the agreement were as follows:

- No of Securities issued - 15 million
- Interest Rate - 8% per annum payable on conversion
- Maturity Date - 16 February 2018
- Price - \$0.015 per note
- Conversion rate - Each note may be converted into one ordinary share. The notes cannot be redeemed for cash.
- Redemption - At the option of the holder or on the Maturity Date.
- The notes may not be traded or on sold.
- The notes carry no voting rights

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No other matters or circumstances have arisen since 31 December 2016, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

Signed in accordance with a resolution of the Directors pursuant to section 306(3) (a) of the Corporations Act 2001.

A handwritten signature in black ink, consisting of a series of vertical strokes and a large loop on the left side.

Thomas J. Pickett
Executive Chairman
Gold Coast
15 March 2017

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**Auditor's Independence Declaration
To The Directors of Cannindah Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Cannindah Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

I also declare that during the current half year review period, Grant Thornton's quality control systems identified a prior period contravention of the auditor's rotation requirements, which had already been rectified. The previous review auditor for Cannindah Resources Limited had participated in the review for the half year ended 31 December 2014 and the full year ended 30 June 2015, and was not eligible to do so.

Accordingly I consider this matter has not compromised my or Grant Thornton's objectivity with respect to the review of the financial statements of Cannindah Resources Limited for the half year ended 31 December 2016.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M S Bell
Partner - Audit & Assurance

Brisbane, 15 March 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
for the half year ended 31 December 2016

	Note	Consolidated 2016 \$	2015 \$
Revenue			
Revenue	2	861	236
Expenses			
Employee benefits expense		(107,467)	(102,650)
Exploration & evaluation expenditure w/off		(1,273)	(221,388)
Depreciation and amortisation expense		(401)	(4,888)
Administrative expenses		(130,062)	(149,388)
Finance Expenses		(139,773)	(51,497)
Loss before income tax expense		(378,115)	(529,575)
Income tax expense		-	-
Profit / (Loss) attributable to members of the company		(378,115)	(529,575)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income / (loss) for the year attributable to the members of the company		(378,115)	(529,575)
Basic earnings and diluted earnings per share (cents per share)		(0.38)	(0.57)

The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Note	Consolidated 31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	44,721	413,629
Trade and other receivables		14,960	17,289
Total Current Assets		59,681	430,918
NON CURRENT ASSETS			
Financial assets		84,746	84,746
Plant and equipment		967	1,368
Exploration and evaluation expenditure		3,840,887	3,638,581
Total non-Current Assets		3,926,600	3,724,695
TOTAL ASSETS		3,986,281	4,155,613
CURRENT LIABILITIES			
Trade and other payables		182,198	123,362
Provisions		54,253	44,079
Total Current Liabilities		236,451	167,441
NON-CURRENT LIABILITIES			
Borrowings		1,946,019	1,806,246
Total Non-Current Liabilities		1,946,019	1,806,246
TOTAL LIABILITIES		2,182,470	1,973,687
NET ASSETS		1,803,811	2,181,926
EQUITY			
Contributed equity		46,392,113	46,392,113
Share option reserve		395,614	395,614
Accumulated losses		(44,983,916)	(44,605,801)
TOTAL EQUITY		1,803,811	2,181,926

The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year ended 31 December 2016

	Consolidated				
	Note	Share Capital	Share Option Reserve	Accumulated Losses	Total
		\$	\$	\$	\$
2016					
Balance at 1 July 2016		46,392,113	395,614	(44,605,801)	2,181,926
Loss attributable to members of the company		-	-	(378,115)	(378,115)
Balance at 31 December 2016		46,392,113	395,614	(44,983,916)	1,803,811
2015					
Balance at 1 July 2015		46,149,552	395,614	(43,639,131)	2,906,035
Loss attributable to members of the company		-	-	(529,575)	(529,575)
Balance at 31 December 2015		46,149,552	395,614	(44,168,706)	2,376,460

The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
for the half year ended 31 December 2016

	Note	Consolidated 2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		861	236
Payments to suppliers and employees		(176,005)	(275,427)
Net cash provided by (used in) operating activities		(175,144)	(275,191)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditure		(193,764)	(145,236)
Net cash provided by (used in) investing activities		(193,764)	(145,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from borrowings		-	500,000
Net cash provided by (used in) financing activities		-	500,000
Net increase / (decrease) in cash and cash equivalents during the period		(368,908)	79,573
Cash and cash equivalents at beginning of period		413,629	33,056
Cash and cash equivalents at end of period	3	44,721	112,629

The accompanying notes form part of this financial report

CANNINDAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

1. Basis of Preparation and Accounting Policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *“Interim Financial Reporting”* and the *Corporations Act 2001*. AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report of Cannindah Resources Limited as at 30 June 2016, together with any public announcements made by Cannindah Resources Limited during the interim reporting period in accordance with the continuous disclosure obligations of the *Corporations Act 2001*.

The accounting policies and methods of computation adopted are consistent with those of the previous financial period as disclosed in the 30 June 2016 annual report.

Going Concern

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

On 10 March 2015, the Company entered into a \$2m secured loan facility with a private investor (the Lender) to fund the company's ongoing exploration and administration costs. Under the terms of the agreement the Company may elect to extend the facility for 2 further periods of 12 months each. Pursuant to the Loan Agreement the Company will be required to pay an extension fee being the greater of \$200,000 or the 20 day VWAP of 12 million shares at that time. This fee may be paid by the issue of a further 12 million shares in lieu of a cash payment. On 16 January 2017, the Company provided the Lender with a notice of its intention to extend the repayment date for a further 12 months to March 2018. The Lender has advised its requirement for the fee to be paid in cash. The Directors expect that the facility will be increased to accommodate the payment

On 16 February 2017, the Company announced that it had entered into a Convertible Note agreement for \$225,000 with Hong Kong based EKG Limited. In addition, the Company has lodged an application for a tax refund of \$150,133 (net of claim preparation fees) under the Federal Government's Research and Development ("R&D") Tax Incentive program. The Directors expect that additional funds will be required for the Company to operate and conduct exploration activities over the next 12 months. The Directors are confident that based on recent experience, these additional funds can be obtained.

Accordingly, the Directors believe that the Company continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of 12 months from the date of this report. If for any reason the Company is unable to continue as a going concern, it would impact on the Company's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

CANNINDAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

Consolidated	
Half year ended 31 December 2016	Half year ended 31 December 2015
\$	\$

2. Revenue and other income

The following items are relevant in explaining the financial performance for the period:

Revenue

Interest received from other persons	861	236
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3. Cash and Cash Equivalents

Consolidated	
31 December 2016	30 June 2016
\$	\$
44,721	413,629

4. Expenditure Commitments and Contingent Liabilities

The Company is in negotiation with the Queensland Government over the quantum of an environmental levy payable on its Mt Cannindah mining leases. At 31 December 2016, the Company has accrued the pro rata amount of the levy payable at that date. The Company will continue to accrue the levy at the amount of approximately \$11,430 per month until the matter is resolved. The maximum levy that may become payable including the pro rata amount accrued at 31 December 2016 is \$137,144.

There were no other significant changes to the commitments and contingencies disclosed in the most recent annual financial report.

5. Subsequent Events

On 16 February, the Company announced that it had entered into a Convertible Note agreement for \$225,000 with Hong Kong based EKG Limited. The key terms of the agreement were as follows:

- No of Securities issued - 15 million
- Interest Rate - 8% per annum payable on conversion
- Maturity Date - 16 February 2018
- Price - \$0.015 per note
- Conversion rate - Each note may be converted into one ordinary share. The notes cannot be redeemed for cash.
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CANNINDAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 31 December 2016

5. Subsequent Events (continued)

On 10 March 2015, the Company entered into a \$2m secured loan facility with a private investor (the Lender) to fund the company's ongoing exploration and administration costs. Under the terms of the agreement the Company may elect to extend the facility for 2 further periods of 12 months each. Pursuant to the Loan Agreement the Company will be required to pay an extension fee being the greater of \$200,000 or the 20 day VWAP of 12 million shares at that time. This fee may be paid by the issue of a further 12 million shares in lieu of a cash payment. On 16 January 2017, the Company provided the Lender with a notice of its intention to extend the repayment date for a further 12 months to 19 March 2018. The Lender has advised its requirement for the fee to be paid in cash. The Directors expect that the facility will be extended to accommodate the payment.

Other than as disclosed in these financial statements, no matters or circumstances have arisen since 31 December 2016, which significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

CANNINDAH RESOURCES LIMITED

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes:
 - a). comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' 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.



Thomas J. Pickett
Executive Chairman
Gold Coast
15 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CANNINDAH RESOURCES LIMITED

We have reviewed the accompanying half-year financial report of Cannindah Resources Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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 Cannindah Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 complied with the independence requirements of the *Corporations Act 2001*.

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 Cannindah 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 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company is dependent on continued support from external financiers to provide sufficient levels of working capital for its continuing operations. These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our report is not modified in relation to this matter.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M S Bell
Partner - Audit & Assurance

Brisbane, 15 March 2017