

Jervois Mining Limited

ABN 52 007 626 575

Condensed Interim Report - 31 December 2018

CORPORATE DIRECTORY

Directors:	Peter Johnston (Appointed 1 July 2018) Bryce Crocker Brian Kennedy Michael Rodriguez Stephen van der Sluys
Company Secretary:	Mr Alwyn Davey
Registered Office:	Ground Floor 585 Burwood Road Hawthorn VIC 3122 Telephone: + 61 3 9236 0498 Facsimile: + 61 3 9818 3656
Principal Place of Business:	Ground Floor 585 Burwood Road Hawthorn VIC 3122 Telephone: + 61 3 9583 0498 Facsimile: + 61 3 9818 3656
Share Registry:	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford, Victoria, Australia, 3067
Auditors:	BDO East Coast Partnership Tower 4, Collins Square Level 18, 727 Collins Street Melbourne VIC 3008
Bankers:	ANZ Banking Group Limited 388 Collins Street Melbourne VIC 3000
Solicitors:	Dentons Australia Limited Level 19 181 William Street Melbourne VIC 3000
Stock Exchange Listing:	Jervois Mining Limited shares are listed on the Australian Securities Exchange. (ASX code: JRV)
Website:	www.jervoismining.com.au

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Jervois Mining Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were directors of Jervois Mining Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Johnston (Appointed 1 July 2018)
Bryce Crocker
Brian Kennedy
Michael Rodriguez
Stephen van der Sluys

Principal Activities

The principal activity of the Group during the year was mineral exploration and evaluation, including associated metallurgical test work and research and development activities.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$3,758,621 (31 December 2017: loss \$2,457,889). The loss includes an amount of \$2,748,113 as a non-cash expense in relation to employee benefits for the value of options and shares issued to directors, officers and consultants of the company.

A summary of the activities of the Company during the period can be found in the quarterly reports released to the ASX on 17 October 2018 and 31 January 2019.

Significant changes in the state of affairs

During the financial half-year, 2,500,000 options were exercised raising \$200,000.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made accordance with resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Bryce Crocker
20 February 2019

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF JERVOIS MINING LIMITED

As lead auditor for the review of Jervois Mining Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Jervois Mining Limited and the entities it controlled during the period.



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 20 February 2019

Jervois Mining Limited

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**Consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2018**

	Note	Consolidated	
		Half-year ended 31 Dec 2018 \$	Half-year ended 31 Dec 2017 \$
Revenue	4	49,791	73,142
Expenses			
Administrative expenses		(23,510)	(18,671)
Communication expenses		(10,056)	(9,179)
Employee benefits expense	5	(3,146,907)	(2,130,172)
Exploration expense		-	(681)
Depreciation and amortisation expense		(25,671)	(2,635)
Impairment of exploration assets		-	(55,089)
Insurance premiums		(68,250)	(33,805)
Professional fees		(344,212)	(266,529)
Securities quotation fees		(80,259)	(116,198)
Tenancy and property costs		(11,464)	(10,413)
loss from sale of investments		-	(101,524)
Fair value adjustment for investments held for trading		97,000	340,000
Other expenses		(195,083)	(126,135)
Loss before income tax expense		(3,758,621)	(2,457,889)
Income tax expenses		-	-
Loss after income tax expense for the half-year attributable to the owner of Jervois Mining Limited		(3,758,621)	(2,457,889)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Change in fair value of equity instrument at FVOCI		(3,759,455)	-
Total comprehensive income for the half-year attributable to the owner of Jervois Mining Limited		(7,518,076)	(2,457,889)
		Cents	Cents
Basic loss per share	13	(1.69)	(1.56)
Diluted loss per share	13	(1.69)	(1.56)

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

**Consolidated statement of financial position
as at 31 December 2018**

	Note	Consolidated	
		31 Dec 2018 \$	30 Jun 2018 \$
Assets			
Current assets			
Cash and cash equivalents		5,296,647	4,715,432
Trade and other receivables	7	250,197	4,416,860
Financial assets at fair value through profit or loss	8	1,233	501,233
Total current assets		5,548,077	9,633,525
Non-current assets			
Financial assets at fair value through other comprehensive income	9	4,148,041	7,907,496
Property, plant and equipment		922,063	609,745
Exploration and evaluation	10	8,867,524	5,922,780
Security deposits		177,500	177,500
Total non-current assets		14,115,128	14,617,521
Total assets		19,663,205	24,251,046
Liabilities			
Current liabilities			
Trade and other payables		552,135	584,668
Employee benefits		31,566	18,141
Total current liabilities		583,701	602,809
Non-Current liabilities			
Employee benefits		14,086	12,856
Total non-current liabilities		14,086	12,856
Total liabilities		597,787	615,665
Net assets		19,065,418	23,635,381
Equity			
Issued capital	11	70,934,635	70,473,999
Reserves		326,541	1,598,519
Accumulated losses		(52,195,758)	(48,437,137)
Total equity		19,065,418	23,635,381

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital	Revaluation reserve \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	53,410,897	-	-	(41,485,967)	11,924,930
Loss after income tax expense for the half-year	-	-	-	(2,457,889)	(2,457,889)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(2,457,889)	(2,457,889)
Transaction with owners in their capacity as owners:					
Issue of shares	14,361,628	-	-	-	14,361,628
Exercise of options	1,116,418	-	-	-	1,116,418
Value of options issued	-	-	2,170,598	-	2,170,598
Value of options exercised	934,412	-	(934,412)	-	-
Capital raising costs	(1,443,634)	-	-	-	(1,443,634)
Balance at 31 December 2017	68,379,721	-	1,236,186	(43,943,856)	25,672,051

Consolidated	Issued capital	Revaluation reserve \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	70,473,999	(2,313,566)	3,912,085	(48,437,137)	23,635,381
Loss after income tax expense for the half-year	-	-	-	(3,758,621)	(3,758,621)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(3,758,621)	(3,758,621)
Transaction with owners in their capacity as owners:					
Exercise of options	200,000	-	-	-	200,000
Value of options issued	-	-	2,748,113	-	2,748,113
Value of options exercised	260,636	-	(260,636)	-	-
Change in fair value of equity instrument at FVOCI	-	(3,759,455)	-	-	(3,759,455)
Balance at 31 December 2018	70,934,635	(6,073,021)	6,399,562	(52,195,758)	19,065,418

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

Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated	
		Half-year ended 31 Dec 2018	Half-year ended 31 Dec 2017
		\$	\$
Cash flows from operating activities			
Receipts from customers		4,340,000	500,000
Payments to suppliers and employees		(1,094,395)	(767,021)
Sundry income		1,636	14,500
Net cash provided by/(used in) operating activities		<u>3,247,241</u>	<u>(252,521)</u>
Cash flows from investing activities			
Interest received		24,624	13,442
Payment for property, plant and equipment		(337,986)	(1,000)
Payment for exploration and evaluation		(3,151,365)	(88,629)
Payment for development		-	(151,823)
Refund of deposit paid		1,701	-
Payment for investments		-	(270,000)
Proceed from sale of investments		597,000	1,148,476
Net cash (used in)/ provided by investing activities		<u>(2,866,026)</u>	<u>650,466</u>
Cash flows from financing activities			
Proceeds from issue of shares	10	200,000	14,859,267
Share issue transaction costs		-	(574,847)
Net cash provided by financing activities		<u>200,000</u>	<u>14,284,420</u>
Net increase in cash and cash equivalents		581,215	14,682,365
Cash and cash equivalents at the beginning of the financial half-year		<u>4,715,432</u>	<u>1,385,782</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>5,296,647</u></u>	<u><u>16,068,147</u></u>

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

Jervois Mining Limited Notes to financial statements 31 December 2018

Note. 1 General information

The financial statements cover Jervois Mining Limited as a consolidated entity consisting of Jervois Mining Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Jervois Mining Limited's functional and presentation currency.

Jervois Mining Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ground Floor
585 Burwood Road
Hawthorn VIC 3122

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with resolution of directors, on 18 February 2019

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statement. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. None of these standards had any material impact on reported financial position and performance.

Changes in accounting standards

AASB 9 Financial Instruments

The standard replaced all previous versions of AASB 9 and completed the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. Gains and losses arising from changes in fair value are already recognised in other comprehensive income and accumulated in the investment revaluation reserve. Adopted effective 1 July 2017, the 30 June 2018 annual audit report was the first year which AASB 9 applies.

Jervois Mining Limited
Notes to financial statements
31 December 2018

Note 2. Significant accounting policies (Cont'd)

Impact on application

The Group has applied AASB 9 retrospectively with the cumulative effect of initially applying the standards as an adjustment to the opening balance of equity and comparative figures are therefore not restated. The adoption of AASB 9 had no material impact on the 31 December 2017 comparative figures and only applied to the 30 June 2018 financial year and 31 December 2018 half year.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one reportable operating segment: mineral exploration and evaluation Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

Note 4. Revenue

	Consolidated	
	December 2018	December 2017
	\$	\$
Interest	48,155	58,642
Sundry	1,636	14,500
Revenue	49,791	73,142

Note 5. Employee benefits expenses

	Consolidated	
	December 2018	December 2017
	\$	\$
Salaries and wages	438,201	183,361
Share based payment expenses	2,708,706	1,946,811
	3,146,907	2,130,172

Jervois Mining Limited
Notes to financial statements
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Note 6. Restatement of comparatives

Jervois Mining Limited has elected to change the allocation of some expenses to categories which they deem to be more appropriate. This is a reallocation only and had an overall nil impact on the final results for the 6 months ended 31 December 2017.

	6 months ended 31 December 2017 (Reported) \$'000s	Adjustment \$'000s	6 months ended 31 December 2017 (Restated) \$'000s
EXPENSES			
Corporate and administration fee	151,626	(151,626)	-
Administrative expenses	-	18,671	18,671
Communication expenses	-	9,179	9,179
Insurance premiums	-	33,805	33,805
Securities quotation fees	-	116,198	116,198
Other expenses	152,362	(26,227)	126,135
Total expenses	303,988	-	303,988

Note 7. Current assets – trade and other receivables

	Consolidated	
	December 2018 \$	June 2018 \$
Other receivables (i)	250,199	4,416,860

(i) An amount of \$4,000,000 receivable from Flemington sale as at 30 June 2018 was received during the period.

Note 8. Current assets – Financial assets at fair value through profit and loss

	Consolidated	
	December 2018 \$	June 2018 \$
Opening balance	501,233	1,101,849
Fair value adjustment	97,000	(600,616)
Sale of assets	(597,000)	-
	<u>1,233</u>	<u>501,233</u>

Jervois Mining Limited
Notes to financial statements
31 December 2018

Note 9. Current assets – Financial assets at fair value through other comprehensive income

	Consolidated	
	December 2018 \$	June 2018 \$
Opening balance	7,907,496	-
Acquisition of assets	-	10,221,060
Fair value adjustment	(3,759,455)	(2,313,564)
	4,148,041	7,907,496

Note 10. Non-current assets – exploration and evaluation

	Consolidated	
	December 2018 \$	June 2018 \$
Exploration and evaluation – at cost	8,867,524	5,922,780

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Consolidated	
	December 2018 \$	June 2018 \$
Opening balance	5,922,780	3,841,726
Expenditure during the half-year	2,944,744	2,202,881
Impairment of assets	-	(55,089)
R&D tax offset recognised	-	(66,738)
Closing balance	8,867,524	5,922,780

Jervois Mining Limited
Notes to financial statements
31 December 2018

Note 11. Equity - issued capital

	Consolidated			
	December 2018	December 2018	June 2018	June 2018
	Shares	\$	Shares	\$
Ordinary shares – fully paid	223,262,994	70,934,635	220,762,994	70,473,999

Movements in ordinary share capital

Details	Date	Share	\$
Balance	1 July 2018	220,762,994	70,473,999
Options exercised	29 August 2018	2,500,000	460,636
Balance	31 December 2018	223,262,994	70,934,635

Ordinary shares

Ordinary shares entitle the holder to participate in dividend and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 12. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Jervois Mining Limited
Notes to financial statements
31 December 2018

Note 13. Earnings per share

	Consolidated	
	31 December 2018 Cents per share	31 December 2017 Cents per share
Basic earnings (loss) per share	(1.69)	(1.56)
Diluted earnings (loss) per share	(1.69)	(1.56)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of earnings per share are as follows:

	31 December 2018 \$	31 December 2017 \$
	Net profit/(Loss) (i)	(3,758,621)

(i) Net Loss is the same amount as loss after tax in the consolidated statement of comprehensive income attributable to owners of the parent

	2018 No.	2017 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	222,474,951	157,870,723

Note 14. Fair value measurements

a) Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depended on the specific characteristics of the asset or liability is being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discount present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset as its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publically available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the assets or liabilities are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Jervois Mining Limited
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31 December 2018

Note 14. Fair value measurements (cont'd)

b) Financial Instruments

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities

	31 December 2018		30 June 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	5,296,647	5,296,647	4,715,432	4,715,432
Trade and other receivables	250,199	250,199	4,416,860	4,416,860
Financial assets-FV through profit or loss	1,233	1,233	501,233	501,233
Financial assets-FV through other comprehensive income	4,148,039	4,148,039	7,907,496	7,907,496
Security deposits	177,500	177,500	177,500	177,500
Total	9,873,618	9,873,618	17,718,521	17,718,521
Financial Liabilities				
Trade and other payables	552,135	552,135	584,668	584,668
Employee liabilities	45,652	45,652	30,997	30,997
Total	597,787	597,787	615,665	615,665

c) Recurring and non-recurring fair value measurement amounts and the level of the fair value hierarchy within which fair value measurements are categorised

Instrument	Consolidated			Total
	31 December 2018			
	Quoted prices in active markets for identical assets	Significant observable inputs other than Level 1 inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial Assets at FVTPL				
Quoted securities	1,233	-	-	1,233
Financial Assets at FVOCI				
Quoted securities	4,148,039	-	-	4,148,039
Total	4,149,272	-	-	4,149,272

Jervois Mining Limited
Notes to financial statements
31 December 2018

Note 14. Fair value measurements (cont'd)

		Consolidated 30 June 2018			
Instrument		Quoted prices in active markets for identical assets	Significant observable inputs other than Level 1 inputs	Significant unobservable inputs	Total
		Level 1 \$	Level 2 \$	Level 3 \$	
Financial Assets at FVTPL					
Quoted securities		501,233	-	-	501,233
Financial Assets at FVOCI					
Quoted securities		7,907,496	-	-	7,907,496
Total		8,408,729	-	-	8,408,729

Note 16. Share based payments

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted	Exercised	Expired/ Forfeited/ other	Balance at 31 Dec 18
21/09/2017	21/9/2020	8 cents	2,500,000	Nil	2,500,000	Nil	Nil
13/12/2017	20/9/2022	15 cents	15,000,000	Nil	Nil	Nil	15,000,000
31/05/2018	30/05/2024	34.5 cents	500,000	Nil	Nil	100,000	400,000
19/06/2018	18/06/2024	30.5 cents	2,500,000	Nil	Nil	Nil	2,500,000
2/11/2018	1/7/2023	29.5 cents	Nil	7,500,000	Nil	Nil	7,500,000

The fair value of the options is estimated at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date \$
2/11/2018	1/7/2023	20.0 cents	29.5 cents	74.42%	Nil	2.32%	777,299

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

Jervois Mining Limited
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Note 15. Share based payments (Cont'd)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Jervois Mining Limited
Notes to financial statements
31 December 2018

Note 16. Event after the reporting period

On 11 January 2019 the company completed the sale of a royalty to Cobalt 27 and received US\$1.5m cash and 422,856 Cobalt 27 ordinary shares as consideration. The total value received amounted to \$4.1m.

On 22 January 2019, the Company announced that it had agreed to a friendly at-market merger with M2 Cobalt a TSX Venture Exchange listed company. Under the agreement each common share of M2 Cobalt will be exchanged for one ordinary share of the Company. This represents an implied offer price of C\$0.262 (A\$0.276) based on the closing price of Company's shares on ASX on 21 January 2019 and C\$0.247 (A\$0.260) based on the 10-day VWAP for the period also ending 21 January 2019.

Acquisition of M2 Cobalt include the following transactions:

1. The company will issue around 63.4m fully paid ordinary shares to acquire equal number of M2 Cobalt shares
2. The company will also issue around 19.5m replacement options in exchange for options and warrant issued by M2 Cobalt under the Company's stock option plan in accordance with the agreement and
3. The company has agreed to provide a US\$3m (A\$4.2m) secured loan at an interest rate of 15% per annum on drawn amounts and a commitment fee of 3% on the undrawn balance.

The merger is expected to be completed in April 2019 subject to M2 Cobalt shareholder approval.

Apart from the above no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Jervois Mining Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- 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 of the directors made pursuant to section 303(5)(a) of the Corporation Act 2001.

On behalf of the directors



Bryce Crocker
20 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Jervois Mining Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Jervois Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 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

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 2018 and its financial 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 the Group, 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'James Mooney'. Above the signature is a stylized, handwritten 'BDO' logo.

James Mooney
Partner

Melbourne, 20 February 2019