

ESPERANCE MINERALS LIMITED  
( ACN 009 815 605)

AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE 6 MONTHS ENDED  
31 DECEMBER 2017

### **DIRECTORS**

John Rawicki (Executive Director)

Sophia Zhang (Director) – *Resigned 7 February 2018*

Alan Beasley (Non-Executive Chairman)

Anthony Karam (Non-Executive Director) – *Appointed 7 February 2018*

### **COMPANY SECRETARY**

Barney Cheung – *Resigned 27 February 2017*

John Rawicki – *Appointed 27 February 2017*

### **REGISTERED OFFICE - ESPERANCE MINERALS LIMITED**

ABN 59 009 815 605

Level 7, 99 Macquarie Street

SYDNEY NSW 2000

Phone: +61 2 8226 3388

Fax: +61 2 8220 3304

### **SHARE REGISTRY**

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Phone: +61 8 9315 2333

Fax: +61 8 9315 2233

Email: registrar@securitytransfer.com.au

### **SOLICITORS**

HWL Ebsworth Lawyers

Level 14, 264 George Street

SYDNEY NSW 2000

### **AUDITORS**

RSM Australia

Level 13, 60 Castlereagh Street

SYDNEY NSW 2000

### **BANKERS**

Westpac Banking Corporation

### **WEBSITE**

[www.esperanceminerals.com](http://www.esperanceminerals.com)

## DIRECTORS' REPORT

The Directors of the Company hereby submit the Directors' Report as part of the interim financial report for the half-year ended 31 December 2017.

### DIRECTORS

The Directors of the Company at any time during or since the end of the financial half-year are:

**JOHN RAWICKI**  
Executive Director

Mr Rawicki was appointed to the Esperance Board on 14 March 2016.

John Rawicki has over 10 years of stockbroking and corporate finance experience across the healthcare, resources and technology sectors. John is the Managing Director of BlueSky Shareholder Services, which provides investor relations and corporate advisory services to listed companies.

Mr. Rawicki holds a Bachelor of Commerce from the University of Sydney.

**SOPHIA ZHANG**  
Director

Ms. Zhang was appointed to the Esperance Board on 14 March 2016 to evaluate potential business opportunities for the Company. Ms. Zhang holds a Bachelor of Arts degree from Shen Zhen University of PRC.

Resigned 7 February 2018.

**ALAN BEASLEY**  
Non-Executive Chairman

Mr Beasley was appointed to the Esperance Board on 15 July 2016.

Mr. Beasley is a Certified Practising Accountant, (CPA) Fellow of the Governance Institute of Australia, (FGIA) and Fellow of the Australian Institute of Company Directors (FAICD). He graduated with a Bachelor of Economics, (UNE) and completed an Advanced Management Program in International Investment Management, from the Hoover Graduate Business School, Stanford University, USA. He has worked in the Investment Banking and Investment Management industries for over 30 years, with Bankers Trust Australia, Goldman Sachs, BNP Paribas.

He is a director and former director of several listed and unlisted public and private companies including two public charities. He is currently Managing Director of Hudson Investment Group Ltd (ASX: HGL), Chairman of The Hydroponics Company (ASX: THC), director of Hudson Pacific Group Ltd and AB Capital. He is a former Non-Executive Chairman of Admiralty Resources NL (ASX: ADY) Non-Executive Director of Asia Pacific Capital Securities Pty Ltd, and Biometric Advisers Pty Ltd.

**ANTHONY KARAM**  
Non-Executive Director

Mr Karam was appointed to the Esperance Board on 7 February 2018 to assist the company with completion of the proposed Greenenz transaction.

Anthony Karam has eighteen years' experience as a commercial lawyer. Mr Karam has been engaged as a corporate adviser by a number of ASX listed companies and large privately owned businesses. He is currently a director of Cassius Mining Limited; and has previously held senior board positions with the ASX listed companies Chameleon Mining NL (2009-2012), Director, and Panorama Synergy Ltd (2012-2015) where he was actively involved in having each of those companies restructured through to periods where the market capitalisation of each Company reached over \$40 Million and \$150 Million respectively.

## DIRECTORS' REPORT

---

### COMPANY SECRETARY

Mr John Rawicki

---

### RESULT AND REVIEW OF OPERATION

The loss after income tax for the period amounted to \$196,955 (December 2016: \$219,253).

The Company announced to the market on 13 December 2016 it had entered into a binding heads of agreement with the shareholders of unlisted New Zealand company, Greenenz Group Limited ('Greenenz'), in relation to the acquisition of all of the securities in Greenenz (Proposed Acquisition). The proposed acquisition is subject to, amongst other things, the results of a comprehensive due diligence trial currently being undertaken on Greenenz's technology in the United States being acceptable to the Company and the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The key terms of the Proposed Acquisition are set out in the ASX announcement dated 13/12/2016.

During the period, the Company continued its intensive due diligence evaluation of the proposed Greenenz transaction. Due to material improvements in the commercial and technical nature of Greenenz's technology, Esperance and Greenenz agreed to reassess the proposed execution strategy. Based on those discussions the parties renegotiated the terms of the proposed transaction to better reflect its value and ensure the relisted entity is positioned to maximise shareholder returns via a more 'project specific' focussed strategy. The company finalised the key terms of the Greenenz transaction, and submitted an Application for In-Principle Advice on relisting the Company with the Australian Stock Exchange (ASX) which was positively received by the ASX.

The Company is now working closely with its professional advisers to expedite the completion of the Greenenz transaction, and relisting of the Company on the ASX.

The Company firmly believes that the Proposed Transaction will create significant long-term value for shareholders.

## DIRECTORS' REPORT

---

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial half-year under review.

---

### DIVIDEND

No dividends have been paid or declared since the end of the previous financial year to the date of this report.

---

### ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

---

### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2017.

Signed in accordance with a resolution of the Board made pursuant to S306(3) of the *Corporations Act 2001*.



Alan Beasley  
Chairman

Dated at Sydney this 8<sup>th</sup> day of March 2018.

**RSM Australia Partners**

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

[www.rsm.com.au](http://www.rsm.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Esperance Minerals Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A stylized blue ink signature of 'RSM'.

**RSM AUSTRALIA PARTNERS**

A blue ink signature of 'C J Hume'.

**C J HUME**  
Partner

Sydney, NSW  
Dated: 8 March 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
for the half-year ended 31 December 2017

	Note	<b>CONSOLIDATED HALF-YEAR ENDED</b>	
		<b>31-DEC-2017</b>	<b>31-DEC-2016</b>
		\$	\$
Administrative expenses	3	(196,956)	(219,671)
<b>(LOSS) FROM OPERATING ACTIVITIES</b>		(196,956)	(219,671)
Financial income		1	418
<b>TOTAL FINANCIAL INCOME</b>		1	418
<b>(LOSS) BEFORE INCOME TAX</b>		(196,955)	(219,253)
Income tax expense		-	-
<b>(LOSS) FOR THE PERIOD</b>		(196,955)	(219,253)
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the period, net of income tax		-	-
<b>TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD</b>		(196,955)	(219,253)
(Loss) attributable to:			
Owners of the parent		(196,955)	(219,253)
Non-controlling interests		-	-
		(196,955)	(219,253)
Total comprehensive (loss) attributable to:			
Owners of the parent		(196,955)	(219,253)
Non-controlling interests		-	-
		(196,955)	(219,253)
Basic and diluted (loss) per share	2	(0.010) cents	(0.011) cents

The consolidated statement of profit or loss and other comprehensive income is to be read  
in conjunction with the attached notes to the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 31 December 2017

		CONSOLIDATED	
	Note	31-DEC-2017 \$	30- JUN-17 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		49,768	13,658
Other receivables		5,700	3,982
Prepayments		5,000	5,000
<b>TOTAL CURRENT ASSETS</b>		<b>60,468</b>	<b>22,640</b>
<b>NON-CURRENT ASSETS</b>			
Office equipment – cost		1,598	1,598
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,598</b>	<b>1,598</b>
<b>TOTAL ASSETS</b>		<b>62,066</b>	<b>24,238</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		252,317	256,838
Borrowings	4	1,146,505	925,293
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,398,822</b>	<b>1,182,131</b>
<b>TOTAL LIABILITIES</b>		<b>1,398,822</b>	<b>1,182,131</b>
<b>NET LIABILITIES</b>		<b>(1,336,756)</b>	<b>(1,157,893)</b>
<b>EQUITY</b>			
Issued capital	5	12,441,611	12,441,611
Reserves		262,939	244,847
Accumulated losses		(14,041,312)	(13,844,357)
Parent entity equity		(1,336,762)	(1,157,899)
Non-controlling interest		6	6
<b>TOTAL EQUITY</b>		<b>(1,336,756)</b>	<b>(1,157,893)</b>

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half-year ended 31 December 2017

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- Controlling Interest \$	Total Equity \$
<b>BALANCE AT 1 JULY 2016</b>	11,509,769	117,907	(12,871,694)	6	(1,244,012)
Net (loss) for the period	-	-	(219,253)	-	(219,253)
Other comprehensive income:	-	-	-	-	-
Total comprehensive loss for the period	-	-	(219,253)	-	(219,253)
Issue of shares during the period	931,842	-	-	-	931,842
<b>BALANCE AT 31 DEC 2016</b>	<u>12,441,611</u>	<u>117,907</u>	<u>(13,090,947)</u>	<u>6</u>	<u>(531,423)</u>
<b>BALANCE AT 1 JULY 2017</b>	12,441,611	244,847	(13,844,357)	6	(1,157,893)
Net (loss) for the period	-	-	(196,955)	-	(196,955)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(196,955)	-	(196,955)
Equity component of convertible notes issue	-	18,092	-	-	18,092
<b>BALANCE AT 31 DEC 2017</b>	<u>12,441,611</u>	<u>262,939</u>	<u>(14,041,312)</u>	<u>6</u>	<u>(1,336,756)</u>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS for the half-year ended 31 December 2017

	<b>CONSOLIDATED HALF-YEAR ENDED</b>	
	<b>31-DEC-2017</b>	<b>31-DEC-2016</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(91,089)	(197,498)
Interest received	1	418
Interest paid	(802)	(15)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(91,890)</u>	<u>(197,095)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	128,000	143,000
Proceeds from share issue	-	823
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>128,000</u>	<u>143,823</u>
Net (decrease) in cash held	36,110	(53,272)
Cash at the beginning of the financial period	<u>13,658</u>	<u>240,275</u>
<b>CASH AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>49,768</u></u>	<u><u>187,003</u></u>

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

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Esperance Minerals Limited ("the Company") is a company domiciled in Australia.

The interim financial report of the Company and its controlled entities (the Group) is for the half year ended 31 December 2017. The financial statements were approved by the Board of Directors on 2 March 2018.

### **BASIS OF PREPARATION**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

The consolidated half-year financial report does not include all of the information required for a full annual financial report. The half-year financial report is to be read in conjunction with the most recent annual financial report for the year ended 30 June 2017. This report must also be read in conjunction with any public announcements made by the company during the half-year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The accounting policies adopted in the preparation of this financial report are, unless otherwise stated, consistent with those presented in the most recent annual financial report.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of certain non-current assets, financial assets and financial liabilities.

The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

### **NEW OR REVISED STANDARDS AND INTERPRETATIONS THAT ARE FIRST EFFECTIVE IN THE CURRENT REPORTING PERIOD**

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior half-years. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **GOING CONCERN**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The Group's statement of profit or loss and other comprehensive income for the half year ended 31 December 2017 reflected a net loss of \$196,955. The Group's statement of financial position as at 31 December 2017 reflected net current liabilities and a deficiency of net assets of \$1,336,756. The Group's consolidated statement of cash flows for the half year ended 31 December 2017 reflected net cash used in operating activities of \$91,890. At a minimum, without an acquisition, the Company would be required to raise approximately \$500,000 in equity or loans over the next 12 months.

The Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report after consideration of the following factors:

- The Company plans to issue equity during the next twelve months, which has proven to be successful in the past;
- As disclosed in Note 4, the Series B convertible note has been drawn to \$470,000 and \$100,000 remains undrawn and available for working capital and other purposes;

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### GOING CONCERN (CONTINUED)

- ESM issued convertible notes series F with a face value of \$603,000. As at 31 December 2017, the note has been drawn to \$128,000 and \$475,000 remains undrawn.
- The Company plans to continue to raise further capital to meet working capital requirements, which has proven to be successful in the past.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. However, should the Company be unsuccessful in the above, there is significant uncertainty as to whether the Group would be able to continue as going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as going concern.

#### USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### 2. LOSS PER SHARE

The calculation of basic (loss) and diluted (loss) per share at 31 December 2017 was based on the loss attributable to ordinary shareholders of \$196,955 (2016: \$219,253) and the weighted average number of ordinary shares outstanding during the financial period ended 31 December 2017 of 191,615,917 (2016: 191,615,917), calculated as follows:

	31-DEC-2017 Cents	31-DEC-2016 Cents
Basic and diluted (loss) per share	<u>(0.010)</u>	<u>(0.011)</u>

### 3. EXPENSES

	31-DEC-2017 \$	31-DEC-2016 \$
Administration and compliance expenses	77,961	122,364
Consultants fees	14,150	11,386
Directors fees and benefits	15,500	57,474
Finance expenses	72,768	(6,643)
Legal fees	16,577	14,544
Travel expenses	-	20,545
	<u>196,956</u>	<u>219,670</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 4. BORROWINGS

	31-DEC-2017	30-JUN-2017
	\$	\$
<b>CURRENT</b>		
Series A Convertible Notes	180,000	180,000
Series B Convertible Notes	120,000	120,000
Series E Convertible Notes (Subject to shareholder approval)	652,000	652,000
Effective Interest on Converting Notes	161,537	50,233
Series F Convertible Notes (Subject to shareholder approval)	128,000	-
Equity component of Convertible Notes	(145,032)	(126,940)
Loan Proceeds	50,000	50,000
	<u>1,146,505</u>	<u>925,293</u>

The Series A and B Note holders have extended the maturity date of the notes from 31 August 2017 by one year to 31 August 2018.

Series E Note holders have extended the maturity date of the notes from 31 December 2017 by six months to 30 June 2018.

Esperance issued Series F Converting Notes in November 2017, of which \$128,000 has been drawn and \$475,000 remains undrawn as at 31 December 2017. These funds are available for working capital and other purposes as required for the relisting of the Company. Its terms are:

- conversion price of 2 cents per ordinary share
- the Notes will accrue interest at a rate of 5% per annum;
- the Notes are unsecured; and
- the Company will seek Shareholder approval in a General Meeting of Shareholders, for the conversion of the Notes into new Ordinary Shares. If shareholders do not approve the conversion of the Notes, the Company must pay interest at 5% per annum on the face value of the Notes until the maturity date, 30 June 2018.

### 5. SEGMENT INFORMATION

The Group operates in a single segment being mining and exploration activities in Australia.

### 7. DIVIDENDS

During the half-year, the Group did not pay any dividends.

---

### 8. EVENTS SUBSEQUENT TO 31 DECEMBER 2017

On 7 February 2018 Sophia Zhang resigned as a director of the Company. Anthony Karam joined as a director on the same day to assist the company with completion of the Greenenz transaction.

Other than the above, there have been no other events subsequent 31 December 2017 which would have a material impact effect on the Group's financial statements at 31 December 2017.

---

### 9. COMMITMENTS AND CONTINGENCIES

As at 31 December 2017, there are no contingencies that affect the Group.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Esperance Minerals Limited, the directors declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standard AASB 134: Interim Financial Reporting and giving a true and fair view of the financial position and performance of the consolidated entity.

Dated at Sydney this 8<sup>th</sup> March 2018.

Signed in accordance with a resolution of the Board

A handwritten signature in black ink, appearing to read 'A. Beasley', with a stylized flourish at the end.

Alan Beasley  
Chairman

**RSM Australia Partners**

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

[www.rsm.com.au](http://www.rsm.com.au)**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****ESPERANCE MINERALS LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Esperance Minerals Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 conducting the review in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion.

*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 Esperance Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



*Basis for Disclaimer of Conclusion*

*Going concern*

The Group's statement of profit or loss and other comprehensive income for the half year ended 31 December 2017 reflected a net loss of \$196,955. The Group's statement of financial position as at 31 December 2017 reflected net current liabilities and a deficiency of net assets of \$1,336,756. The Group's consolidated statement of cash flows for the half year ended 31 December 2017 reflected net cash used in operating activities of \$91,890. At a minimum, without an acquisition, the Company would be required to raise approximately \$500,000 in equity or loans over the next 12 months. Further, the company was suspended from quotation on the ASX under listing rule 17.3 on 28 September 2016 and will continue to remain suspended until the company is able to demonstrate compliance with Chapter 12 of the ASX listing rules.

We have been unable to obtain sufficient appropriate audit evidence as to whether the consolidated entity may be able to raise sufficient capital to fund its operations, and to have its suspension from quotation on the ASX lifted, hence removing significant doubt of its ability to continue as a going concern within 12 months of the date of this auditor's report.

*Disclaimer of Conclusion*

Because of the significance of the matters described in the Bases for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion. Accordingly, we do not express a conclusion on whether the half-year financial report of Esperance Minerals Limited is 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 2017 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*.



**RSM AUSTRALIA PARTNERS**



**C J HUME**  
Partner

Sydney, NSW  
Dated: 8 March 2018