

Perpetual Resources Limited

ABN 82 154 516 533

Half-Year Report - 31 December 2016

Perpetual Resources Limited

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31 December 2016

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Perpetual Resources Limited
Corporate directory
31 December 2016

Directors	Mr George Karafotias Mr Eric Jiang Mr Mark Caruso Mr Ross Hastings
Company secretary	Mr Eric Jiang
Registered office	Level 3 600 St Kilda Road Melbourne, VIC, 3004 Phone: (03) 9529 2655 Fax: (03) 8640 0779
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnson Street Abbotsford VIC 3067
Auditor	William Buck Level 20, 181 William Street Melbourne VIC 3000
Solicitors	Kelly Hazell Quill Level 15, 440 Collins Street Melbourne Vic 3000
Bankers	Commonwealth Banking Corporation Limited 499 St Kilda Road MELBOURNE VIC 3004
Stock exchange listing	Perpetual Resources Limited shares are listed on the Australian Securities Exchange (ASX code: PEC)

Perpetual Resources Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Perpetual Resources 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 2016.

The information in this report should be read in conjunction with the most recent annual financial report, being the report for the year ended 30 June 2016.

Directors

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

Mr George Karafotias (Executive Director)
Mr Eric Jiang (Executive Director)
Mr Mark Caruso (Non-executive Chairman)
Mr Ross Hastings (Non-executive Director)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Gold exploration of the Wiagdon Thrust Project in New South Wales.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$93,579 (31 December 2015: \$70,253).

Expenses

Operating expenses increased during the half-year period to \$93,579 (2015: \$70,253).

During the half year period, the group has continued to progress work on the gold exploration of Wiagdon Thrust Joint Venture project in New South Wales.

Wiagdon Thrust Project

The group manages exploration activities in NSW through the Wiagdon Thrust Joint Venture ("WTJV") which it shares beneficially with Dakota Minerals Limited (formally Oroya Mining Limited).

The Wiagdon Thrust Project ("WTP") comprises 8 partially contiguous exploration licences over a total area of approximately 150km². The licences are located within the Lachlan Fold Belt (LFB) with the licences positioned about 20km south of Mudgee and extending a distance of approximately 50km south to the Wattle Flat-Sofala area. The principal exploration target within the WTP area is large tonnage structurally controlled, disseminated or vein controlled gold and gold-copper deposits associated with volcanic and intrusive porphyry and epithermal regimes. A particular exploration focus is on the structural highs within the LFB and associated early Ordovician to early Silurian basic volcanic and intermediate rocks. Regionally the very large Cadia Valley porphyry copper-gold deposit and the large Northparkes Mine porphyry copper-gold deposits, and others occurs in these rock units. Locally notable historic gold production had occurred in the Wattle Flat-Sofala area as well as a number of alluvial and hard-rock workings that occurs throughout the project area.

During the half year to December 2016, exploration activities consisted of surface sampling and mapping within exploration licences 6628 and 6629. Access negotiations with landowners were ongoing.

Partial renewal applications for 34 licences (EL 6627, 6628, and 6629) were submitted to NSW Trade and Investment and included partial relinquishment of collectively approximately 8km² and were received.

Perpetual Resources Limited
Directors' report
31 December 2016

PT Atoz

PT Atoz Nusantara Mining ('PANM') continued to negotiate with local landowners to commence coal production on its 192 hectare Atoz site.

Perpetual Resources has previously entered into an arrangement to receive a royalty of US\$3 per tonne from coal mined and sold from the PT Atoz site.

During the half year no coal was mined from Pt Atoz due its current market feasibility.

Corporate

The board have and continue to review many resource based projects that will add to the value to the Company. The board continues to undertake a comprehensive due diligence review of various projects and will update the market once a project has been identified.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year


No matter or circumstance has arisen since 31 December 2016 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.

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

On behalf of the directors


George Karafotias
Executive Director

16 March 2017

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF PERPETUAL RESOURCES
LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2016 there have been:

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

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

N. S. Benbow

N. S. Benbow
Director

Dated this 16th day of March 2017

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Perpetual Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 December 2016	31 December 2015
		\$	\$
Expenses			
Administrative and corporate expenses		(62,079)	(38,494)
Interest expense		(31,500)	(31,759)
Loss before income tax expense		(93,579)	(70,253)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Perpetual Resources Limited		(93,579)	(70,253)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Perpetual Resources Limited		(93,579)	(70,253)
		Cents	Cents
Basic earnings per share	8	(0.12)	(0.10)
Diluted earnings per share	8	(0.12)	(0.10)

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

Perpetual Resources Limited
Statement of financial position
As at 31 December 2016

Note	Consolidated	
	31 December 2016 \$	30 June 2016 \$
Assets		
Current assets		
Cash and cash equivalents	74,104	167,128
Trade and other receivables	9,537	9,435
Total current assets	<u>83,641</u>	<u>176,563</u>
Non-current assets		
Exploration and evaluation	4 1,409,122	1,373,774
Total non-current assets	<u>1,409,122</u>	<u>1,373,774</u>
Total assets	<u>1,492,763</u>	<u>1,550,337</u>
Liabilities		
Current liabilities		
Trade and other payables	147,896	143,391
Borrowings	910,473	878,973
Total current liabilities	<u>1,058,369</u>	<u>1,022,364</u>
Total liabilities	<u>1,058,369</u>	<u>1,022,364</u>
Net assets	<u>434,394</u>	<u>527,973</u>
Equity		
Issued capital	6,291,935	6,291,935
Accumulated losses	<u>(5,857,541)</u>	<u>(5,763,962)</u>
Total equity	<u>434,394</u>	<u>527,973</u>

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

Perpetual Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2016

	Issued capital \$	Accumulated losses \$	Total equity \$
Consolidated			
Balance at 1 July 2015	6,040,992	(5,364,824)	676,168
Loss after income tax expense for the half-year	-	(70,253)	(70,253)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(70,253)	(70,253)
Balance at 31 December 2015	<u>6,040,992</u>	<u>(5,435,077)</u>	<u>605,915</u>
	Issued capital \$	Accumulated losses \$	Total equity \$
Consolidated			
Balance at 1 July 2016	6,291,935	(5,763,962)	527,973
Loss after income tax expense for the half-year	-	(93,579)	(93,579)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(93,579)	(93,579)
Balance at 31 December 2016	<u>6,291,935</u>	<u>(5,857,541)</u>	<u>434,394</u>

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

Perpetual Resources Limited
Statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(57,676)	(9,300)
Net cash used in operating activities	(57,676)	(9,300)
Cash flows from investing activities		
Exploration tenements	(35,348)	-
Net cash used in investing activities	(35,348)	-
Cash flows from financing activities		
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	(93,024)	(9,300)
Cash and cash equivalents at the beginning of the financial half-year	167,128	9,346
Cash and cash equivalents at the end of the financial half-year	<u>74,104</u>	<u>46</u>

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

Perpetual Resources Limited
Notes to the financial statements
31 December 2016

Note 1. General information

The financial statements cover Perpetual Resources Limited as a consolidated entity consisting of Perpetual Resources Limited and the entities it controlled at the end of, or during, the 6 months to 31 December 2016. The financial statements are presented in Australian dollars, which is Perpetual Resources Limited and its subsidiary's functional and presentation currency.

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

Level 3
499 St Kilda Road
Melbourne VIC 3004

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Going concern

During the period, the consolidated entity incurred net cash outflows from operations of \$57,676. As at 31 December 2016, the consolidated entity had a net working capital deficiency totalling \$974,728.

The consolidated entity plans to continue to progress the Wiagdon Thrust Project's exploration activities to ensure the mineral potential is explored. Details of its planned expenditure on the project are set out in Note 4. In order to achieve these objectives, the consolidated entity's continuing viability, its ability to continue as a going concern and to meet its debts and commitments as and when they fall due, the following matters have been considered by directors in determining the appropriateness of the going concern basis of preparation:

Note 2. Significant accounting policies (continued)

- The net working capital deficiency above includes amounts owing to entities controlled by the Company's Directors. The Directors have provided letters of support in relation to these amounts that allows the consolidated entity to defer payment of amounts outstanding until such time that the consolidated entity has the available working capital to repay all amounts outstanding. The consolidated entity has received letters of financial support from all of its Directors stating that they intend to and have the ability to contribute the necessary working capital to the consolidated entity so that the consolidated entity can continue to pay its debts as and when they fall due for a period of at least 12 months from the date of signing these financial statements.
- The consolidated entity's areas of interest under exploration and development requires ongoing capital expenditure, however that capital expenditure is not contractually binding upon the group and may be abandoned, deferred or renegotiated in the event that the group does not have sufficient working capital to meet its planned exploration activities; and
- With no binding contractual commitments, service contracts with its key personnel nor any commercial leasehold and with the Directors and company secretary agreeing to waive entitlements to their fees as part of their pledge of financial support as noted above, the consolidated entity has the capacity to scale down its operations, both in terms of the scope of its exploration programs and the corporate administrative services provided thereon.
- It is noted that included within the capitalised exploration and evaluation asset is an amount of \$100,000 paid for tenement bonds as these form part of the cost of consideration for acquiring mining licences and at the completion of successful exploration activities of each area of interest will be used towards rehabilitation of the site.
- The consolidated entity has the ability to raise additional equity capital or debt funding. The Directors are confident that they would be able to raise additional funding through these sources as previous history supports their ability to do so. During the June 2016 financial year, the consolidated entity raised \$250,943 through the issue of fully paid ordinary shares.

For these reasons, the directors believe that the company and its controlled entities will continue to pay their debts as and when they fall due and payable.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the classification of liabilities that may be necessary should the group be unable to continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity has continued to operate under one segment being the exploration, evaluation and development of resources within the Australasia region. 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 allocation of resources are prepared on the consolidated entity as a whole.

Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Exploration and evaluation - at cost	1,409,122	1,373,774

Wiagdon Thrust Project

The capitalised exploration in-respect of the Wiagdon Thrust Project (the project) is subject to a joint venture agreement, between the group's 100% owned subsidiary, Neo Resources Limited (Neo) and Dakota Minerals Limited (Dakota), previously known as Oroya Mining Limited (Oroya), registered name change in December 2014, which commenced in December 2009. Under the terms of the agreement, Neo has earned a 70% interest by spending \$1.5m in capitalised exploration by April 2012.

Note 4. Non-current assets - exploration and evaluation (continued)

PT Atoz Project

The right to the mining licence agreement which was due for expiry on 28 October 2017 has been terminated early after the conclusion of drilling activities. As a consequence, the directors resolved to write down the value of the assets entirely.

Following the conclusion of drilling, the group reviewed different options to move the project forward. On 11 June 2014, the group announced that it had come to an agreement with PT Atoz Nusantara Mining ("PANM") in relation to future coal production at PT Atoz. The parties have agreed for PANM to commence production totally at its own costs and in return the group will receive a royalty of US\$3 per tonne of all coal sold by PANM. The value of this royalty cannot be reliably calculated for the following reasons:

- Mining operations in the area are yet to commence nor is there any certainty over whether they will commence; and
- There is still no reliable estimate of the proven, probable or inferred resources that would form basis for the calculation of the royalty right entitlement.

As a consequence, this right has been recorded at a \$nil value in these financial statements.

Note 5. Equity - dividends

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

Note 6. Fair value measurement

The carrying value of assets and liabilities held by the company approximates their fair value.

Note 7. Events after the reporting period

No matter or circumstance has arisen since 31 December 2016 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.

Note 8. Earnings per share

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Loss after income tax attributable to the owners of Perpetual Resources Limited	(93,579)	(70,253)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	76,955,693	66,917,994
Weighted average number of ordinary shares used in calculating diluted earnings per share	76,955,693	66,917,994
	Cents	Cents
Basic earnings per share	(0.12)	(0.10)
Diluted earnings per share	(0.12)	(0.10)

Perpetual Resources Limited
Directors' declaration
31 December 2016

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 2016 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 with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



George Karafyllas
Executive Director

16 March 2017

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

Report on the Half-Year Financial Report

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

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial 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 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 Perpetual Resources 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.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PERPETUAL RESOURCES LIMITED (CONT.)

Independence

In conducting our review, we have 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 Perpetual 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 Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$93,579 during the half year ended 31 December 2016 and, as of that date, the consolidated entity's current liabilities exceeded its total assets by \$974,728. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

A handwritten signature in blue ink, appearing to read 'N. S. Benbow'.

N. S. Benbow
Director

Dated this 16th day of March 2017