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**TAWANA**

RESOURCES NL

**ABN 69 085 166 721**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**30 JUNE 2018**

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The financial report covers the consolidated entity consisting of Tawana Resources NL and its subsidiaries.  
The financial report is presented in Australian dollars unless indicated otherwise.

# CORPORATE DIRECTORY

## Directors

Mr Robert Benussi	Non-Executive Chairman
Mr Mark Calderwood	Managing Director
Mr Robert Vassie	Non-Executive Director
Mr Mark Turner	Non-Executive Director
Ms Vicki Xie	Non-Executive Director

## Company Secretaries

Mr Alexei Fedotov  
Ms Joanna Kiernan

## Principal place of business & registered office

Level 3, 20 Parkland Road  
Osborne Park WA 6017

## Contact details

Phone: +61 8 9489 2600  
Email: [admin@tawana.com.au](mailto:admin@tawana.com.au)  
Website: [www.tawana.com.au](http://www.tawana.com.au)

## Share register - Australia

Computershare Investor Services Pty Ltd  
GPO Box 2975, Melbourne VIC 3001  
Phone: +61 3 9415 5000  
Fax: +61 3 9473 2500

## Share register – South Africa

Computershare Investor Services (Pty) Limited  
Rosebank Towers, 15 Biermann Avenue  
Rosebank, 2196  
Phone: +27 (0) 11 870 8241  
Fax: +27 (0) 11 688 5209

## Auditors

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

## Bankers

National Australia Bank  
100 St Georges Terrace  
Perth WA 6000

## Media relations

NWR Communications  
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## Stock exchange

Primary listing: Australian Securities Exchange  
ASX Code: TAW

Secondary Listing: JSE Limited  
JSE Code: TAW

## Solicitors

King & Wood Mallesons  
250 St Georges Terrace  
Perth WA 6000

# DIRECTORS' REPORT

For the half-year ended 30 June 2018

## Directors' Report

The Directors present their report on Tawana Resources NL (the **Company**) and its controlled entities (**Tawana or the Group**) for the half-year ended 30 June 2018.

### Directors

The names of Directors in office at any time during or since the end of the half-year are as follows:

Mr Robert Benussi	Non-Executive Chairman
Mr Mark Calderwood	Managing Director
Mr Mark Turner	Non-Executive Director
Mr Robert Vassie	Non-Executive Director
Ms Vicki Xie	Non-Executive Director

All Directors have been in office for this entire period unless otherwise stated.

### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

### Review and Results of Operations

The Company holds a 50% interest in the Bald Hill Lithium and Tantalum Mine (**Bald Hill Mine**) which is located 50km south east of Kambalda in the eastern Goldfields, about 75km south east of the Mt Marion Lithium Project. The Bald Hill Mine comprises four mining leases, twelve exploration licences, four prospecting licences and two mining lease applications totaling 774km<sup>2</sup>. All Bald Hill Mine related amounts reported in this report are on 100% basis unless stated otherwise.

In March 2018, Tawana and its joint operating partner Alliance Mineral Assets Limited (**Alliance**) announced the commencement of lithium production at the Bald Hill Mine, following ore commissioning of the newly constructed Dense Media Separation (**DMS**) circuit.

For the period 12 March 2018 to 30 June 2018, the Bald Hill Mine produced a total of 19,218wmt (approximately 18,800dmt) of spodumene concentrate and 367wmt of tantalum pre-concentrate.

A total of 9,012wmt (approximately 8,859dmt) of spodumene concentrate was sold under offtake agreements with Hong Kong based Burwill Commodity Limited. Average shipped concentrate grade was 6.14% Li<sub>2</sub>O with only 0.55% Fe and low K, Na and mica. \$5,297,000 in spodumene concentrate sales was recognised for the period.

Tawana's share of net costs for the Project for the half year to 30 June 2018 have been capitalised.

The loss of the consolidated entity for the half-year period ended 30 June 2018 after providing for income tax amounted to \$7,253,000 (30 June 2017: \$5,078,000) which includes a \$4,059,000 write-down of the Group's non-core exploration assets to their fair value less costs to distribute.

No dividends were declared or paid during the half year ended 30 June 2018.

# DIRECTORS' REPORT

For the half-year ended 30 June 2018

## Health and Safety

The Company prioritises the health and safety of all its employees and contractors and is committed to providing a safe working environment. Using the Total Recordable Injury Frequency Rate (**TRIFR**) as one of the key methods to monitor safety performance, the Company reports that there was one recordable Restricted Work Injury (**RWI**) during the reporting period. The Bald Hill Mine TRIFR stands at 0.36.

## Mining

A total of 3.7 million bcm of material was mined for the period. 267,000t of lithium ore at 1.0% Li<sub>2</sub>O and 127,000t of tantalum ore at 274 ppm Ta<sub>2</sub>O<sub>5</sub> was mined from the Stage 1 pit at an average strip ratio of 23:1. Overall, mining predominately focused on the Stage 1 pit, with some pre-strip occurring in the Stage 2 pit. Strip ratio will remain high while pre-strip activities continue in Stage 2 and Stage 3 pits to maintain continuity of ore supply.

## Processing

Lithium concentrate production commenced in March 2018 from the new DMS circuit at the Bald Hill Mine. The DMS circuit made significant progress, achieving nameplate capacity of 161tph in the first two weeks of operation. Ramp up to full production rates continued over the following months with commercial production declared post half year-end in July 2018.

A total of 273,000 tonnes of ore at 0.77% Li<sub>2</sub>O were processed of which 68,664 tonnes of fines were stockpiled and 19,218wmt of spodumene concentrate was recovered through the DMS circuit.

Overall, operational metallurgical performance of the DMS circuit during ramp-up was consistent with the original test-work, with high grade concentrates being produced and high recoveries to primary concentrates and middlings being achieved. The plant achieved hourly feed rates of up to 230tph compared to the design feed rate of 161tph and opportunities for increasing the throughput are continuing to be assessed. Optimisation of the plant will continue with further modifications planned to achieve an expected average throughput rate of up to 240tph.

Tantalum pentoxide recovery into pre-concentrate from the DMS spirals commenced during the latter part of the half year period and work commenced at Nagrom Mineral Laboratory in Perth to upgrade pre-concentrates.

Table 1 | Stage 1 DMS Commissioning and Ramp-up throughput rates

Commissioning and Ramp up Period	Target (t) Throughput	Actual (t) Throughput	Average tph	Operating hours	Net utilization %
14 March - 13 April	22,509	50,042	148.2	337.6	45
14 April - 13 May	45,015	75,612	157.0	481.7	67
14-May - 13 June	82,800	92,550	180.3	513.4	69
14 June - 13 July	96,716	102,698	197.6	519.8	72

Note - Nameplate target is 161tph and 100,000t/month average.

The initial results were achieved on low-grade commissioning ore. The plant performance is consistent with results achieved in test-work in the development and design phase of the project.

# DIRECTORS' REPORT

For the half-year ended 30 June 2018

## Mineral Resource & Reserve Upgrade

### Mineral Resource

CSA Global Pty Ltd was commissioned during the period to update the Mineral Resource estimate for the Bald Hill Mine. The total updated lithium Resource of 26.5Mt at 1.0% Li<sub>2</sub>O (using 0.3% Li<sub>2</sub>O cut off), included an Indicated Resource of 14.4Mt at 1.02% Li<sub>2</sub>O as announced on 6 June 2018. This represented an increase of 55% in contained lithium over the 2017 Indicated Resource estimate.

Table 2 | Bald Hill Project, Resources above 0.3% Li<sub>2</sub>O cut-off

Resource Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> O <sub>5</sub> (,000) Lbs
Indicated	14.4	1.02	147,200	168	5,300
Inferred	12.1	0.90	108,000	123	3,300
Total	26.5	0.96	255,200	149	8,600

Notes: 1) The Resource has been cut to the current mine survey as at 30 April 2018  
2) Ore and concentrate stockpiles have been excluded from the totals

Table 3 | Bald Hill Project, Tantalum Resources below 0.3% Li<sub>2</sub>O and above 200ppm Ta<sub>2</sub>O<sub>5</sub> cut-offs

Resource Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> O <sub>5</sub> (,000) Lbs
Indicated	3.0	0.16	4,700	333	2,200
Inferred	1.4	0.15	2,200	339	1,100
Total	4.4	0.16	6,900	336	3,300

Note: The tantalum resources reported in Table 3 are additional to those reported in Table 2.

Compared to the prior estimate (refer ASX announcement 11 October 2017), the revised Mineral Resource estimate above 0.5% Li<sub>2</sub>O is essentially the same total size but Indicated Resources have increased by 67% as a result of infill drilling and lowering the cut-off due to plant performance. The latest Mineral Resource estimate includes a low-grade component grading between 0.3 and 0.5% Li<sub>2</sub>O due to the metallurgical performance of low-grade or feed ore to the Stage 1 DMS.

### Ore Reserve

A significant Ore Reserve upgrade was announced on 6 June 2018 which supported an increase in the life of mine from 3.6 years to 9 years based on a processing rate of 1.2Mtpa. The updated lithium Ore Reserve of 11.3Mt at 1.01% Li<sub>2</sub>O and 160 ppm Ta<sub>2</sub>O<sub>5</sub> represented a 105% increase in contained lithium over the previous 2017 Ore Reserve estimate. The Reserve upgrade reflects pit design changes resulting from increases to Indicated Resources following infill drilling completed in the second half of 2017.

A 43% increase in the Tantalum Ore Reserve over the July 2017 Reserve was also announced in June 2018 with the total tantalum Ore Reserve now measuring 2.0Mt at 313ppm Ta<sub>2</sub>O<sub>5</sub>.

# DIRECTORS' REPORT

## For the half-year ended 30 June 2018

Table 4: Bald Hill Mine - Reserves above 0.3% Li<sub>2</sub>O

Reserve Category	Tonnes (Mt)	Grade Li <sub>2</sub> O %	Contained Li <sub>2</sub> O Tonnes	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> O <sub>5</sub> (,000) Lbs
Proven	-	-	-	-	-
Probable	11.3	1.01	114,100	160	4,000
Total	11.3	1.01	114,100	160	4,000

Notes: 1) Allows for mining ore loss of 7.5% and dilution of 7.5% at 0% Li<sub>2</sub>O and 0ppm Ta<sub>2</sub>O<sub>5</sub>  
2) Reserves have been cut to the April 2018 end of month mine survey

Table 5: Bald Hill Project - Reserves below 0.3% Li<sub>2</sub>O and above 200ppm Ta<sub>2</sub>O<sub>5</sub> cut-offs, April 2018

Reserve Category	Tonnes (Mt)	Grade Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Ta <sub>2</sub> O <sub>5</sub> (,000) Lbs
Proven	-	-	-
Probable	2.0	313	1,400
Total	2.0	313	1,400

Notes: 1) Allows for mining ore loss of 7.5% and dilution of 7.5%  
2) Reserves contained in Table 5 are additional to those reported in Table 4.  
3) Reserves have been cut to the April 2018 end of month mine survey; ore stockpiles and concentrates are excluded.

All material assumptions and technical parameters underpinning the Mineral Resource and Ore Reserve estimates in the ASX announcement dated 6 June 2018 continue to apply and have not materially changed since last reported.

### Exploration

Significant potential exists at the Bald Hill Mine to increase mine life through exploration and infill reserve drilling. Exploration activities throughout the half year period were focused on infill drilling targeting approximately 8.8Mt of additional Inferred Resources reported to the preferred Indicated + Inferred Whittle (Optimisation) pit shell. A total of 70 holes were completed for 11,655m.

In addition, limited lithium and water exploration drilling was undertaken throughout the half year period with a total of 30 holes drilled for 4,773m which intersected significant mineralisation in extension to and below the current Resource.

Intercepts include:

#### Northern Section - Water Exploration Drill Holes

- LRC0707 – drilled 600m north of the current pit, 21m at 1.50% Li<sub>2</sub>O from a depth of 169m from a 22m wide pegmatite;
- LRC0708 - drilled 400m to the west, intercepted a 6m wide pegmatite from a depth of 128m which included 9m at 0.33% Li<sub>2</sub>O; and
- LRC0706 – drilled 1.2km south of LRC0708 and intercepted a 13m wide pegmatite from a depth of 23m and an 8m wide pegmatite from a depth of 43m and included 6m at 0.68% Li<sub>2</sub>O from a depth of 24m and 4m at 1.0% Li<sub>2</sub>O from a depth of 45m.

#### Eastern Extension

- 33m at 1.33% Li<sub>2</sub>O from a depth of 228m including 20m at 1.78% Li<sub>2</sub>O;
- 24m at 1.51% Li<sub>2</sub>O from a depth of 200m;
- 29m at 1.31% Li<sub>2</sub>O from a depth of 174m; and
- 28m at 1.28% Li<sub>2</sub>O from a depth of 179m including 11m at 1.73% Li<sub>2</sub>O.

# DIRECTORS' REPORT

## For the half-year ended 30 June 2018

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### Corporate

#### Merger with Alliance Mineral Assets Limited

In April 2018, the Company announced a proposed merger of equals with Alliance (**Merger**). The Merger is to be effected by way of a members' scheme of arrangement under the Corporations Act 2001 (Cth) whereby Tawana shareholders will receive 1.1 new Alliance Shares for every 1 Tawana Share held (**Scheme**).

Implementation of the Scheme will consolidate 100% ownership of the Bald Hill Mine and elevate the status of the combined Alliance/Tawana group (Merged Group) as a pure-play ASX and SGX Catalist listed lithium company which will be ideally positioned to become a sizeable producer of high demand lithium concentrate. The Merger will simplify the ownership structure and operational management of the Bald Hill Mine and enhance the financial capacity of the Merged Group to fund future growth and exploration initiatives.

Following implementation of the Scheme, the Company will become a wholly-owned subsidiary of Alliance, Alliance shareholders will own approximately 51% of the Merged Group and Tawana shareholders will own approximately 49% of the Merged Group as new Alliance shareholders.

The Scheme is subject to customary conditions precedent, including regulatory approvals in both Singapore and Australia; the approval of the Scheme by the Company's shareholders by the requisite majorities; Alliance shareholder approval of the transactions and matters connected to the Scheme by the requisite majorities; and Court approval.

The Merger is expected to close during the fourth quarter of the calendar year 2018, subject to regulatory approvals. Refer to the *Events after Reporting Date* section in this Report for further information on the Merger.

#### Tantalum Offtake

In January 2018, the Company and Alliance executed a non-binding in principle term sheet for the offtake of tantalum concentrate with leading tantalum industry specialist H.C.Starck GmbH (**HC Starck**). HC Starck is a leading international manufacturer of high-tech powders and components made of technology metals, advanced ceramics and thermal spray powders.

HC Starck agreed, in principle, to purchase a minimum of 600,000 pounds of tantalum concentrate in aggregate produced at Bald Hill from April 2018 to 31 December 2020, or all of the standard grade tantalum concentrate (>25% Ta<sub>2</sub>O<sub>5</sub>) produced at Bald Hill from April 2018 to 31 December 2020 if delivery is less than 600,000 pounds.

In addition, HC Starck may purchase any other tantalum materials from Bald Hill, including low-grade concentrate and off-spec material etc. as part of the agreement.

Discussions between the parties in relation to the binding definitive offtake agreement are ongoing.

#### Red Coast Investment Limited Loan Facility

In February 2018, Lithco No. 2 Pty Ltd (**Lithco**), a wholly owned subsidiary of the Company which holds the 50% interest in the Bald Hill Mine, executed a binding \$5 million loan agreement with Red Coast Investment Limited (**Red Coast**), an investment company nominated by major shareholder Weier Antriebe und Energietechnik GmbH (**Weier**). The loan agreement was part of the \$25 million funding package to support works at the Bald Hill Mine, initially announced on 20 October 2017. Weier is a 100%-owned subsidiary of lithium industry specialist Jiangte Special Electric Motor Co. Ltd, a company listed on the Shenzhen Stock Exchange. The loan was subsequently drawn down in full in March 2018. The loan was amended on 23 August 2018 to extend the repayment date to 30 June 2020.



# DIRECTORS' REPORT

For the half-year ended 30 June 2018

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Key terms of the loan agreement as amended are:

- Interest of 11% per annum, payable quarterly in arrears until 31 December 2019, and 13% from 1 January 2020 until 30 June 2020
- Maturity and single repayment date of 30 June 2020
- Loan may be prepaid at any time before maturity and without penalty
- Security over Lithco's interest in the DMS plant.

The funds were used for development at the Bald Hill Mine and for general working capital purposes.

## Demerger of Non-Core Assets to form Cowan Lithium

During the period, a decision was made to demerge the Company's non-core assets to allow it to focus on the development of the Bald Hill Mine (**Demerger**). The Demerger involved transferring the Cowan, Yallari and Mofe Creek assets and shares in Rakana Consolidated Mines (Proprietary) Ltd to a new wholly-owned public company, Cowan Lithium Limited (**Cowan Lithium**) before undertaking a capital reduction and distribution by way of an in-specie distribution of 85% of all of the Cowan Lithium shares to the Company's shareholders.

As a result of the Demerger, the Company no longer has a direct interest in these projects but has exposure to the projects through its 15% shareholding in Cowan Lithium.

Refer to the *Events after Reporting Date* section in this Report for further information on the Demerger.

## Capital Raising

In April 2018, the Company undertook a fully underwritten \$20 million placement to sophisticated and institutional investors, which included a \$7.8 million placement to existing substantial shareholder Weier (**Underwritten Placement**). 48,780,488 fully paid ordinary shares at \$0.41 per share were issued on 17 April 2018 pursuant to the placement under the Company's existing ASX listing Rule 7.1 placement capacity.

In addition, the Company announced that it intended to place an additional \$5 million in gross proceeds at \$0.41 to sophisticated and institutional investors (**Conditional Placement**). The Conditional Placement was not underwritten and was conditional on completion of the Alliance Conditional Placement, being a non-underwritten conditional placement to Burwill Holdings Ltd, an existing substantial shareholder of Alliance, to raise gross proceeds of up to \$7.8 million. In substitution of the Conditional Placement, the Company conducted an alternative capital raising for the same amount after costs. Refer to the *Events after Reporting Date* section in this Report for further information on the alternative capital raising.

The funds raised under the Underwritten Placement provided additional working capital and supported commissioning and ramp up at the Bald Hill Mine. In addition, funds were directed towards resource drilling; capital expenditure including feasibility studies on expansion projects; and other initiatives at the Bald Hill Mine.

## Executive Management Changes

During the period, the Company made several key appointments with Mr Craig Hasson appointed to the role of Chief Financial Officer; Mr Alexei Fedotov appointed as General Manager Commercial & Legal and Joint Company Secretary; and Mr Tim Thomas appointed as Chief Technical Officer - Mining.

After the end of the period, on 1 August 2018 the Company announced that Claire O'Brien had resigned as Joint Company Secretary and that Joanna Kiernan had been appointed as Joint Company Secretary.

# DIRECTORS' REPORT

For the half-year ended 30 June 2018

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## Events After Reporting Date

On 6 July 2018, the Company announced that at a General Meeting, shareholders had approved the demerger of its non-core assets to Cowan Lithium; the approval of an equal capital reduction; and an amendment to its Constitution. The demerger and distribution of 85% of the shares in Cowan Lithium was completed on 18 July 2018.

On 6 July 2018, the Company announced that it had completed a placement to an institutional investor of 12,195,122 fully paid ordinary shares at an issue price of \$0.40 per share to raise gross proceeds of approximately \$4.878 million. This placement was done in substitution of the Conditional Placement announced in April 2018.

On 9 July 2018, the Company announced that it had amended the Scheme Implementation Agreement with Alliance announced on 5 April 2018 to address the treatment of shareholders with a registered address in South Africa to: update the Scheme timetable following a 'no objection' ruling from the Singapore Exchange Securities Trading Limited (SGX-ST); include the provision for the cancellation of 1,000,000 Tawana Options (\$0.50, 6 April 2021) in exchange for the issue of 354,196 Alliance shares; and other technical and minor consequential amendments.

On 31 July 2018, the Company announced that the Bald Hill Mine had achieved commercial production with the successful completion of the commissioning of the Stage 1 DMS.

On 20 August 2018, the Company announced that the Australian Securities and Investments Commission had registered the Scheme Booklet in relation to the proposed Merger. This followed approval by the Federal Court of Australia on 17 August 2018 to convene a meeting of the Company's shareholders to consider and vote on the Scheme and approve the dispatch of the Scheme Booklet to the Company's shareholders. The Scheme Booklet included an Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd which concluded that the Scheme is fair and reasonable and therefore in the best interests of Tawana shareholders, in the absence of a superior proposal.

This Directors' Report is made in accordance with a resolution of the Board.



Mark Calderwood  
Managing Director

Date: 13 September 2018

# AUDITOR'S INDEPENDENCE DECLARATION

For the half-year ended 30 June 2018



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## Auditor's Independence Declaration to the Directors of Tawana Resources NL

As lead auditor for the review of Tawana Resources NL for the half-year ended 30 June 2018, I declare 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.

This declaration is in respect of Tawana Resources NL and the entities it controlled during the financial period.

Ernst & Young

R J Curtin  
Partner

13 September 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the half-year ended 30 June 2018

	Notes	30 June 2018 \$'000	30 June 2017 \$'000
<b>Revenue</b>			
Revenue from sale of product		-	-
Other revenue and income		127	30
		<u>127</u>	<u>30</u>
<b>Expenses</b>			
Administration expense		(1,328)	(528)
Employee benefits expense		(1,058)	(355)
Share based payment expense		(448)	(2,393)
Compliance and regulatory expense		(259)	(29)
Financing expense		(194)	-
Depreciation expense		(35)	(32)
Impairment of exploration and evaluation asset	6	(4,059)	(1,669)
Foreign exchange gain		1	-
Other expenses		-	(102)
		<u>(7,380)</u>	<u>(5,108)</u>
<b>Loss before income tax</b>		<b>(7,253)</b>	<b>(5,078)</b>
Income tax benefit/(expense)		-	-
		<u>(7,253)</u>	<u>(5,078)</u>
<b>Other comprehensive loss</b>			
<i>Items that will be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(44)	24
<b>Total comprehensive loss for the year</b>		<b>(7,297)</b>	<b>(5,054)</b>
<b>Loss per share for the year attributable to the members of Tawana Resources NL:</b>			
Basic/diluted loss per share (cents)	18	<u>(1.41)</u>	<u>(2.78)</u>

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 \$'000	31 December 2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	10,811	16,375
Trade and other receivables	5	9,355	5,190
Prepayments and deposits		468	1,116
Disposal group held for distribution	6	4,225	-
Inventory	7	868	27
<b>Total current assets</b>		<b>25,727</b>	<b>22,708</b>
<b>Non-current assets</b>			
Mine properties	8	36,379	18,045
Exploration and evaluation expenditure	9	316	7,660
Property, plant and equipment	10	36,844	23,833
Deposits		345	73
<b>Total non-current assets</b>		<b>73,884</b>	<b>49,611</b>
<b>Total assets</b>		<b>99,611</b>	<b>72,319</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	16,566	9,373
Deferred revenue		11,705	9,595
Provisions		359	160
Interest bearing liabilities	12	89	-
<b>Total current liabilities</b>		<b>28,719</b>	<b>19,128</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	12	5,035	-
Deferred revenue		-	2,905
Provision for rehabilitation	13	2,863	706
<b>Total non-current liabilities</b>		<b>7,898</b>	<b>3,611</b>
<b>Total liabilities</b>		<b>36,617</b>	<b>22,739</b>
<b>Net assets</b>		<b>62,994</b>	<b>49,580</b>
<b>Equity</b>			
Contributed equity	15	128,287	108,024
Reserves		5,861	6,990
Accumulated losses		(72,687)	(65,434)
Amounts recognised in equity relating to the disposal group		1,533	-
<b>Total equity</b>		<b>62,994</b>	<b>49,580</b>

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 30 June 2018

	Contributed equity \$'000	Share based payments Reserve \$'000	Foreign currency reserve \$'000	Asset revaluation reserve \$'000	Equity relating to disposal group \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2018	108,024	5,428	1,539	23	-	(65,434)	49,580
<b>Comprehensive loss</b>							
Loss for the period	-	-	-	-	-	(7,253)	(7,253)
Exchange differences on foreign operations	-	-	(44)	-	-	-	(44)
<b>Total comprehensive loss for the year</b>	-	-	(44)	-	-	(7,253)	(7,297)
<i>Transactions with owners in their capacity as owners:</i>							
Shares issued, net of costs	20,263	-	-	-	-	-	20,263
Share based payment transactions	-	448	-	-	-	-	448
Transfer for equity relating to disposal group	-	-	(1,533)	-	1,533	-	-
	20,263	448	(1,533)	-	1,533	-	20,711
<b>At 30 June 2018</b>	128,287	5,876	(38)	23	1,533	(72,687)	62,994

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2018

	Contributed equity \$'000	Share based payments Reserve \$'000	Foreign currency reserve \$'000	Asset revaluation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2017	73,034	1,095	1,716	23	(57,294)	18,574
<b>Comprehensive loss</b>						
Loss for the period	-	-	-	-	(5,078)	(5,078)
Exchange differences on foreign operations	-	-	24	-	-	24
<b>Total comprehensive loss for the year</b>	-	-	24	-	(5,078)	(5,054)
<i>Transactions with owners in their capacity as owners:</i>						
Shares issued, net of costs	15,742	-	-	-	-	15,742
Share based payment transactions	-	2,393	-	-	-	2,393
	15,742	2,393	-	-	-	18,135
<b>At 30 June 2017</b>	88,776	3,488	1,740	23	(62,372)	31,655

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 30 June 2018

	Notes	30 June 2018 \$'000	30 June 2017 \$'000
<b>Cash flows from operating activities</b>			
Payments to administration suppliers and employees		(1,851)	(1,068)
Interest received		85	34
Interest paid		(147)	-
Proceeds received in advance		-	3,750
Deposits paid		-	(195)
<b>Net cash (used in)/provided by operating activities</b>		<b>(1,913)</b>	<b>2,521</b>
<b>Cash flows from investing activities</b>			
Payments for mine properties		(14,919)	-
Payments for exploration and evaluation net of rebates		(214)	(7,619)
Payments for property, plant and equipment		(15,136)	(4,025)
Spare/stores purchases for operations		(2,119)	-
Proceeds from the sale of lithium concentrate during development phase		4,309	-
Payments related to the acquisition of tenements		(97)	(1,000)
Cash calls received from Joint Operation Partner not yet expended		397	-
<b>Net cash used in investing activities</b>		<b>(27,779)</b>	<b>(12,644)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		21,385	15,185
Payments for capital raising costs		(1,223)	(808)
Proceeds from borrowings		5,000	-
Transaction costs associated with borrowings		(200)	-
<b>Net cash received from financing activities</b>		<b>24,962</b>	<b>14,377</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,730)</b>	<b>4,254</b>
Cash and cash equivalents at the beginning of the period		16,375	6,960
Effects of exchange rates on cash holdings in foreign currencies		(31)	-
<b>Cash and cash equivalents at the end of the period</b>	4	<b>11,614</b>	<b>11,214</b>

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

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## 1. Corporate information

The consolidated financial statements of Tawana Resources NL ("Tawana", "the Parent" or the "Company") and its subsidiaries (collectively, the "Group") for the half-year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 13 September 2018.

Tawana Resources NL is a for profit company incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX).

## 2. Basis of preparation and changes to the Group's accounting policies

These half-year consolidated financial statements are general purpose condensed financial statements prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: *Interim Financial Reporting*.

The half-year consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2017 and any public announcements made by Tawana Resources NL during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. The annual report of the Group as at and for the year ended 31 December 2017 is available on request from the Company's registered office or at [www.tawana.com.au](http://www.tawana.com.au).

### A. Adoption of new policies

The accounting policies adopted are consistent with those applied by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, other than the adoption of additional accounting policies set out below:

#### Inventories

Stores and consumables are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs.

Stores and consumables expected to be processed or sold within twelve months after the balance date are classified as current assets.

#### Disposal group held for distribution

The Group classifies non-current assets and disposal groups as held for distribution if their carrying amounts will be recovered principally through a distribution to shareholders rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable, the asset or disposal group is available for immediate distribution in its present condition and management is committed to the distribution which is expected within one year from the date of classification.

Property, plant and equipment is not depreciated or amortised once classified as held for distribution.

Disposal groups classified as held for distribution are presented separately as current items in the statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

*Trade and other receivables (new policy applied from 1 January 2018 due to adoption of AASB 9 – see 2B below for further details)*

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

## **Significant accounting judgements, estimates and assumptions**

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

In preparing the interim financial statements for the half-year ended 30 June 2018, significant judgments made by management in applying the Group's accounting policies and the key causes of estimation uncertainty were consistent with those applied to the annual consolidated financial statements as at and for the year ended 31 December 2017, except for the additional significant accounting judgments, estimates and assumptions detailed below:

### Production start date

The Company assesses the stage of each mine under development to determine when a mine transitions into the production phase, being when the mine is substantially complete and ready for its intended use. The criteria used to assess the mine start date are determined based on the unique nature of each mine development project, such as the complexity of the project and its location. The Company considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from mine development to producing mines. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment for its designed capacity
- Ability to produce ore in a saleable form (within specifications)
- Ability to sustain ongoing production of ores

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory, expensed, or continue to be capitalised for costs that qualify for capitalisation relating to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

The Company has determined that as at 30 June 2018 the Bald Hill Mine has not yet transitioned into the production phase.

## B. New Accounting Standards and Interpretations adopted by the Group

The Group applied all new and amended Accounting Standards and Interpretations that were effective as at 1 January 2018, including:

### AASB 9 *Financial Instruments* ("AASB 9")

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 39 *Financial Instruments: Recognition and Measurement* ("AASB 39"), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 January 2018 (see note 2A for details of the new accounting policy for receivables).

#### Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 January 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 January 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 9 (i.e. prior to 1 January 2018)	New measurement category under AASB 9 (i.e. from 1 January 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Deposits	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Interest bearing loans and borrowings	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 January 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

## Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 January 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is as follows:

Items existing as at 1 January 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance recognised on 1 January 2018 \$'000:
Cash and cash equivalents and deposits	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable institutions.	-
Trade receivables	The Group applied the simplified approach and concluded that the lifetime ECL for these assets would be negligible and therefore no loss allowance was required at 1 January 2018.	-
Receivable from joint operator	These instruments are on demand and were assessed to attract negligible ECL.	-

## Hedge accounting

The Group has not applied not applied hedge accounting.

## **AASB 15 Revenue from Contracts with Customers ("AASB 15")**

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach. In this regard, the Group applied a practical expedient and did not restate any contracts that were completed at the beginning of the earliest period presented.

AASB 15 supersedes AASB 18 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 January 2017 and 1 January 2018, all enforceable offtake agreements were assessed and it was determined that the adoption of AASB 15 had no significant impact on the Group. In this regard, the Group considered whether the deferred revenue received under the Bald Hill Lithium Concentrate Offtake agreement contained a significant financing component. The Group concluded that any discount in the arrangement was provided to secure a foundation customer and was therefore provided for reasons other than financing. Accordingly, no discounting has been inputted into the transaction.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

The offtake agreement with Burwill is on a “Free on Board” basis and revenue will be recognised when the goods have passed over the ship's rail at the Port of Esperance. Burwill will be responsible for organising transportation, shipping and logistics from the Port of Esperance to the place of destination. Accordingly, the Group has no performance obligation in relation to shipping.

Under *AASB 116 Property, Plant & Equipment*, the cost of an item of property, plant and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. During the development/construction phase of an asset, an entity may generate pre-commissioning or test production revenues that are considered integral to the development of the mine and is therefore credited to the asset in its entirety.

Management has opted to recognise revenue earned before commercial production was achieved as a credit to mine property assets.

## **AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Adoption of Interpretation 22 did not have a significant impact on the Group.

## **AASB 16 Leases (“AASB 16”)**

AASB 16 provides a new lessee accounting model which will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured based on the present value of lease payments.

The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

AASB 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of AASB 16 on its consolidated financial statements.

### **C. Going concern**

The Group recorded a loss of \$7,253,000 and had cash outflows from operating and investing activities of \$29,692,000 for the half-year ended 30 June 2018. The Group had cash and cash equivalents at 30 June 2018 and 10 September 2018 of \$10,811,000 (including restricted cash and cash held for distribution of \$793,000 (note 4)) and \$13,749,000 (including restricted cash of \$6,203,000) respectively.

During the past 12 months prior to the date of these half-year financial statements, Tawana has worked with its partner, Alliance Mineral Assets Limited, to bring the Bald Hill Lithium Project (“the Project”) into production, with the first spodumene (lithium) concentrate production announced on 14 March 2018. During the initial phase of the Project (being the next 6 to 12 months), the Group will be exposed to a higher level of cash outflows due to pre-strip activities

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

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and repayment of the Burwill prepayment. Further, during the early stages of the Project and similar to other companies whose performance is dependent upon newly-constructed assets and start-up operations, the Group will also be exposed to normal risks and uncertainties, such as the Bald Hill mine failing to perform as expected, having higher than expected operating costs, having lower than expected customer revenues, key additional infrastructure not coming on stream when required or within budget, potential equipment breakdown or failures and operational errors.

The Directors recognise that the Group will need to raise additional funds via equity raisings or financing facilities to fund ongoing operating and capital expenditure (in particular where actual cash flows differ from budgeted cash flows in light of the above-mentioned risks and uncertainties associated with newly-constructed assets and start-up operations) during the initial phase of the Project.

Subsequent to 30 June 2018, the Group raised \$4,878,000 in equity before costs and \$694,745 in proceeds from options exercised. In addition, the Group is currently negotiating the terms of a proposed \$15 million debt facility and assessing other funding arrangements with a view to reducing Tawana's exposure to cash flow risks during the initial phase of the Project. The Directors are satisfied that they will be able to raise additional funds as required and accordingly, it is appropriate to prepare the interim financial statements on a going concern basis.

In the event that the Group is unable to obtain sufficient funding for ongoing operating and capital requirements, there is a material uncertainty whether it will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the interim financial statements.

The half-year consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the consolidated entity not be able to continue as a going concern.

### 3. Segment information

#### Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the purposes of segment reporting the chief operating decision maker has been determined as the Board of Directors.

Based upon the current operations of the Group, the Board has identified two operating segments; being Bald Hill and regional exploration in Australia, Liberia and South Africa. Assets are allocated to a segment based on the operations of the segment and the physical location of the asset. During the period the Cowan and regional exploration segments reported in the prior year were combined for internal reporting to the chief operating decision maker and accordingly are now presented as one segment. The comparative information has been updated to align to current period presentation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

## Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Bald Hill \$'000	Regional Exploration \$'000	Total segment \$'000	Unallocated & corporate \$'000	Elimination \$'000	Total \$'000
<b>Segment assets</b>						
<b>30 June 2018</b>						
Cash & cash equivalents	2,370	14	<b>2,384</b>	8,427	-	<b>10,811</b>
Property, plant & equipment	36,724	-	<b>36,724</b>	120	-	<b>36,844</b>
Mine properties	36,379	-	<b>36,379</b>	-	-	<b>36,379</b>
Exploration & evaluation expenditure	316	-	<b>316</b>	-	-	<b>316</b>
Inventory	842	26	<b>868</b>	-	-	<b>868</b>
Assets held for distribution	-	4,225	<b>4,225</b>	-	-	<b>4,225</b>
Other assets	8,921	74	<b>8,995</b>	39,691	(38,518)	<b>10,168</b>
<b>Total</b>	<b>85,552</b>	<b>4,339</b>	<b>89,891</b>	<b>48,238</b>	<b>(38,518)</b>	<b>99,611</b>
<b>31 December 2017</b>						
Cash & cash equivalents	-	5	<b>5</b>	16,370	-	<b>16,375</b>
Property, plant & equipment	23,673	21	<b>23,694</b>	139	-	<b>23,833</b>
Mine properties	18,045	-	<b>18,045</b>	-	-	<b>18,045</b>
Exploration & evaluation expenditure	194	7,466	<b>7,660</b>	-	-	<b>7,660</b>
Other assets	5,572	298	<b>5,870</b>	13,401	(12,865)	<b>6,406</b>
<b>Total</b>	<b>47,484</b>	<b>7,790</b>	<b>55,274</b>	<b>29,910</b>	<b>(12,865)</b>	<b>72,319</b>
<b>Total segment liabilities</b>						
30 June 2018	71,851	22,264	<b>94,115</b>	1,649	(59,147)	36,617
31 December 2017	32,657	20,483	<b>53,140</b>	1,315	(31,716)	22,739
<b>Segment result - Loss before tax</b>						
30 June 2018	183	4,010	<b>4,193</b>	2,956	104	7,253
30 June 2017	159	1,640	<b>1,799</b>	3,265	14	5,078
<b>Segment revenue and income</b>						
30 June 2018	32	31	<b>63</b>	64	-	127
30 June 2017	-	5	<b>5</b>	25	-	30

## Measurement of segment information

All information presented above is measured in a manner consistent with that in the financial statements.

## Segment revenue

No inter-segment sales occurred during the current or previous half-year. The parent entity is domiciled in Australia. No revenue was derived from external customers in countries other than the country of domicile. Interest revenues of \$98,000 were derived from one Australian and one foreign financial institution during the year. These revenues are attributable to the corporate function.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

## 4. Cash & cash equivalents

	30 June 2018	31 December 2017
	\$'000	\$'000
<b>Current</b>		
Cash & cash equivalents	10,018	16,375
Restricted cash & cash equivalents <sup>(i)</sup>	793	-
<b>Total cash &amp; cash equivalents as per consolidated statement of financial position</b>	<b>10,811</b>	<b>16,375</b>
Cash & cash equivalents relating to disposal group (note 6)	803	-
<b>Total cash &amp; cash equivalents as per consolidated statement of cash flows</b>	<b>11,614</b>	<b>16,375</b>

(i) The Group had \$793,000 in cash at bank in relation to the Bald Hill Joint Venture at balance date. These funds can only be used by Tawana for expenditure associated with the Bald Hill Joint Venture in accordance with the Bald Hill Joint Venture Agreement.

## 5. Trade & other receivables

	30 June 2018	31 December 2017
	\$'000	\$'000
<b>Current</b>		
Trade receivables	155	-
GST receivable	1,859	1,429
Receivable from Joint Operator	7,193	3,016
Other receivables	148	745
<b>Total current trade and other receivables</b>	<b>9,355</b>	<b>5,190</b>

## 6. Non-current assets held for distribution

On 22 March 2018, the Group announced the decision of its Board of Directors to demerge the Group's non-core assets. The demerger involved a capital reduction and distribution by way of an in-specie distribution of 85% of the shares in Cowan Lithium Limited (Cowan Lithium). The demerger was approved at a General Meeting of shareholders on 6 July 2018.

Prior to completion of the demerger of Cowan Lithium, ownership of the Cowan Lithium Project, the Yallari Lithium Project, the Mofe Creek Iron Ore Project and Avontuur Manganese Project were transferred from Tawana to Cowan Lithium. The assets held for distribution comprise the Cowan segment and select assets from the Regional segment.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

The major categories of assets and liabilities within the disposal group held for distribution as at 30 June 2018 are as follows:

	30 June 2018 \$'000
Cash and cash equivalents	803
Other receivables	1
Prepayments	4
Property, plant and equipment	18
Exploration and evaluation expenditure	3,404
Accruals	(5)
<b>Assets held for distribution</b>	<b>4,225</b>

### Write-down of exploration and evaluation expenditure

The decision to demerge the non-core assets of the Group led the Group to make an assessment of the fair value less costs to distribute (FVLCD) of the Cowan Lithium Project, the Mofe Creek Iron Ore Project and the Avontuur Manganese Project in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The FVLCD of exploration and evaluation expenditure has been determined based on comparable market transactions. The fair value methodology adopted is categorised as Level 3 in the fair value hierarchy. In determining the FVLCD, estimates were made in relation to the underlying resources and the valuation multiple. As a result, a write-down of \$4,059,000 was recognised to reduce the carrying amount of the assets to their FVLCD.

### Mofe Creek Iron Ore Project

Mofe Creek Iron Ore Project in Liberia comprises mineral exploration licences MEL 12029 and MEL 1223/14.

The Group and Al Rawda Resources Limited (ARRL) entered into a heads of agreement dated 11 May 2018 under which ARRL paid the Group \$20,000 for the acquisition of an option to acquire 100% of the issued shares in Tawana Liberia Inc. (Mofe Creek Option). ARRL must exercise the Mofe Creek Option on or before 9 November 2018. If the Mofe Creek Option is exercised, ARRL will pay to the Cowan Lithium group \$480,000, will reimburse the Cowan Lithium group for tenement expenditure during the option period and will pay a 1.25% royalty on the free on board value of iron ore product shipped from MEL12029 and MEL1223/14.

### Cowan Project and Yallari Project

Certain licences for the Cowan Project and the Yallari Project are still under application. The Group is unaware of any circumstances that would prevent the licences from being granted.

## 7. Inventories

The current value of stores consumables on hand has increased significantly from 31 December 2017 due to the commencement of plant commissioning during the half-year ended 30 June 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

## 8. Mine properties

	1 January 2018 to 30 June 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 January 2017 to 30 June 2017 \$'000
<b>Mine under construction</b>			
Opening balance	18,045	511	-
Reclassification from exploration expenditure (note 9)	-	12,533	-
Reclassification from property, plant and equipment under construction	869	-	-
Increase in rehabilitation liability	2,141	123	-
Expenditure incurred during the period	20,621	4,878	511
Less: Proceeds from sale of lithium concentrate during development phase	(5,297)	-	-
<b>Total mine properties</b>	<b>36,379</b>	<b>18,045</b>	<b>511</b>

## 9. Exploration & evaluation expenditure

	1 January 2018 to 30 June 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 January 2017 to 30 June 2017 \$'000
<b>Exploration &amp; evaluation expenditure</b>			
Opening balance	7,660	19,917	12,463
Capitalised acquisition expenditure at cost	-	271	2,270
Amounts capitalised during the period	119	5	6,743
Reclassified to disposal group held for distribution	(3,404)	-	-
Impairment of exploration and evaluation asset	(4,059) <sup>(i)</sup>	-	(1,559)
Reclassification to mine properties (note 8)	-	(12,533)	-
<b>Total exploration &amp; evaluation expenditure</b>	<b>316</b>	<b>7,660</b>	<b>19,917</b>

(i) Refer Note 6 for details of current period impairment.

The ongoing carrying value of the Group's interest in exploration and evaluation expenditure is dependent upon the continuance of the Group's rights to tenure of the areas of interest and the results of future exploration and the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

## 10. Property, plant and equipment

The carrying value of property, plant and equipment has increased during the current reporting period due to additions to assets under construction of \$22,887,000 comprising project and pre-commercial production expenditure outside of direct mining related activities which is capitalised to the statement of financial position as mines under construction as detailed in Note 8.

### Finance leases

The carrying value of plant, furniture and equipment held under finance leases and hire purchase contracts at 30 June 2018 was \$260,759 (2017: Nil). Additions during the half-year include \$262,951 (2017: Nil) of plant, furniture and equipment under finance leases and hire purchase contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

## 11. Trade & other payables

Trade and other payables at 30 June 2018 has increased from 31 December 2017 in line with the ramp up of Bald Hill Mine operational activities.

## 12. Interest bearing liabilities

	30 June 2018 \$'000	31 December 2017 \$'000
<b>Current</b>		
Finance leases	89	-
<b>Total current interest bearing liabilities</b>	89	-
<b>Non-current</b>		
Finance leases	167	-
Borrowings <sup>(i)</sup>	4,868	-
<b>Total non-current interest bearing liabilities</b>	5,035	-

- (i) The loan facility expires on 31 December 2019 and has a facility limit of \$5,000,000. Security for the loan is by way of a registered security over the Group's interest in the Plant facility at the Bald Hill Mine. Interest of 11% per annum is payable on a quarterly basis. On 23 August 2018 the expiry term for the loan facility was extended to 30 June 2020. Interest of 13% per annum is payable on a quarterly basis between 1 January 2020 and 30 June 2020.

## 13. Provision for rehabilitation

	1 January 2018 to 30 June 2018 \$'000	1 July 2017 to 31 December 2017 \$'000	1 January 2017 to 30 June 2017 \$'000
<b>Rehabilitation liability</b>			
Opening balance	706	-	-
Increase in rehabilitation provision during the period	2,121	706	-
Interest accretion for the period	36	-	-
<b>Total provisions for rehabilitation</b>	2,863	706	-

## 14. Financial assets and liabilities

The carrying amount of all financial assets and all financial liabilities, recognised in the balance sheet approximates their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

## 15. Contributed equity

	30 June 2018 Shares	31 December 2017 Shares	30 June 2018 \$'000	31 December 2017 \$'000
Ordinary shares – fully paid	561,988,335	504,280,941	128,287	108,024

### Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Number of Shares	\$'000
<b>Opening balance 1 January 2017</b>	371,854,502	73,034
Shares issued during the year	70,263,198	16,550
Transaction costs relating to share issues during the period	-	(808)
<b>Closing balance 30 June 2017</b>	442,117,700	88,776
Shares issued during the year	57,758,241	20,193
Options exercised during the year	4,405,000	634
Transaction costs relating to share issues during the period	-	(1,579)
<b>Closing balance 31 December 2017</b>	504,280,941	108,024
Shares issued during the year	48,934,334	20,000
Options exercised during the year	8,773,060	1,358
Transaction costs relating to share issues during the period	-	(1,095)
<b>Closing balance 30 June 2018</b>	561,988,335	128,287

## 16. Contingent liabilities

There were no changes to contingent liabilities requiring additional disclosure at the reporting date.

## 17. Related parties

There were no material changes to related party transactions from the prior reporting date.

## 18. Earnings per share (EPS)

	30 June 2018
<b>Loss for the period</b>	
Loss used in the calculation of basic and diluted EPS (\$'000)	\$7,253
<b>Weighted average number of ordinary shares ('WANOS')</b>	
WANOS used in calculation of basic earnings per share	515,041,530
<b>Basic &amp; diluted loss per share (cents)</b>	1.41

The Company had 22,596,940 (31 December 2017: 30,520,000) potential ordinary shares relating to incentive options which are not considered dilutive at the balance sheet date but may be dilutive in future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

## 19. Commitments

	30 June 2018 \$'000	31 December 2017 \$'000
<b>Operational expenditure commitments</b>		
Not longer than one year	8,104	127
Longer than one year, but not longer than five years	2,499	154
Longer than five years	-	-
<b>Total operational expenditure commitments</b>	<b>10,603</b>	<b>281</b>
<b>Tenement expenditure commitments</b>		
Not longer than one year	628	599
Longer than one year, but not longer than five years	1,713	834
Longer than five years	-	806
<b>Total tenement expenditure commitments</b>	<b>2,341</b>	<b>2,239</b>
<b>Capital expenditure commitments</b>		
Not longer than one year	840	9,899
Longer than one year, but not longer than five years	-	583
Longer than five years	-	-
<b>Total capital expenditure commitments</b>	<b>840</b>	<b>10,482</b>

## 20. Group Information

### Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activities	Country of incorporation	% equity interest	
			30 June 2018	31 December 2017
Mount Belches Pty Ltd	Mineral exploration	Australia	100	100
Lithco No.2 Pty Ltd	Mine development	Australia	100	100
Tawana Gold Pty Ltd	Dormant	Australia	100	100
Waba Holdings Pty Ltd	Holding company	Australia	100	100
Kenema-Man Holdings Liberia Pty Ltd	Holding company	Australia	100	100
Tawana Liberia Inc.	Mineral exploration	Liberia	100	100
Archean Liberia Inc.	Dormant	Liberia	100	100
Tawana Resources SA Pty Ltd	Mineral exploration	South Africa	100	100
Cowan Lithium Limited <sup>(1)</sup>	Mineral exploration	Australia	100	-

(i) Cowan Lithium Limited was incorporated in the interim period as a 100% wholly owned subsidiary of Tawana Resources NL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 30 June 2018

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## 21. Events occurring after the reporting period

On 6 July 2018, the Company announced that at a General Meeting shareholders approved the demerger of its non-core assets to Cowan Lithium, the approval of an equal capital reduction and an amendment to its Constitution. The demerger and distribution of 85% of the shares in Cowan Lithium was completed on 18 July 2018.

On 6 July 2018, the Company announced that it had completed a placement to an institutional investor of 12,195,122 fully paid ordinary shares at an issue price of \$0.40 per Share to raise gross proceeds of approximately \$4.878 million. This placement was done in substitution of the Conditional Placement announced in April 2018.

On 9 July 2018, the Company announced that it had amended the Scheme Implementation Agreement with Alliance announced on 5 April 2018 to address the treatment of shareholders with a registered address in South Africa, to update the Scheme timetable following a 'no objection' ruling from the Singapore Exchange Securities Trading Limited (SGX-ST), the provision for the cancellation of 1,000,000 Tawana Options (\$0.50, 6 April 2021) in exchange for the issue of 354,196 Alliance shares, and other technical and minor consequential amendments.

On 31 July 2018, the Company announced that the Bald Hill Mine had achieved commercial production with the successful completion of the commissioning of the Stage 1 DMS.

On 20 August 2018, the Company announced that the Australian Securities and Investments Commission had registered the Scheme Booklet in relation to the proposed Merger. This followed approval by the Federal Court of Australia on 17 August 2018 to convene a meeting of the Company's shareholders to consider and vote on the Scheme and approve the dispatch of the Scheme Booklet to the Company's shareholders. The Scheme Booklet included an Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd which concluded that the Scheme is fair and reasonable and therefore in the best interests of Tawana shareholders, in the absence of a superior proposal.

No other matters or circumstances have arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

This is the end of the Financial Report.

## DIRECTORS' DECLARATION

For the half-year ended 30 June 2018

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In accordance with a resolution of the Directors of Tawana Resources NL, I state that:

In the opinion of the Directors:

- (a) the interim condensed financial statements and notes of Tawana Resources NL for the period ended 30 June 2018:
  - (i) presents fairly the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;
  - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) subject to the achievement of the matters set out in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



**Mark Calderwood**  
Managing Director

13 September 2018

# INDEPENDENT AUDITOR'S REPORT

For the half-year ended 30 June 2018



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## Independent auditor's review report to the members of Tawana Resources NL

### Report on the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Tawana Resources NL (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Material uncertainty related to going concern

We draw attention to Note 2C in the half year financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

#### 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, anything has come to our attention that causes us to 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 consolidated financial position as at 30 June 2018 and its consolidated 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.

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# INDEPENDENT AUDITOR'S REPORT

For the half-year ended 30 June 2018



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*.

Ernst & Young

R J Curtin  
Partner  
Perth  
13 September 2018

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