anova
metals limited

ABN 20 147 678 779

# Interim Financial Report
for the half-year ended
31 December 2019

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The Directors of the Company present their report on the consolidated entity consisting of Anova Metals Limited and the entities it controlled at the end, or during, the half-year ended 31 December 2019.

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

Mr Mal James – Non-Executive Chairman
Mr Mingyan (Joe) Wang – Managing Director (appointed 4 March 2020)
Mr Gregory (Bill) Fry – Executive Director
Mr Alasdair Cooke – Executive Director
Mr John Davis – Non-Executive Director
Mr Geoff Laing – Executive Director (resigned 30 September 2019)

**Review of Operations**
Anova Metals Limited is a mineral exploration company which holds the Big Springs Gold Project in Nevada, USA and the Second Fortune Gold Project in WA.

**Second Fortune**
The Second Fortune project is currently on care and maintenance whilst project evaluations are being undertaken. The Company has received interest from several parties in relation to either acquiring the project outright or participating in a joint venture with the Company. Access to the project data room has been provided to these parties for due diligence purposes and discussions are continuing with certain parties.

A small geochemical sampling program was conducted in the period on historic dumps, results from the program are still to be assessed.

**Big Springs**
In July 2018 the Company announced its intention to divest its Big Springs Gold Project. The Big Springs divestment process, led by experienced Canadian resources advisors Haywood Securities Inc., continued through the period with interested parties continuing to access the data room and with on-going discussions being held. Several alternate options are also being investigated including joint venture arrangements, farm-in and merger opportunities.

**Corporate**
Anova completed an agreement for the sale of its interest in the Bar Twenty Project to a private WA mining company, proceeds of $250,000 were received in the period. Anova received $175,000 from Matsa Resources Limited (ASX:MAT) from exercising their option to acquire the Devon group of tenements. Proceeds from the option conversion were used to reduce the debt facility.

Mr Geoff Laing resigned from the Company on 30 September 2019 due to increasing work commitments outside of the Company

**Auditor's Independence Declaration**
Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 17 and forms part of this Directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Gregory (Bill) Fry
Executive Director
Perth, 13 March 2020

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1 In the opinion of the Directors of Anova Metals Limited:

a. The financial statements and notes are in accordance with the Corporations Act 2001, including:

   i. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

   ii. Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

b. there are reasonable grounds to believe that Anova Metals Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors, made pursuant to s303(5) of the Corporations Act 2001.

Gregory (Bill) Fry
Executive Director
Perth, 13 March 2020

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## Condensed Consolidated Statement of Profit or Loss & Other Comprehensive Income
For the half-year ended 31 December 2019

| | Note | 31-Dec-19<br>$ | 31-Dec-18<br>$ |
|---|---|---|---|
| Revenue | 2 | - | 2,807,581 |
| Cost of goods sold | | - | (2,767,026) |
| **Gross profit** | | - | 40,555 |
| | | | |
| Interest income | | 365 | 890 |
| Other income | | 294,453 | - |
| Employee benefits expenses | | (62,700) | (246,695) |
| Exploration expensed as incurred | | (620,031) | (615,573) |
| Depreciation expenses | | (2,703) | (5,053) |
| Finance costs | | (150,450) | (346,161) |
| Administration expenses | | (59,754) | (126,946) |
| Occupancy expenses | | (53,155) | (74,633) |
| Share-based payment reversal / (expense) | | - | 63,086 |
| Foreign exchange loss | | 1 | (659) |
| Scheme of arrangement transaction costs | | (436,463) | - |
| Exploration expenditure impaired | 8 | (25,000) | (1,347,711) |
| Gain / (loss) on sale of assets | 7 | 4,636 | (301,176) |
| **Loss before income tax** | | (1,110,801) | (2,960,076) |
| Income tax benefit / (expense) | | - | - |
| **Loss for the period** | | (1,110,801) | (2,960,076) |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Foreign currency translation | | 19,532 | 368,182 |
| **Other comprehensive income for the period, net of income tax** | | 19,532 | 368,182 |
| **Total comprehensive loss for the period** | | (1,091,269) | (2,591,894) |
| | | | |
| Basic and diluted loss per share (cents per share) | 3 | (0.17) | (0.47) |

*The condensed consolidated statement of profit or loss & other comprehensive income is to be read in conjunction with the accompanying notes.*

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**Condensed Consolidated Statement of Financial Position**

**As at 31 December 2019**

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| | Note | 31-Dec-19 $ | 30-Jun-19 $ |
|---|---|---|---|
| **Assets** | | | |
| *Current Assets* | | | |
| Cash and cash equivalents | | 472,093 | 1,092,260 |
| Trade and other receivables | | 28,925 | 37,552 |
| Other assets | | 29,087 | 63,788 |
| **Total current assets** | | 530,105 | 1,193,600 |
| *Non-current Assets* | | | |
| Property, plant and equipment | *7* | 538,309 | 586,313 |
| Mine properties and development | *9* | 5,908,845 | 5,908,845 |
| Exploration and evaluation expenditure | *8* | 11,296,386 | 11,475,469 |
| Security deposits | | 425,400 | 424,158 |
| **Total non-current assets** | | 18,168,940 | 18,394,785 |
| **Total assets** | | 18,699,045 | 19,588,385 |
| | | | |
| **Liabilities** | | | |
| *Current Liabilities* | | | |
| Trade and other payables | *5* | 2,054,649 | 1,711,436 |
| Borrowings | *6* | 2,825,000 | - |
| Rehabilitation provision | | 41,818 | 35,628 |
| **Total current liabilities** | | 4,921,467 | 1,747,064 |
| *Non-current Liabilities* | | | |
| Rehabilitation provision | | 595,278 | 567,752 |
| Borrowings | *6* | - | 3,000,000 |
| **Total non-current liabilities** | | 595,278 | 3,567,752 |
| **Total liabilities** | | 5,516,745 | 5,314,816 |
| **Net assets** | | 13,182,300 | 14,273,569 |
| **Equity** | | | |
| Issued capital | *10* | 60,716,986 | 60,716,986 |
| Reserves | | 3,121,428 | 3,656,109 |
| Accumulated losses | | (50,656,114) | (50,099,526) |
| **Total equity** | | 13,182,300 | 14,273,569 |

*The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.*

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| | Issued capital | Foreign currency translation reserve | Share-based payments reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2019** | **60,716,986** | **2,685,378** | **970,731** | **(50,099,526)** | **14,273,569** |
| Loss for the period | - | - | - | (1,110,801) | (1,110,801) |
| Other comprehensive income, net of tax | - | 19,532 | - | - | 19,532 |
| Total comprehensive loss for the period | - | 19,532 | - | (1,110,801) | (1,091,269) |
| Reversal of share-based payments on expiry | - | - | (554,213) | 554,213 | - |
| **Balance at 31 December 2019** | **60,716,986** | **2,704,910** | **416,518** | **(50,656,114)** | **13,182,300** |
| | | | | | |
| **Balance at 1 July 2018** | **60,448,614** | **2,297,336** | **1,028,764** | **(43,276,761)** | **20,497,953** |
| Loss for the period | - | - | - | (2,960,076) | (2,960,076) |
| Other comprehensive income, net of tax | - | 368,182 | - | - | 368,182 |
| Total comprehensive loss for the period | - | 368,182 | - | (2,960,076) | (2,591,894) |
| Share issue net of issue costs | 220,559 | - | - | - | 220,559 |
| Share-based payments | 47,813 | - | 93,182 | - | 140,995 |
| Reversal of share-based payments on lapse | - | - | (63,086) | - | (63,086) |
| Reversal of share-based payments on expiry | - | - | (88,128) | 88,128 | - |
| **Balance at 31 December 2018** | **60,716,986** | **2,665,518** | **970,732** | **(46,148,709)** | **18,204,527** |

*The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.*

**Condensed Consolidated Statement of Cash Flows**
**For the half-year ended 31 December 2019**

| | 31-Dec-19<br>$ | 31-Dec-18<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 42,338 | 2,807,581 |
| Interest received | 365 | 621 |
| Payments to suppliers and employees | (230,063) | (269,520) |
| Payment for exploration and evaluation expenditure | (580,416) | (602,950) |
| Payment for mine production | - | (2,486,506) |
| Refunds for exploration bonds | - | 136,441 |
| Research and development tax incentive | - | 121,063 |
| Financing costs | (150,450) | (205,167) |
| **Net cash used in operating activities** | (918,226) | (498,437) |
| | | |
| **Cash flows from investing activities** | | |
| Proceeds from the sale of property, plant and equipment | 50,000 | 251,269 |
| Proceeds from the sale of tenements | 425,000 | - |
| **Net cash provided by investing activities** | 475,000 | 251,269 |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from the issue of issued capital | - | 225,000 |
| Payment for share issue costs | - | (4,441) |
| Repayment of borrowings | (175,000) | - |
| **Net cash provided by / (used in) financing activities** | (175,000) | 220,559 |
| | | |
| **Net (decrease) in cash and cash equivalents** | (618,226) | (26,609) |
| | | |
| **Cash and cash equivalents at 1 July 2019** | 1,092,260 | 567,660 |
| Effect of exchange rates on cash holdings in foreign currencies | (1,941) | (1,072) |
| **Cash and cash equivalents at 31 December 2019** | 472,093 | 539,979 |

*The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.*

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## 1. Statement of Significant Accounting Policies

### *a) Basis of preparation*

These condensed interim consolidated financial statements (the interim financial statements) are a general purpose financial statements and have been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

The interim financial statements comprise the condensed interim financial statements for the Group. For the purposes of preparing the interim financial statements, the Company is a for-profit entity and the half-year has been treated as a discrete reporting period.

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended that these interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2019 and any public announcements made by Anova Metals Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year, except for the impact of the new Standards and Interpretations effective 1 July 2019 disclosed in section 1(b). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial statements have been prepared on a historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair value of the consideration given in exchange for assets.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

### *b) Adoption of new and revised standards*

*Standards and Interpretations applicable to 31 December 2019*

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2019. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company.

The following accounting policies have been updated effective 1 July 2019:

AASB 16 Leases replaces AASB 117 Leases and related interpretations.
AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. The Company has adopted AASB 16 from 1 July 2019. Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

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AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. The application of AASB 16 Leases has not had a material effect on the Company's financial statements.

*Standards and Interpretations in issue not yet effective*
The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet effective for the half-year ended 31 December 2019.

There is no material impact of the proposed Standards and Interpretations in issue not yet adopted by the Company.

***c) Statement of compliance***
The interim financial statements were authorised for issue on 13 March 2020. The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019.

***e) Going concern***
The interim financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

Notwithstanding the fact that the consolidated entity incurred an operating loss of $1,110,801 for the period ended 31 December 2019 net cash outflows from operating and investing activities of $443,226 and had a working capital deficiency at the end of the period of $4,391,362, the directors are of the opinion that the consolidated entity is a going concern for the following reasons:

- The ability of the consolidated entity to continue to fund its operating activities is dependent upon raising additional equity, from existing shareholders or new investors, which it has been able to do historically or from the sale of the Big Springs Gold Project and/or other non-core assets. In March 2020, the Company completed a placement raising $500,000 and is undertaking a non-renounceable entitlement offer to raise up to $3.45m before costs, with firm commitments received for $2,000,000 (see note 15 for further details);
- The ability of the Company to defer settlement of the Company's current borrowings, with a conditional Loan Facility Term Sheet entered into in February 2020 for a replacement loan facility (see note 15 for further details);
- The directors have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern;
- The consolidated entity also has the ability to further reduce its expenditure to conserve cash; and
- As at the date of signing the interim financial report, no formal assessment has been received from the WA Officer of State Revenue for stamp duty in relation to the acquisition of Exterra Resources Ltd.

The Directors anticipate that proceeds from the sale of the Big Springs Gold Project and/or other non-core assets, equity raisings, or re-financing the existing loan facility will be required in the forthcoming year to meet ongoing working capital and expenditure commitments.

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Should the sources of funding not be available or equity raisings not be completed, there is a material uncertainty that may cast significant doubt as to whether the consolidated entity will be available to realise its assets and extinguish its liabilities in the normal course of business and at the amount stated in the financial report.

## 2. Revenue

The Group derives its revenue from the sale of gold and silver at a point in time.

| **At a point in time** | **31-Dec-19 $** | **31-Dec-18 $** |
|---|---|---|
| Gold sales | - | 2,802,707 |
| Silver sales | - | 4,874 |
| | - | 2,807,581 |

*Reconciliation of revenue from contracts with customers with the amounts disclosed in segment information*

| | **31-Dec-19 $** | **31-Dec-18 $** |
|---|---|---|
| Segment revenue (i) | - | 2,802,707 |
| Adjustments and eliminations | - | - |
| Total revenue from contracts with customers | - | 2,802,707 |

(i) Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period.

## 3. Loss per share

| **Basic and diluted earnings per share** | **31-Dec-19 $** | **31-Dec-18 $** |
|---|---|---|
| Basic and diluted loss per share (cents per share) | 0.17 | 0.47 |
| **Earnings** | **$** | **$** |
| Loss from continuing operations used in the calculation of basic and diluted loss per share | (1,110,801) | (2,960,076) |
| **Weighted average number of ordinary shares** | **No.** | **No.** |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 639,132,275 | 630,660,528 |

## 4. Segment reporting

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's operating segments have been determined with reference to the monthly management accounts used by the chief operating decision maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the chief operating decision maker.

The Company operates across one industry being gold exploration and development and in two geographic segments, Western Australian and the United States. The unallocated column refers to corporate costs and cash management.

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| Period ended 31 December 2019 | Western Australia $ | United States $ | Unallocated $ | Consolidated $ |
|---|---|---|---|---|
| Segment revenue (i) | - | - | - | - |
| Segment net profit / (loss) after tax | 57,575 | (364,244) | (804,132) | (1,110,801) |
| Segment assets | 6,562,105 | 11,741,601 | 395,339 | 18,699,045 |
| Segment liabilities | 3,283,950 | 332,164 | 1,900,631 | 5,516,745 |

| Period ended 31 December 2018 | Western Australia $ | United States $ | Unallocated $ | Consolidated $ |
|---|---|---|---|---|
| Segment revenue (i) | 2,807,581 | - | - | 2,807,581 |
| Segment net profit / (loss) after tax | (2,340,948) | (270,079) | (349,049) | (2,960,076) |
| Segment assets | 11,526,951 | 11,867,643 | 535,744 | 23,930,338 |
| Segment liabilities | 3,570,063 | 306,852 | 1,848,896 | 5,725,811 |

(i) Segment revenues represent revenue generated from external customers. There were no inter-segment revenues in the current period.

## 5. Trade and other payables

| | 31-Dec-19 $ | 30-Jun-19 $ |
|---|---|---|
| Trade and other creditors | 2,050,396 | 1,707,206 |
| Payroll liabilities | 4,253 | 4,230 |
| | 2,054,649 | 1,711,436 |

## 6. Borrowings

On 4 September 2018 the Company announced that its wholly owned subsidiary Anova Metals Australia Pty Ltd had entered into a Facility Agreement (“Facility”) with Twynam Agricultural Group Pty Ltd.

Key facility terms include:

- Interest rate of 10% per annum, payable monthly.
- Maturity date being the earlier of 24 months from drawdown or sale of the Big Springs Project.
- 50,000,000 unlisted options over Anova shares, exercisable at 4.5 cents per share by 30 June 2020.
- Secured over all the assets of Anova Metals Australia Pty Ltd, Anova Metals Ltd and Big Springs Project Pty Ltd (owner of the Big Springs Project).
- Minimum interest over the facility term of $300,000.

The Facility was used to repay the existing $3,000,000 loan facility that was in place at 30 June 2018. During the period $175,000 of the facility was repaid.

## 7. Property, plant and equipment

| | Land and buildings $ | Plant and equipment $ | Motor vehicles $ | Total $ |
|---|---|---|---|---|
| Cost | 104,215 | 755,171 | 31,636 | 891,022 |
| Accumulated depreciation | (86,049) | (248,139) | (18,525) | (352,713) |
| Carrying value at 31 December 2019 | 18,166 | 507,032 | 13,111 | 538,309 |
| | | | | |
| Cost | 104,215 | 800,535 | 31,589 | 936,339 |
| Accumulated depreciation | (86,049) | (247,567) | (16,410) | (350,026) |
| Carrying value at 30 June 2019 | 18,166 | 552,968 | 15,179 | 586,313 |

| | $ | $ | $ | $ |
|---|---|---|---|---|
| 31 December 2019 | | | | |
| Carrying value as at 1 July 2019 | 18,166 | 552,968 | 15,179 | 586,313 |
| Disposals | - | (45,364) | - | (45,364) |
| Exchange differences | - | - | 63 | 63 |
| Depreciation expense | - | (571) | (2,132) | (2,703) |
| | 18,166 | 507,033 | 13,110 | 538,309 |
| 30 June 2019 | | | | |
| Carrying value as at 1 July 2018 | 47,117 | 1,457,526 | 44,633 | 1,549,276 |
| Disposals | - | (856,192) | (16,932) | (873,124) |
| Exchange differences | - | - | (37) | (37) |
| Depreciation expense | (28,951) | (48,366) | (12,485) | (89,802) |
| | 18,166 | 552,968 | 15,179 | 586,313 |

## 8. Exploration and evaluation expenditure

| **Exploration and evaluation phase** | Half-year ended 31-Dec-19 $ | Full year ended 30-Jun-19 $ |
|---|---|---|
| Balance at beginning of the period | 11,475,469 | 12,992,897 |
| Impairment (i) | (25,000) | (1,637,711) |
| Sale (ii) | (175,000) | (256,613) |
| Foreign currency movements | 20,917 | 376,896 |
| Balance at end of the period | 11,296,386 | 11,475,469 |

(i) The carrying value of the Devon project was reduced to the option exercise price received from Matsa Resources, a discount of $25,000 was provided due to Matsa Resources exercising the option early. In the prior period an assessment of the carrying value of the Group's exploration projects was conducted in the period. The carrying value of the Devon and Zelica projects have been reduced to the option exercise and sale value under the respective agreements with Matsa Resources Limited for these two projects (see ASX release 14 November 2018). Due to a lack of planned expenditure the remaining Linden exploration area were impaired to nil.

(ii) Proceeds received from the Devon project option exercise in the current period. In the prior period the Zelica project was sold to Matsa Resources for consideration of $150,000 in the period. Private land held in the US as part of the Big Springs Project which was considered non-core were sold for $106,000.

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The ultimate recoupment of costs carried forward in respect of areas of interest still in the exploration and/or evaluation phases is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

## 9. Mine properties and development

| | Half-year ended 31-Dec-19 $ | Full year ended 30-Jun-19 $ |
|---|---|---|
| Mine properties and development at cost | 7,540,144 | 7,540,144 |
| Less: Accumulated amortisation | (1,631,299) | (1,631,299) |
| Carrying amount at end of the period | 5,908,845 | 5,908,845 |
| | | |
| **Mine properties and development - at cost** | $ | $ |
| Balance at beginning of the period | 7,540,144 | 11,933,947 |
| Impairment (i) | - | (4,393,803) |
| Balance at end of the period | 7,540,144 | 7,540,144 |
| | | |
| **Mine properties and development - accumulated amortisation** | $ | $ |
| Balance at beginning of the period | (1,631,299) | (2,081,814) |
| Impairment (i) | - | 450,515 |
| Balance at beginning of the period | (1,631,299) | (1,631,299) |

Mine properties and development will be recouped through the successful production and sale of gold from the respective properties.

(i) In the period to 30 June 2019, the carrying amount of the relevant cash generating unit was compared with the recoverable amounts using value in use. Value in use is estimated based on discounted cash flows over the life of mine. For calculation purposes, management prepared cash flow projections for a 2-year period based on key assumptions from the 2017 feasibility study on the Second Fortune Project prepared by Exterra Resources. To test sensitivity of the value in use amount on the remaining mine life cash flows, management prepared a scenario with a higher discount rate of 12%, compared to 8% in the feasibility study concurrently with a 7% reduction in gold grade. Contingencies and re-start costs have been added to production cost estimates as well as the gold price assumption being adjusted A$2,000/oz.

The scenario highlighted sensitivity to these factors and management recognised an impairment to the lower recoverable value in this scenario based on the risk profile of the project. Accordingly, an impairment of $3,943,288 was recognised in the period to 30 June 2019. This impairment will reduce the amortisation expense per ounce in future periods.

In the period to 31 December 2019 management have reassessed the assumptions noted above and assert no material modification is required to the value in use calculation with the exception of the gold price assumption; with gold currently trading in excess of the A$2,000/oz assumption. Given project evaluations are ongoing, management have not reversed any impairment during the period.

## 10. Issued capital

| | 31-Dec-19 $ | 30-Jun-19 $ |
|---|---|---|
| 639,132,275 (PY: 639,132,275) fully paid ordinary shares | 60,716,986 | 60,716,986 |
| | 60,716,986 | 60,716,986 |

| | Half-year ended 31-Dec-19 | | Full year ended 30-Jun-19 | |
|---|---|---|---|---|
| **Fully paid ordinary shares** | **No.** | **$** | **No.** | **$** |
| Balance at beginning of the period | 639,132,275 | 60,716,986 | 626,319,775 | 60,448,614 |
| Placements | - | - | 10,000,000 | 225,000 |
| Facilitation fee shares (i) | - | - | 2,812,500 | 47,813 |
| Share issue costs | - | - | - | (4,441) |
| Balance at end of the period | 639,132,275 | 60,716,986 | 639,132,275 | 60,716,986 |

(i) In the prior year, in connection with entering the Facility Agreement (see note 6) the Company issued 2,812,500 ordinary shares in the Company as a facilitation fee. On the date of issue the share price of the Company was 1.7 cents, accordingly a share based payment expense of $47,813 has been recorded.

## 11. Options and performance rights

| | Half-year ended 31-Dec-19 | Full year ended 30-Jun-19 |
|---|---|---|
| **Unlisted options** | **No.** | **No.** |
| Balance at beginning of the period | 81,938,728 | 43,506,166 |
| Issued | - | 50,000,000 |
| Lapsed (i) | - | (1,567,438) |
| Expired | (25,541,248) | (10,000,000) |
| Balance at end of the period | 56,397,480 | 81,938,728 |

(i) During the prior period 1,567,438 employee options lapsed on cessation of employment. A share-based payment reversal of $24,160 was recorded in the prior period.

## 12. Contingent assets and liabilities

There are no identified contingent assets or liabilities as at reporting date.

## 13. Related parties

Transactions with related parties are consistent with those disclosed in the 30 June 2019 financial report.

## 14. Fair value financial instruments

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of the current receivables, other assets and payables are considered to be a reasonable approximation of their fair value.

## 15. Events occurring after the reporting period

On 2 March 2020, the Company announced a re-capitalisation Placement and Entitlement Offer. The re-capitalisation includes an initial upfront Placement of 50,000,000 shares at $0.01 to raise $500,000. This is followed by an Entitlement Offer to raise up to $3.45m on the same terms. In the event that the Entitlement Offer shortfall is less than $2.0m, Anova will conduct a further placement (**Top-Up Placement**) so that the aggregate of the shortfall taken up by clients of the Lead Manager and the Top-Placement is $2.0m.

Conditional Firm Commitments of $2m were received, including Au Xingao Investment Pty Ltd, a subsidiary of Hong Kong Xinhu Investment Co. Ltd (**Xingao** or the **Cornerstone Investor**). Xingao has committed to subscribe for $1.55m of the shortfall from the Entitlement Offer (and/or the Top-Up Placement), subject to receiving State

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Administration Foreign Exchange (SAFE) approval. The Cornerstone Investor has advised the Lead Manager that it has already received Department of Commerce of the Zhejiang Province and NDRC approval.

Anova also entered into a Loan Facility Term Sheet with Xingao for a $2,825,000 (**Loan**).

Completion of the Loan Facility including drawdown is subject to execution of formal documentation including security documentation to be agreed between the parties prior to the Closing Date of the Entitlement Offer, SAFE approval and the Lead Manager placing at least $2m from the shortfall of the Entitlements Offer (and/or the Top-Up Placement).

Proposed terms of the facility include:

- **Principal**: $2,825,000;
- **Maturity Date**: 31 March 2023;
- **Interest**: 9% per annum payable upon on repayment of the Loan;
- **Fee**: 20,000,000 options exercisable at $0.025 with an expiry date of 28 February 2023 to be issued subject to any necessary shareholder approval;
- **Security**: Secured over all of the assets of Anova Metals Ltd and Big Springs Project Pty Ltd with excluded collateral being: the Linden (including the Second Fortune Gold Mine) and Malcolm Gold Projects in Western Australia and various associated dumps, tailings and battery sands; and
- **Purpose**: Proceeds of the Loan will be used to repay the existing loan with Twynam Agricultural Group Pty Ltd that is due to mature in September 2020.

Argonaut Securities Pty Ltd has been appointed Lead Manager to the Placement and Entitlement Offer. Argonaut Capital Limited is acting as arranger of the Loan re-finance.

Anova also announced that Dr Mingyan Wang will be appointed as Managing Director of the Company following the completion of the Placement. The Lead Manager will also have the right to appoint another director (who will be a non-executive director), subject to placing at least $2m from the shortfall of the Entitlements Offer (and/or the Top-Up Placement). At that time, Mr Alasdair Cooke and Mr Bill Fry will resign as directors of Anova.

On 3 March 2020, the Company completed the initial Placement raising $500,000 before costs and Dr Mingyang (Joe) Wang was appointed to the Board as Managing Director.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations, results or the state of affairs of the consolidated entity in future financial years.

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Anova Metals Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

**Perth, Western Australia**
**13 March 2020**

**D I Buckley**
**Partner**

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**INDEPENDENT AUDITOR'S REVIEW REPORT**
To the members of Anova Metals Limited

**Report on the Condensed Half-Year Financial Report**

*Conclusion*

We have reviewed the accompanying half-year financial report of Anova Metals Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 Anova Metals 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 2019 and of its 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*.

*Emphasis of matter - material uncertainty related to going concern*

We draw attention to Note 1(e) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity'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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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 the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

**Perth, Western Australia**
**13 March 2020**

D Buckley

**D I Buckley**
**Partner**