anova metals limited

ABN 20 147 678 779

Interim Financial Report
for the half-year ended
31 December 2017

Contents

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 2017.

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 Gregory (Bill) Fry – Executive Director
Mr Alasdair Cooke – Executive Director (Non-Executive Director to 31 October 2017)
Mr Geoff Laing – Executive Director (since 20 September 2017)
Mr John Davis – Non-Executive Director (since 20 September 2017)

Review of Operations

Anova Metals Limited is a mineral exploration company which is currently developing the Second Fortune Gold Project in WA. Anova Metals also holds the advanced Big Springs Gold Project in Nevada, USA.

Scheme of Arrangement

During the period Anova Metals Limited and Exterra Resources Limited ("**Exterra**") completed a Scheme of Arrangement ("**Scheme**") whereby Anova acquired all of the issued capital of Exterra. On 5 October 2017, 172,594,404 Anova shares were issued to Exterra shareholders on a 1:2 ratio. Existing Anova shareholders hold approximately 72.4% of the shares in the merged entity and Exterra shareholders hold approximately 27.6%. Exterra directors Mr Geoff Laing and Mr John Davis were appointed as an Executive Director and Non-Executive Director respectively of Anova.

Second Fortune

Appointment of Mine Contractor

Anova appointed GBF Underground Mining Company ("GBF") as the preferred mining contractor for the Second Fortune Gold Mine. GBF are an experienced underground mining contractor with a strong presence in Western Australia, including the Goldfields region. GBF employs over 350 underground mining and maintenance staff and is the contractor at a number of current WA gold mining operations.

Anova has elected for a staged approach to mining. The initial stage will see the construction of the portal, the development of the decline down to the first ore drive and the development and stoping of this drive. This will produce a marketable parcel of ore for toll treatment and allow for a review of the geology, mining method and ore sorting prior to proceeding with further development.

Proceeding with this strategy will greatly reduce the project risk as well as lowering the financing cost for commencing mining operations. GBF Mining mobilised to Second Fortune on 12 November ahead of commencing the portal development. The construction of the mine portal and installation of surface mine services were completed by mid-December and significant progress has been made on the decline development had been made by the end of the period.

Site Works

The establishment of surface infrastructure continued during the period. Accommodation facilities to support the expanded staffing levels during mining were completed as well as mine offices, upgraded ablutions, change rooms, laundry and kitchen. Magazines and water services are now complete with workshops completed after the period.

Big Springs Project

Permitting

The Nevada Division of Environmental Protection ("NDEP") and United States Forest Service ("USFS") agreed for the environmental bond for the Big Springs Mine Project to be posted in stages. This allows Anova to initiate exploration within the Mine Project Area under the Mine Plan of Operations without posting the full mine bond and without the requirement for further environmental approvals. Anova submitted a reclamation cost estimate reflecting the rehabilitation costs associated with exploration drilling late which was approved by NDEP and USFS in August 2017, and NDEP subsequently issued the Nevada State Reclamation Permit for the Project.

In August 2017, Anova and its key environmental consultants presented a work plan for the second phase of mining at Big Springs, the North Sammy Underground Project, to USFS and NDEP. The work plan consists of a framework through which Anova and its consultants intend to progress the environmental approvals for the Project. The work plan was well received by both agencies and field work consisting of aquifer testing was undertaken subsequent to the end of the period. Furthermore, Anova is planning to construct a monitoring well downgradient of the proposed mine workings to provide additional critical data for the development of the hydrological model.

Exploration

During the period the Company completed an exploration drilling program designed to follow up on the results returned at South Sammy and Beadles Creek during the 2016 drilling campaign.

The drilling at Beadles Creek was designed to test for shallow up-dip extensions of the high grade zone intersected during the 2016 drilling campaign. Anova successfully completed seven holes for a total of 1,230 metres at the prospect, with all holes intersecting the structurally controlled Beadles Creek shoot up-dip to the east. Mineralisation at Beadles Creek remains open in all directions.

Drilling at South Sammy consisted of three holes for 612 metres. One hole (AWV17-063) was drilled to test for southern extensions to the high grade zone intersected in AWV16-061 in 2016, while two holes (AWV17-064 and AWV17-065) were drilled to test for additional stacked mineralised zones that Anova could access through the proposed 601 underground operation for which the Company received regulatory approval in January 2017.

Mining

Anova and Jerritt Canyon Gold LLC are in ongoing discussions regarding the terms of a tolling agreement. During the period, updated mine designs for South Sammy and North Sammy were completed by Small Mine Development LLC, the underground mining contractor at Jerritt Canyon. The designs were reviewed by Anova and minor modifications were requested. The updated designs are anticipated to be completed shortly and will once finalised be forwarded to Jerritt Canyon's technical team for review of tonnages, grade and scheduling of ore.

Events Subsequent to Period End

Mining Finance

Anova's wholly owned subsidiary Anova Metals Australia Pty Ltd entered into a Facility Agreement ("Facility") with a loan syndicate co-ordinated by agent and security trustee, MSQ Holdings Pty Ltd. The Facility will provide Anova with the ability to drawdown $3m in February to meet expenditure requirements at the Second Fortune Gold Project and for working capital. The Facility is subject to standard terms of a Facility of its size and nature and prior to drawdown the Company must, amongst other things, execute satisfactory tolling and haulage agreements for ore from Second Fortune and issue the unlisted options mentioned below.

Key facility terms include:

- 5% upfront facility fee.
- Interest rate of 15% per annum, payable monthly.
- 7,500,000 unlisted options over Anova shares, exercisable at 10 cents per share by 31 December 2018.
- 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).

Toll Milling Agreement

Anova entered into a Toll Milling Agreement with Eastern Goldfields Milling Services Pty Ltd, a wholly owned subsidiary of Maximus Resources Ltd (ASX:MXR) for the processing of ore from Anova's Second Fortune Gold Project in WA.

Under the terms of the agreement ore from the Second Fortune Gold Project will be processed at the Burbanks Gold Processing Facility ("Burbanks"). Burbanks is located approximately 270kms from the Second Fortune Gold Project and is readily accessible via road.

Anova's ore will be treated on a campaign basis with fees payable to Maximus for the processing comprising a Fixed Cost for tonnage and an allowance for variable costs based on performance of the ore in the mill. Anova has also agreed to pay a partial pre-payment of processing costs to secure priority for the milling of 40,000 tonnes of ore. The pre-payment is secured and will be deducted from costs of ore processed.

Competent Person Statement – Big Springs Project

The information in this report that relates to Exploration Results and Mineral Resources for the Big Springs Project is based on and fairly represents information compiled by Mr Andrew McDonald, a full-time employee of Anova Metals Ltd, and Mr Lauritz Barnes (Principal Consultant Geologist, Trepanier Pty Ltd). Mr McDonald and Mr Barnes are shareholders of Anova Metals. Mr McDonald and Mr Barnes are members of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr McDonald and Mr Barnes consent to the inclusion in this report of the matters based on information in the form and context in which it appears.

Competent Person Statement – Second Fortune (Linden) Project

The information in this report that relates to Exploration Results and overall supervision and direction of Mineral Resources (including database compilation, sampling processes, geological and mineralisation interpretation, project parameters and costs) is based on and fairly represents, information and supporting documentation compiled under the overall supervision and direction of John Davis (Member of the Australasian Institute of Mining and Metallurgy and the AIG). Mr Davis has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Davis consents to the inclusion in the release of the statements based on their information in the form and context in which they appear.

Information in this report that relates to estimation, depletion and reporting of Second Fortune Main Lode Mineral Resources is based on and fairly represents, information and supporting documentation compiled by Mike Job who is a Member of the Australasian Institute of Mining and Metallurgy and at the time, a full time employee of QG Consulting Pty Ltd. Job has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Job consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Ore Reserves has been compiled by Mr Andrew Gasmier, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Gasmier is employed full time by Mining Plus. Mr Gasmier has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gasmier consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 half-year financial report. This Independence Declaration is set out on page 7 and forms part of this Directors' report for the half-year ended 31 December 2017.

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, 16 March 2018

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 2017 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, 16 March 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

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 2017, 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
16 March 2018

D I Buckley
Partner

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HLB Mann Judd

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Anova Metals Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Anova Metals Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, 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 interim 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 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim 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 interim 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 2017 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.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd

A review of an interim 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
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
16 March 2018

	Note	31-Dec-17 $	31-Dec-16 $
Revenue	*6*	15,776	22,850
Consultant and employee benefits expenses		(539,191)	(409,938)
Exploration expensed as incurred		(1,392,581)	(1,596,785)
Administration expenses		(190,318)	(186,544)
Share-based payment expenses		(33,644)	23,595
Occupancy expenses		(154,644)	(84,944)
Net financial expense		(48,258)	131
Scheme of arrangement transaction costs		(1,005,052)	-
Loss before income tax		(3,347,912)	(2,231,635)
Income tax benefit / (expense)		-	-
Loss for the period		(3,347,912)	(2,231,635)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		(104,862)	341,055
Other comprehensive income for the period, net of income tax		(104,862)	341,055
Total comprehensive loss for the period		(3,452,774)	(1,890,580)
Basic and diluted loss per share (cents per share)		(0.62)	(0.53)

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

Condensed Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31-Dec-17 $	30-Jun-17 $
Assets			
Current Assets			
Cash and cash equivalents		4,329,902	7,709,437
Trade and other receivables		147,248	29,641
Other assets		67,133	57,417
Total current assets		4,544,283	7,796,495
Non-current Assets			
Property, plant and equipment		2,425,179	33,031
Mine properties and development	*9*	13,332,977	-
Exploration and evaluation expenditure	*8*	17,163,294	10,746,051
Security deposits		560,482	423,781
Total non-current assets		33,481,932	11,202,863
Total assets		38,026,215	18,999,358
Liabilities			
Current Liabilities			
Trade and other payables		2,952,910	314,392
Rehabilitation provision		50,370	49,644
Total current liabilities		3,003,280	364,036
Non-current Liabilities			
Rehabilitation provision		546,051	182,150
Deferred tax liability	*5*	2,868,374	-
Total non-current liabilities		3,414,425	182,150
Total liabilities		6,417,705	546,186
Net assets		31,608,510	18,453,172
Equity			
Issued capital	*10*	60,425,440	44,747,741
Reserves		2,688,558	1,863,007
Accumulated losses		(31,505,488)	(28,157,576)
Total equity		31,608,510	18,453,172

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

	Issued capital	Foreign currency translation reserve	Share-based payments reserve	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 July 2017	**44,747,741**	**1,863,007**	**-**	**(28,157,576)**	**18,453,172**
Loss for the period	-	-	-	(3,347,912)	(3,347,912)
Other comprehensive income, net of tax	-	(104,862)	-	-	(104,862)
Total comprehensive loss for the period	-	(104,862)	-	(3,347,912)	(3,452,774)
Share issue net of issue costs	15,677,699	-	-	-	15,677,699
Share-based payments	-	-	930,413	-	930,413
Reversal of share-based payments on expiry	-	-	-	-	-
Balance at 31 December 2017	**60,425,440**	**1,758,145**	**930,413**	**(31,505,488)**	**31,608,510**
Balance at 1 July 2016	**34,947,123**	**2,110,001**	**315,127**	**(24,980,833)**	**12,391,418**
Loss for the period	-	-	-	(2,231,635)	(2,231,635)
Other comprehensive income, net of tax	-	341,055	-	-	341,055
Total comprehensive loss for the period	-	341,055	-	(2,231,635)	(1,890,580)
Share issue net of issue costs	9,754,768	-	-	-	9,754,768
Share-based payments	-	-	(23,595)	-	(23,595)
Reversal of share-based payments on expiry	-	-	(226,000)	226,000	-
Balance at 31 December 2016	**44,701,891**	**2,451,056**	**65,532**	**(26,986,468)**	**20,232,011**

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 2017

	31-Dec-17 $	31-Dec-16 $
Cash flows from operating activities		
Payments to suppliers and employees	(881,422)	(705,265)
Payment for exploration and evaluation expenditure	(1,227,257)	(1,582,800)
Interest received	17,189	17,505
Payments for exploration bonds	(104,713)	-
Net cash used in operating activities	(2,196,203)	(2,270,560)
Cash flows from investing activities		
Payment for property, plant and equipment	(199,468)	(40,868)
Payments for mine development	(719,749)	-
Loan provided to Exterra Resources	(2,000,000)	-
Cash gained on acquisition of Exterra Resources	1,792,523	-
Net cash used in investing activities	(1,126,694)	(40,868)
Cash flows from financing activities		
Proceeds from the issue of issued capital	-	10,299,874
Payment for share issue costs	(28,392)	(545,106)
Net cash provided by financing activities	(28,392)	9,754,768
Net (decrease) in cash and cash equivalents	(3,351,289)	7,443,340
Cash and cash equivalents at 1 July	7,709,437	1,287,493
Effect of exchange rates on cash holdings in foreign currencies	(28,246)	146,133
Cash and cash equivalents at 31 December	4,329,902	8,876,966

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

1. Statement of compliance and basis of preparation of half-year statements

These general purpose financial statements are for the half-year reporting period ended 31 December 2017 and have been prepared in accordance with Accounting Interpretations and other authoritative standards including Accounting Standard AASB 134 'Interim Financial Reporting' and the requirements of Corporations Act 2001. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The interim financial report does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2017 and any public announcements made by Anova Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The interim financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. 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.

For the purposes of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

Going Concern
For the period the consolidated entity recorded had net cash outflows from operating and investing activities of $3,332,897 and had working capital at the end of the period of $1,541,003. Additionally, the consolidated entity entered into a Facility Agreement for funding of $3,000,000 subsequent to the end of the period to provide working capital for the Company's operations at Second Fortune (see note 15). The ability of the consolidated entity to continue to funds its operating activities is dependent upon the consolidated entity being able to realise revenue from operations at the Second Fortune Gold Project in accordance with its cashflow forecasts.

The directors believe there are sufficient funds to meet the consolidated entity's working capital requirements as at the date of this report and accordingly, the financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The directors have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern, inclusive of the Facility Agreement mentioned above; and
- The consolidated entity also has the ability to reduce its expenditure to conserve cash.

2. Significant accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the below policies that have been adopted. These accounting policies are consistent with Australian accounting standards and with interim financial reporting standards.

Mine Development
Mine development expenditure represents the costs incurred in preparing mines for commissioning and production, and also includes other directly attributable costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining project. Once production commences, these costs are amortised over the estimated economic life of the mine on a units of production basis. The development costs are written off if the mine property is abandoned. Development costs incurred to maintain production are expensed as incurred against the related production.

Any rebate received for eligible Research and Development ("R&D") activities are offset against the area where the costs were initially incurred. For R&D expenditure that has been capitalised any claim received will be offset against Mine development expenditure in the Consolidated Statement of Financial Position.

At each reporting date, the entity assess whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds it recoverable amount the asset is considered impaired and is written down to it recoverable amount

3. Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2017
In the half-year ended 31 December 2017, 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 2017.

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 and therefore no material change is necessary to consolidated entity accounting policies.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2017
The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2018.

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 issue not yet adopted on the Company and therefore no material change is necessary to consolidated entity accounting policies.

4. Significant accounting judgements and key estimates

The preparation of the interim financial report 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.

In preparing this interim financial report, the significant judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2017, except for the following:

Mine properties and development expenditure
The recoverability of the carrying amount of mine properties and development expenditure carried forward has been reviewed by the Directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value-in-use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimate future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

5. Business combination

Acquisition
On 5 October 2017, Anova acquired 100% of the shares of Exterra Resources Limited by a Scheme of Arrangement, under which Anova issued 172,594,404 ordinary shares to Exterra Resources shareholders. The consolidated entity also issued 33,916,248 unlisted replacement options to Exterra Resources option holders with various exercise prices and expiry dates.

The total cost of the combination was $16,602,861 and comprised an issue of shares and options. The consolidated entity issued 172,594,404 ordinary shares with a fair value of 9.1 cents each, based on the quoted price of the shares of Anova Metals Limited on the Implementation Date of the Scheme of Arrangement. The 33,916,248 unlisted replacement options were valued based with the Black-Scholes valuation method. Key variables in the option valuation include the price of date of issue of 9.1 cents, a risk free rate of 1.5% and volatility of 69.6%.

Consideration transferred
On the acquisition date, 5 October 2017, the fair value of consideration transferred was recorded as:

Purchase consideration	**$**
Shares issued, at fair value	15,706,091
Options issued, Black-Scholes valuation	896,769
Total purchase consideration	16,602,860

Assets acquired and liabilities assumed at the date of acquisition
The consolidated entity has provisionally recognised the fair values of the identifiable assets and liabilities of Exterra Resources based upon the best information available as of the reporting date.

Provisional business combination accounting is as follows:

Assets and liabilities at fair value	**$**
Cash	1,792,523
Trade and other receivables	153,231
Second Fortune Mine	13,501,205
Exploration	6,542,892
Property, plant and equipment	242,475
Trade and other payables	(423,303)
Convertible note	(2,000,000)
Provisions	(337,789)
Deferred tax liability	(2,868,374)
Net identifiable assets acquired	16,602,860

The initial accounting for the acquisition of Exterra Resources has only been provisionally determined at the end of the reporting period. At the date of finalisation of this financial report, the necessary market valuations and other calculations are still being reviewed and therefore only been provisionally determined based on the directors' best estimate of the likely fair value.

Net cash inflow from transaction

	$
Convertible note provided	2,000,000
Less: Net cash acquired with the subsidiary	(1,792,523)
Net cash inflow	207,477

Impact of acquisition on the results of the consolidated entity
If the business combination had taken place at the beginning of the year, the loss of the consolidated entity would have been $3,782,470 and the revenue from continuing operations would have been $17,160.

Deferred tax liabilities
The following deferred amounts were recognised during the period in relation to the fair value of exploration and mine properties recognised on acquisition of Exterra Resources Limited.

	$
Fair value adjustments on acquisition	744,096
	744,096

6. Revenue

	31-Dec-17 $	31-Dec-16 $
Interest income	15,776	22,850
	15,776	22,850

7. Segment reporting

Period ended 31 December 2017	**Western Australia** **$**	**United States** **$**	**Unallocated** **$**	**Consolidated** **$**
Revenue	2,088	14	13,674	15,776
Total segment revenue	**2,088**	**14**	**13,674**	**15,776**
Segment net gain / (loss) after tax	**21,818**	**(1,291,014)**	**(2,078,718)**	**(3,347,914)**
Interest income	2,088	14	13,674	15,776
Depreciation	(7,342)	(5,194)	(932)	(13,469)
Exploration expensed as incurred	(112,787)	(1,279,794)	-	(1,392,581)
Share-based payments expense	-	-	(33,644)	(33,644)
Segment assets	**23,291,202**	**11,806,944**	**2,928,068**	**38,026,215**
Segment liabilities	**4,778,717**	**473,673**	**1,165,315**	**6,417,705**

Period ended 31 December 2016	Western Australia $	United States $	Unallocated $	Consolidated $
Revenue	-	477	22,373	22,850
Total segment revenue	**-**	**477**	**22,373**	**22,850**
Segment net loss after tax	**-**	**(1,605,618)**	**(625,765)**	**(2,231,384)**
Interest income	-	477	22,373	22,850
Depreciation	-	(688)	(464)	(1,152)
Exploration expensed as incurred	-	(1,596,785)	-	(1,596,785)
Share-based payments expense	-	-	23,595	23,595
Segment assets	**-**	**15,645,446**	**4,932,189**	**20,577,635**
Segment liabilities	**-**	**255,783**	**89,841**	**345,624**

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Consolidated Entity'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 Consolidated Entity, 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.

8. Exploration and evaluation expenditure

Exploration and evaluation phase	Half-year ended 31-Dec-17 $	Full year ended 30-Jun-17 $
Balance at beginning of the period	10,746,051	10,974,219
Acquired during the period	6,542,892	-
Foreign currency movements	(125,649)	(228,168)
Balance at end of the period	17,163,294	10,746,051

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

Mine properties and development	Half-year ended 31-Dec-17 $	Full year ended 30-Jun-17 $
Balance at beginning of the period	-	-
Acquired during the period	13,501,205	-
Transferred to property, plant and equipment	(1,964,255)	
Additions during the period	1,796,027	-
Balance at end of the period	13,332,977	-

During the period, the Company acquired a 100% interest in Exterra Resources, which is developing the Second Fortune Gold Project. The value of mine properties and development was revalued in accordance with AASB 3 as part of the acquisition. As at the date of the report, expenditure on Second Fortune is still being capitalised to mine properties and development ahead of reaching the point of mine operations, at which point it will be amortised over the mine life.

10. Issued capital

	31-Dec-17 $	30-Jun-17 $
625,994,696 (PY: 453,400,292) fully paid ordinary shares	60,425,440	44,747,741
	60,425,440	44,747,741

Fully paid ordinary shares	Half-year ended 31-Dec-17		Full year ended 30-Jun-17	
	No.	$	No.	$
Balance at beginning of the period	453,400,292	44,747,741	362,155,108	34,947,123
Placements	-	-	71,307,684	9,269,999
Scheme of Arrangement consideration	172,594,404	15,706,091	-	-
Conversion of unlisted options	-	-	18,437,500	1,029,875
Conversion of performance rights	-	-	1,500,000	48,000
Share issue costs	-	(28,392)	-	(547,256)
Balance at end of the period	625,994,696	60,425,440	453,400,292	44,747,741

11. Options and performance rights

Unlisted options	Half-year ended 31-Dec-17 No.	Full year ended 30-Jun-17 No.
Balance at beginning of the period	-	22,437,500
Issued	36,006,166	-
Lapsed	-	(4,000,000)
Converted	-	(18,437,500)
Balance at end of the period	36,006,166	-

The following unlisted options were issued during the period:

Class	Number	Grant date	Vesting date	Expiry date	Exercise price (cents)	Fair value at grant date
Class A	4,500,000	5-Oct-17	5-Oct-17	19-Jun-20	4.30	265,709
Class B	4,687,502	5-Oct-17	5-Oct-17	1-Jul-19	12.00	117,666
Class C	2,500,000	5-Oct-17	5-Oct-17	4-Jul-18	12.00	33,107
Class D	1,250,000	5-Oct-17	5-Oct-17	26-Aug-19	20.00	18,159
Class E	1,250,000	5-Oct-17	5-Oct-17	26-Aug-19	25.00	13,151
Class F	8,926,873	5-Oct-17	5-Oct-17	29-Jul-19	12.00	230,741
Class G	8,926,873	5-Oct-17	5-Oct-17	29-Jul-19	16.00	166,052
Class H	500,000	5-Oct-17	5-Oct-17	1-Dec-19	20.00	8,444
Class I	1,375,000	5-Oct-17	5-Oct-17	28-Nov-21	20.00	43,740
Continual service to 31 March 2018	522,480	25-Oct-17	31-Mar-18	25-Oct-20	8.00	13,888
Continual service to 30 Sept 2018	522,480	25-Oct-17	30-Sep-18	25-Oct-20	8.00	14,860
Continual service to 31 March 2019	522,479	25-Oct-17	31-Mar-19	25-Oct-20	8.00	15,754
Continual service to 30 Sept 2019	522,479	25-Oct-17	30-Sep-19	25-Oct-20	8.00	16,591
	36,006,166					957,862

Class A-Class I options were issued as replacement options to Exterra Option holders as consideration for their Exterra Options, the fair value of the options is recorded as part of the investment in Anova Metals Australia Pty Ltd (formerly Exterra Resources Limited).

The fair value at grant date was calculated by using the Black-Scholes calculation method using the inputs above and a share price on grant date of 9.1 cents, a risk free rate of 1.5% and volatility of 69.6%

Continual service options were issued under the Company's Employee Incentive Plan and vest over a 24 month period commencing 1 October 2017.

The fair value at grant date was calculated by using the Black-Scholes calculation method using the inputs above and a share price on grant date of 7.7 cents, a risk free rate of 1.5% and volatility of 69.22%

Performance rights	Half-year ended 31-Dec-17 No.	Full year ended 30-Jun-17 No.
Balance at beginning of the period	2,250,000	3,750,000
Issued	1,300,313	-
Lapsed	(2,250,000)	-
Converted	-	(1,500,000)
Balance at end of the period	1,300,313	2,250,000

Class	Number	Grant date	Vesting date	Expiry date	Exercise price (cents)	Fair value at grant date
Continual service to 31 March 2018	325,079	25-Oct-17	31-Mar-18	25-Oct-20	-	25,012
Continual service to 30 Sept 2018	325,078	25-Oct-17	30-Sep-18	25-Oct-20	-	25,012
Continual service to 31 March 2019	325,078	25-Oct-17	31-Mar-19	25-Oct-20	-	25,012
Continual service to 30 Sept 2019	325,078	25-Oct-17	30-Sep-19	25-Oct-20	-	25,012
	1,300,313					100,048

Continual service rights were issued under the Company's Employee Incentive Plan and vest over a 24 month period commencing 1 October 2017.

The fair value at grant date has been calculated as the value of the share price on the grant date of 7.7 cents and a greater than 50% probability of vesting.

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 2017 financial report except as outlined below:

New Agreements
On 20 September 2017, Mr Geoff Laing was appointed to the Company as an Executive Director, to be paid $10,200 per month. Mr John Davis was also appointed as a Non-Executive Director of the Company, entitled to the base fee of $40,000 per annum.

On 1 November, Alasdair Cooke was appointed an Executive Director, having previously been a Non-Executive Director of the Company. On this date the agreements with the Company's directors were amended to the following:

Officer	Title	Agreement
Alasdair Cooke	Executive Director	$100,000 per annum
Geoff Laing	Executive Director	$50,000 per annum
John Davis	Non-Executive Director	$40,000 per annum non-executive director fee + $10,000 per annum consulting)

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

Anova's wholly owned subsidiary Anova Metals Australia Pty Ltd entered into a Facility Agreement ("Facility") with a loan syndicate co-ordinated by agent and security trustee, MSQ Holdings Pty Ltd. The Facility will provide Anova with the ability to drawdown $3m in February to meet expenditure requirements at the Second Fortune Gold Project and for working capital. The Facility is subject to standard terms of a Facility of its size and nature and prior to drawdown the Company must, amongst other things, execute satisfactory tolling and haulage agreements for ore from Second Fortune and issue the unlisted options mentioned below.

Key facility terms include:

- 5% upfront facility fee.
- Interest rate of 15% per annum, payable monthly.
- 7,500,000 unlisted options over Anova shares, exercisable at 10 cents per share by 31 December 2018.
- 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).

Anova entered into a Toll Milling Agreement with Eastern Goldfields Milling Services Pty Ltd, a wholly owned subsidiary of Maximus Resources Ltd (ASX:MXR) for the processing of ore from Anova's Second Fortune Gold Project in WA.

Under the terms of the agreement ore from the Second Fortune Gold Project will be processed at the Burbanks Gold Processing Facility ("Burbanks"). Burbanks is located approximately 270kms from the Second Fortune Gold Project and is readily accessible via road.

Anova's ore will be treated on a campaign basis with fees payable to Maximus for the processing comprising a Fixed Cost for tonnage and an allowance for variable costs based on performance of the ore in the mill. Anova has also agreed to pay a partial pre-payment of processing costs to secure priority for the milling of 40,000 tonnes of ore. The pre-payment is secured and will be deducted from costs of ore processed.

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.