anova metals limited

ABN 20 147 678 779

Interim Financial Report for the half-year ended 31 December 2018

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 2018.

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
Mr Geoff Laing – Executive Director
Mr John Davis – Non-Executive Director

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.

Second Fortune
The first mining campaign at Anova's Second Fortune gold mine was completed in July 2018. The campaign included development of a new portal and decline to intersect the old workings on level 1 and level 2, then mining, sorting and toll milling of remnant ore from level 1 and production from a full strike of new development and stoping on level 2.

Mining was conducted as a campaign to evaluate the geology and resource models, mining method, ore sorting process and toll treating arrangements prior to committing to a full development plan.

The geology model for the main vein performed well and confirmed the continuity of the vein. Mapping of the vein highlighted the simple geometry of the northern extents, confirmed the presence of higher grade shoots developed in the central zone and added to the understanding of the more complex vein structure in the southern zone. Face sampling of the veins showed good general agreement with predicted grades however the final reconciliation with the resource model showed areas of high grade were overestimated in the model by around 15% for level 2.

Geotechnical problems were a significant issue. Additional costs were incurred for ground support in shallow areas of the decline. Similar problems on level 1 south resulted in dilution and the loss of areas of the stope. On level 2 there were areas of significant dilution in the stopes due to hanging wall failures. The failures in level 2 only became evident at the completion of the campaign once ore was extracted and final surveys were completed.

The increased tonnages from dilution caused significant increases in both the haulage and processing costs for the first campaign.

The ore sorter performed as expected technically but did not achieve forecast production rates and less material was sorted than planned. The fines generated in the mining operation were higher than forecast causing a reduction in sortable material. Development ore was effectively sorted with greater than three times upgrade to product although the lower production rates added to unit costs for sorting.

Higher costs due to additional ground support and the impact of dilution on haulage and processing costs resulted in around $2m increased costs above forecast. Total gold recovered was approximately 1,800 oz less than forecast, primarily due to losses on the first level due to poor ground and negative reconciliation with the block model. The combined impact of both higher costs and reduced revenues resulted in negative cashflows for the campaign. The problems of poor ground conditions were limited to the weathered shallow parts of the mine in the early decline and first level and not expected to be of further concern. The problems with stope hanging wall failures and consequent dilution are attributed to the use of wider development drives and no similar stability issues have been observed in the older areas of the mine. It is expected this dilution can be adequately managed using narrow development drives.

A new mine plan has been developed with smaller development drives and otherwise using actual costs determined from first campaign, with updated assumptions on geology and resource. Under this plan, continuation of mining deeper levels is considered viable. Discussions are continuing with potential joint venture partners in relation to the continuation of mining at Second Fortune. Alternative development models are also being explored which may reduce some of the costs and risks associated with the previous campaign.

Big Springs Divestment Process

In July 2018 the Company announced its intention to divest its Big Springs Gold Project to allow Anova to unlock significant value from its past operations in the US and focus on its core Australian projects, as well as pursue additional opportunities within Australia.

The Big Springs divestment process, led by experienced Canadian resources advisors Haywood Securities Inc., continued through the period with proposals submitted from two separate parties late in the period. These are currently being considered by the Company. Subsequent to period end further interest was received which is being assessed. There is no certainty that the process will lead to the divestment of the Big Springs Gold Project and any agreement, once entered into, will be disclosed and be subject to any necessary regulatory approval process including any approvals required by the ASX.

Corporate

In November 2018 the Company announced it had entered into two agreements with Matsa Resources Limited (Matsa) for the disposal of non-core WA tenements outside of the Second Fortune tenement area. The first agreement is a Sale and Purchase Agreement for the Zelica Project under which Anova received cash consideration of $150,000. The transaction was completed in January 2019.

Additionally, Anova entered into a Placement and Option Deed with Matsa. Matsa subscribed for 10,000,000 ordinary shares in Anova Metals at a price of 2.25c, a premium to the share price of Anova. Anova granted Matsa an 18 month option to acquire its Devon Tenements (M39/87, M39/629, M39/500, E39/1232 and M39/386). Upon exercise of the option Matsa will be required to pay Anova $200,000 in consideration and grant a 1% net smelter royalty on production from the Devon tenements.

During the period the Company also entered into a Facility Agreement with Twynam Agricultural Group. The $3m Facility provided Anova with the ability to re-pay the six-month financing facility that was provided by a loan syndicate and drawn down in February 2018. The Facility is subject to standard terms of a Facility of its size and nature.

The Company also undertook a review of ongoing costs during the period and significantly reduced expenditure where possible, including suspension of director fees effective 1 December 2018.

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 interim 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 2018.

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 2019

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 2018 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 2019

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2018, 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	**D I Buckley**
13 March 2019	**Partner**

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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 2018, 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 2018 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 in the interim 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 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.

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2018 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 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

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
13 March 2019

Condensed Consolidated Statement of Profit or Loss & Other Comprehensive Income
For the half-year ended 31 December 2018

	Note	31-Dec-18 $	31-Dec-17 $
Revenue	2	2,807,581	-
Cost of goods sold		(2,767,026)	-
Gross profit		40,555	-
Interest income		890	15,776
Employee benefits expenses		(246,695)	(539,191)
Exploration expensed as incurred		(615,573)	(1,392,581)
Depreciation expenses		(5,053)	(13,469)
Finance costs		(346,161)	-
Administration expenses		(126,946)	(190,318)
Occupancy expenses		(74,633)	(141,175)
Share-based payment reversal / (expense)		63,086	(33,644)
Foreign exchange loss		(659)	(48,258)
Scheme of arrangement transaction costs		-	(1,005,052)
Exploration expenditure impaired	8	(1,347,711)	-
Loss on sale of assets	7	(301,176)	-
Loss before income tax		(2,960,076)	(3,347,912)
Income tax benefit / (expense)		-	-
Loss for the period		(2,960,076)	(3,347,912)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation		368,182	(104,862)
Other comprehensive income for the period, net of income tax		368,182	(104,862)
Total comprehensive loss for the period		(2,591,894)	(3,452,774)
Basic and diluted loss per share (cents per share)	3	(0.47)	(0.62)

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

ANOVA METALS LIMITED

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31-Dec-18 $	30-Jun-18 $
Assets			
Current Assets			
Cash and cash equivalents		539,979	567,660
Trade and other receivables		337,705	663,083
Other assets		53,251	153,540
Inventories		-	2,089,022
Total current assets		930,935	3,473,305
Non-current Assets			
Property, plant and equipment	*7*	689,854	1,549,276
Mine properties and development	*9*	9,852,133	9,852,133
Exploration and evaluation expenditure	*8*	12,004,380	12,992,897
Security deposits		453,036	564,275
Total non-current assets		22,999,403	24,958,581
Total assets		23,930,338	28,431,886
Liabilities			
Current Liabilities			
Trade and other payables	*5*	1,698,359	3,953,705
Borrowings	*6*	-	3,000,000
Rehabilitation provision		41,818	37,951
Total current liabilities		1,740,177	6,991,656
Non-current Liabilities			
Rehabilitation provision		628,911	585,554
Borrowings	*6*	3,000,000	-
Deferred tax liability		356,723	356,723
Total non-current liabilities		3,985,634	942,277
Total liabilities		5,725,811	7,933,933
Net assets		18,204,527	20,497,953
Equity			
Issued capital	*10*	60,716,986	60,448,614
Reserves		3,636,250	3,326,100
Accumulated losses		(46,148,709)	(43,276,761)
Total equity		18,204,527	20,497,953

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 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 (Note 11)	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**
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**

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

	31-Dec-18 $	31-Dec-17 $
Cash flows from operating activities		
Receipts from customers	2,807,581	-
Interest received	621	17,189
Payments to suppliers and employees	(269,520)	(881,422)
Payment for exploration and evaluation expenditure	(602,950)	(1,227,257)
Payment for mine production	(2,486,506)	-
Refunds / (payments) for exploration bonds	136,441	(104,713)
Research and development tax incentive	121,063	-
Financing costs	(205,167)	-
Net cash provided by / (used in) operating activities	(498,437)	(2,196,203)
Cash flows from investing activities		
Payment for property, plant and equipment	-	(199,468)
Proceeds from the sale of property, plant and equipment	251,269	-
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 provided by / (used in) investing activities	251,269	(1,126,694)
Cash flows from financing activities		
Proceeds from the issue of issued capital	225,000	-
Payment for share issue costs	(4,441)	(28,392)
Net cash provided by / (used in) financing activities	220,559	(28,392)
Net (decrease) in cash and cash equivalents	(26,609)	(3,351,289)
Cash and cash equivalents at 1 July	567,660	7,709,437
Effect of exchange rates on cash holdings in foreign currencies	(1,072)	(28,246)
Cash and cash equivalents at 31 December	539,979	4,329,902

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

1. Statement of Significant Accounting Policies

a) Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) is a general purpose financial report and has been have 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.

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 interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2018 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 2018 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 2018

In the half-year ended 31 December 2018, 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 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 the Company and therefore no material change is necessary to Group accounting policies, other than the following:

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue and 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 Group has applied AASB 15 Revenue from Contracts with Customers for the first time in the current period. AASB 15 establishes a single comprehensive income for entities to use in accounting for revenue arising from contracts with customers.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of distinct performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has adopted AASB 15 using the modified retrospective method of adoption (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated. The effect of the application of AASB 15 has been applied to all contracts at date of initial application and there is no impact on the Group's 31 December 2017 or 30 June 2018 financial statements.

AASB 9 Financial Instruments
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI).Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

There is no impact to profit or loss or net assets on the adopt of this new standard in the current or comparative years.

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2018.

As a result of this review the Directors have determined that AASB 16 Leases may have a material effect on the application in future periods.

AASB 16 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. 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.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to Group accounting policies.

c) Statement of compliance

The interim financial statements were authorised for issue on 12 March 2019. 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) Summary of significant accounting policies

AASB 15 Revenue from Contracts with Customers

The Group primarily generates revenue from the sale of gold and silver bullion. The Group delivers dore bars to refiners, who convert the product into investment grade bullion for a fee, which is subsequently sold to the refinery. Revenue from the sale of these goods is recognised when control over the inventory has transferred to the customer.

Control is generally considered to have passed when:

- physical possession and inventory risk is transferred (including via a third-party transport provider arranged by the refinery);
- payment terms for the sale of goods can be clearly identified through the sale of metal credits received or receivable for the transfer of control of the asset;
- the Group can determine with sufficient accuracy the metal content of the goods delivered; and
- the refiner has no practical ability to reject the product where it is within contractually specified limits.

Where economic inflows arise from other by-products, for example from the presence of other valuable metals, these amounts are credited to the costs of producing the primary products to the extent the amounts generated are not considered significant.

e) 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 2018.

f) Going concern

The interim financial statements have has 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 $2,960,076 for the period ended 31 December 2018, net cash outflows from operating and investing activities of $247,168 and had a working capital deficiency at the end of the period of $809,242, the directors are of the opinion that the consolidated entity is a going concern for the following reasons:

- The Company announced in the period the intention to sell the Big Springs Gold Project, a process which is currently continuing;
- The ability of the consolidated entity to continue to funds its operating activities is dependent upon the consolidated entity being able to realise proceeds from the sale of the Big Springs Gold Project and/or other non-core assets;
- The directors have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern; and
- The consolidated entity also has the ability to further reduce its expenditure to conserve cash.

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

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

Disaggregation of revenue

As Anova Metals has elected the modified retrospective method of adoption, comparative information under AASB 15 is not required as disclosures for the comparative period in the notes follow the requirements of AASB 118 and AASB 111 and related interpretations.

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

At a point in time	**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-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

	31-Dec-18	31-Dec-17
Basic and diluted earnings per share	**$**	**$**
Basic and diluted loss per share (cents per share)	0.47	0.62
Diluted loss per share (cents per share)	0.47	0.62
Earnings	**$**	**$**
Loss from continuing operations used in the calculation of basic and diluted loss per share	(2,960,076)	(3,347,912)
Weighted average number of ordinary shares	**No.**	**No.**
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	630,660,528	535,678,172

4. Segment reporting

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.

Period ended 31 December 2018	**Western Australia $**	**United States $**	**Unallocated $**	**Consolidated $**
Segment revenue (i)	**2,807,581**	**-**	**-**	**2,807,581**
Segment net gain / (loss) after tax	**(2,340,948)**	**(270,079)**	**(349,049)**	**(2,960,076)**
Segment assets	**11,526,951**	**11,867,643**	**535,744**	**23,930,338**
Segment liabilities	**3,570,063**	**306,852**	**1,848,896**	**5,725,811**
Period ended 31 December 2017	**$**	**$**	**$**	**$**
Segment revenue (i)	-	-	-	-
Segment net gain / (loss) after tax	**21,818**	**(1,291,014)**	**(2,078,718)**	**(3,347,914)**
Segment assets	**23,291,202**	**11,806,944**	**2,928,069**	**38,026,215**
Segment liabilities	**4,778,717**	**473,673**	**1,165,315**	**6,417,705**

(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-18 $	30-Jun-18 $
Trade and other creditors	1,693,797	3,892,272
Payroll liabilities	4,562	61,433
	1,698,359	3,953,705

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.

7. Property, plant and equipment

	Land and buildings $	Plant and equipment $	Motor vehicles $	Total $
Cost	270,307	965,435	72,454	1,308,196
Accumulated depreciation	(223,190)	(352,158)	(42,994)	(618,342)
Carrying value at 31 December 2018	47,117	613,277	29,460	689,854
Cost	270,307	2,079,637	96,207	2,446,150
Accumulated depreciation	(223,190)	(622,112)	(51,573)	(896,874)
Carrying value at 30 June 2018	47,117	1,457,525	44,634	1,549,276

	Land and buildings $	Assets under construction $	Plant and equipment $	Motor vehicles $	Total $
31 December 2018					
Carrying value as at 1 July 2018	47,117	-	1,457,525	44,634	1,549,276
Disposals	-	-	(843,540)	(10,962)	(854,502)
Exchange differences	-	-	-	133	133
Depreciation expense	-	-	(708)	(4,345)	(5,053)
	47,117	-	613,277	29,460	689,854

30 June 2018	Land and buildings $	Assets under construction $	Plant and equipment $	Motor vehicles $	Total $
Carrying value as at 1 July 2017	-	-	1,955	31,076	33,031
Acquired under scheme of arrangement	72,824	1,964,255	145,792	23,859	2,206,730
Additions	-	181,426	72,289	-	253,715
Transferred to mine properties	-	(245,968)	-	-	(245,968)
Transferred to plant and equipment	-	(1,899,713)	1,899,713	-	-
Exchange differences	-	-	(17)	708	691
Depreciation expense	(25,707)	-	(662,206)	(11,010)	(698,923)
	47,117	-	1,457,526	44,633	1,549,276

During the period, the Company sold surplus equipment from the Second Fortune operations, for consideration of $500,000, payable in monthly instalments. At the end of the period $300,000 was outstanding. The disposal of the equipment realised a loss on sale of assets of $343,540. Further, in the period surplus motor vehicles were sold for consideration of $51,269, the Company realised a gain on sale of assets of $42,364.

8. Exploration and evaluation expenditure

Exploration and evaluation phase	Half-year ended 31-Dec-18 $	Full year ended 30-Jun-18 $
Balance at beginning of the period	12,992,897	10,746,051
Additions	-	6,542,892
Impairment (i)	(1,347,711)	(4,555,181)
Foreign currency movements	359,194	259,135
Balance at end of the period	12,004,380	12,992,897

(i) An assessment of the carrying value of the Company'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).

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-18 $	Full year ended 30-Jun-18 $
Mine properties and development at cost	11,933,947	11,933,947
Less: Accumulated amortisation	(2,081,814)	(2,081,814)
Carrying amount at end of the period	9,852,133	9,852,133

	Half-year ended 31-Dec-18	Full year ended 30-Jun-18
Mine properties and development - at cost	**$**	**$**
Balance at beginning of the period	11,933,947	-
Acquired under scheme of arrangement	-	13,501,205
Transferred to property, plant equipment	-	(1,964,255)
Additions during the period	-	4,975,093
Impairment (i)	-	(4,578,096)
Balance at end of the period	11,933,947	11,933,947

Mine properties and development - accumulated amortisation	**$**	**$**
Balance at beginning of the period	(2,081,814)	-
Amortisation (ii)	-	(2,081,814)
Balance at beginning of the period	(2,081,814)	(2,081,814)

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

(i) 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 off key assumptions from the 2017 feasibility study on the Second Fortune Project prepared by Exterra Resources, adapted to remove the beneficiation and associated costs of ore sorting and updated for current gold price forecasts and using a 12% discount rate.
The Company is currently comfortable that the carrying amount of the cash generating unit is appropriate. In the full year to 30 June 2018 an assessment was undertaken and an impairment expense of $4,578,096 recorded to reduce the carrying value of the Second Fortune project. This impairment will reduce the amortisation expense per ounce in future periods.

(ii) Amortisation is calculated in accordance with the Second Fortune financial model which requires the mine properties to be amortised over the life of mine in accordance with the tonnes mined in the period. No mining of ore was completed in the period and accordingly no amortisation has been recorded for the period. In July 2018, activities were limited to the milling of the remaining ore from the mining campaign and sale of gold and silver.

During the prior period the Company acquired a 100% interest in Exterra Resources, which was developing the Second Fortune Gold Project. The value of mine properties and development was fair-valued in accordance with AASB 3 as part of the acquisition.

10. Issued capital

	31-Dec-18	30-Jun-18
	$	**$**
639,132,275 (PY: 626,319,775) fully paid ordinary shares	60,716,986	60,448,614
	60,716,986	60,448,614

Fully paid ordinary shares	Half-year ended 31-Dec-18 No.	Half-year ended 31-Dec-18 $	Full year ended 30-Jun-18 No.	Full year ended 30-Jun-18 $
Balance at beginning of the period	626,319,775	60,448,614	453,400,292	44,747,741
Placements	10,000,000	225,000	-	-
Scheme of Arrangement consideration	-	-	172,594,404	15,706,091
Facilitation fee shares (i)	2,812,500	47,813	-	-
Conversion of performance rights	-	-	325,079	25,012
Share issue costs	-	(4,441)	-	(30,230)
Balance at end of the period	639,132,275	60,716,986	626,319,775	60,448,614

(i) In connection with entering the Facility Agreement (see note 7) 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

Unlisted options	Half-year ended 31-Dec-18 No.	Full year ended 30-Jun-18 No.
Balance at beginning of the period	43,506,166	-
Issued	50,000,000	43,506,166
Lapsed (i)	(1,567,438)	-
Expired	(10,000,000)	
Balance at end of the period	81,938,728	43,506,166

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

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
Financier Options	50,000,000	4-Sep-18	4-Sep-18	30-Jun-20	4.50	93,182

The fair value of the financier options has been calculated using the black-scholes method. The following inputs were used; volatility of 72%, share price on grant date of 1.6 cents, exercise price of 4.5 cents, 1.8 year time frame and a risk free rate of 1.5%. The share based payment expense has been including in finance costs.

Performance rights	Half-year ended 31-Dec-18 No.	Full year ended 30-Jun-18 No.
Balance at beginning of the period	975,234	2,250,000
Issued	-	1,300,313
Lapsed	(975,234)	(2,250,000)
Converted	-	(325,079)
Balance at end of the period	-	975,234

(i) During the period 975,234 employee performance rights lapsed on cessation of employment. A share based payment reversal of $38,926 was recorded in the 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 2018 financial report except for the Directors agreeing to suspend their fees effective 1 December 2018.

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

In January, Anova completed the sale of the Zelica Project to Matsa Resources Limited, receiving cash consideration of $150,000.

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.