

# **AZUMAH RESOURCES LIMITED**

**ABN 72 112 320 251**

## **INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2015**

**This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2015 and any public announcements made by Azumah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

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## AZUMAH RESOURCES LIMITED

31 DECEMBER 2015

### DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity consisting of Azumah Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

#### DIRECTORS

The names of the directors who held office during or since the end of the half-year, to the date of this report, are:

Mr Michael Atkins

Mr Stephen Stone

Mr Geoffrey Jones

Mr William LeClair

#### REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2015	
	Revenues	Results
	\$	\$
Consolidated entity revenues and loss	18,839	(1,960,186)

Azumah Resources Limited is an Australian Securities Exchange listed (ASX: AZM) resource company focused on exploring and developing its Wa Gold Project, the first stand-alone commercial-scale gold mining operation in Ghana's emerging north-west gold province. The Project is 100% owned by Azumah other than in the Mining Leases in which the Government of Ghana has a statutory 10% interest.

Three main deposits have been discovered and extensively drilled out at Kunche and Bepkong, adjacent to the Black Volta River and Ghana's border with Burkina Faso, and at Julie ~80km to the east. Several satellite deposits, including Aduane and Collette, have also been delineated.

To date the Company has defined a JORC Mineral Resource of 2.0Moz of gold grading 1.5g/t Au including 1.3Moz Measured and Indicated grading 1.6g/t gold with these evenly distributed between Kunche-Bepkong and Wa East (Julie).

Mineral Resources have grown progressively through systematic exploration of the Company's 2,800km<sup>2</sup> licence holdings which encompass large tracts of prospective Birimian terrain, the rocks that host the majority of West Africa's gold mines. Mineral Resources will continue to grow through the systematic testing of its pipeline of specific targets, prospects and many areas of interest.

Azumah has completed a Feasibility Study for a mining operation based on an initial seven-year life and producing ~90,000oz Au per year from the open pit mining and treatment of ore through a nominal 1.2 million tonnes per year carbon-in-leach (CIL) processing plant (1.8Mtpa treating softer oxide material). The plant will be located adjacent to the Kunche deposit and incorporate a flotation and regrind circuit to treat Julie primary ore and some transitional ore, which will be hauled by road to the processing plant.

A JORC Ore Reserve of 624,000oz Au (9.1Mt at 2.14g/t Au) has been defined based on recent studies. With the addition of Inferred mineralisation contained in designed and optimised pits the total Mining Inventory is 652,500oz gold.

Extensive metallurgical test work has been undertaken to confirm a high average overall gold recovery of +91% for the Kunche, Bepkong and Julie deposits.

## AZUMAH RESOURCES LIMITED

31 DECEMBER 2015

### DIRECTORS' REPORT (continued)

Azumah has had two 15-year Mining Leases granted over its key deposits (Ghana government holds a 10% free carried interest in its 'rights and obligations' and is also entitled to a 5% gross gold royalty) and is now moving to obtain environmental operating permits necessary to allow development to proceed.

No technical, social or environmental impediments to development have been identified and there is strong support from stakeholders for the Project to be established. Whilst the region has no other major industry, the Project benefits from excellent regional infrastructure including grid power to site, good quality bituminised and non-bituminised roads, good access to water, a sealed airstrip at the regional centre of Wa and good general communications.

Key investors in Azumah include Macquarie Bank (Metals & Energy Capital Division), mining services group Ausdrill Limited and Caitlyn Limited which is associated with Emirates based gold refiner Fujairah Gold FZE, a wholly owned subsidiary of global mining group, Vedanta Resources plc.

As at the end of the reporting period, Azumah held a 19.9% interest in its neighbour and junior Ghana explorer, Castle Minerals Limited which holds extensive licences adjacent to Azumah.

During the reporting period, Azumah:

#### EXPLORATION:

- ▶ **Confirmed** new power auger-based gold-in-soil anomalies at Piiri, Butele, Julie Far East, and Manwe;
- ▶ **Completed** first-pass RC drilling at Manwe which confirmed a primary mineralisation discovery including 12m at 5.28g/t Au from 49m (JORC57) and 32m at 2.18g/t Au from surface (JORC56)
- ▶ **Commenced** first-pass, broad-spaced reconnaissance drilling at Duri with a 57 hole, 2,291m aircore programme that returned two main zones of low-level primary gold anomalism at shallow depth; and
- ▶ **Undertook** several other reconnaissance auger-based soil sampling campaigns and complementary mapping programmes which continued to identify new and enhance existing anomalies;

#### PROJECT DEVELOPMENT:

- ▶ **Submitted** to Ghana MINCOM a term sheet aimed at securing a regional specific development agreement with the Ghana Government including specific fiscal concessions to assist financing and accelerate project payback;
- ▶ **Advanced** the environmental permitting process;
- ▶ **Continued** a high level of community and stakeholder engagement for both development activities and general exploration site access;
- ▶ **Completed** an internal Feasibility Study Commercial Review indicating that material capital and operating cost savings were likely to be achievable;

#### CORPORATE:

- ▶ **Completed** a private placement raising \$910,000 via the issue of 39.6M new ordinary shares at a price of \$0.023;
- ▶ **Advanced** project funding and development discussions with several international groups some of whom have or are still undertaking due diligence; and
- ▶ **Maintained** strict discipline on costs and expenditure.

## AZUMAH RESOURCES LIMITED

31 DECEMBER 2015

### DIRECTORS' REPORT (continued)

#### SUBSEQUENT TO THE END OF THE REPORTING PERIOD:

- ▶ **Appointed** GR Engineering to undertake a formal capital and operating costs review to confirm and define material savings achievable in current more competitive environment;
- ▶ **Extended** until May 2016 its \$2M converting note agreement with Ausdrill Limited;
- ▶ **Appointed** three persons to the Castle Board being Azumah directors Michael Atkins and Stephen Stone and independent director Ian Hobson as Company Secretary. The incumbent directors resigned; and,
- ▶ **Increased** its shareholding in Castle to 19.9% through an investment of \$74,962.91.

*Table 1: Mineral Resource Estimate*

Cut-off 0.5 g/t Au	Measured			Indicated			Inferred			Total		
	Tonnes (M)	Grade g/t Au	Gold Oz									
Kunche	8.42	1.73	468,000	2.24	1.38	99,000	4.86	1.17	183,000	15.52	1.50	751,000
Bepkong	2.22	1.79	128,000	1.70	1.33	73,000	1.17	1.17	44,000	5.09	1.49	245,000
Aduane							1.77	1.50	85,000	1.77	1.50	85,000
Julie	0.89	1.44	41,000	10.06	1.57	507,000	5.98	1.49	286,000	16.93	1.53	834,000
Collette							1.69	1.45	79,000	1.69	1.45	79,000
<b>Total</b>	<b>11.52</b>	<b>1.72</b>	<b>637,000</b>	<b>14.00</b>	<b>1.51</b>	<b>679,000</b>	<b>15.47</b>	<b>1.36</b>	<b>677,000</b>	<b>40.99</b>	<b>1.51</b>	<b>1,994,000</b>

*Values have been rounded*

*Table 2: Ore Reserve Summary*

Ore Reserves Summary							
(As at August 2014)	Proved		Probable		Total		Gold To Mill Oz Au
	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	
Kunche	4.91	1.92	0.05	3.11	4.97	1.94	309,000
Bepkong	1.79	1.84	0.11	1.97	1.90	1.85	113,000
Julie	0.29	2.45	1.93	2.89	2.21	2.84	202,000
<b>Total</b>	<b>7.00</b>	<b>1.92</b>	<b>2.09</b>	<b>2.85</b>	<b>9.08</b>	<b>2.14</b>	<b>624,000</b>

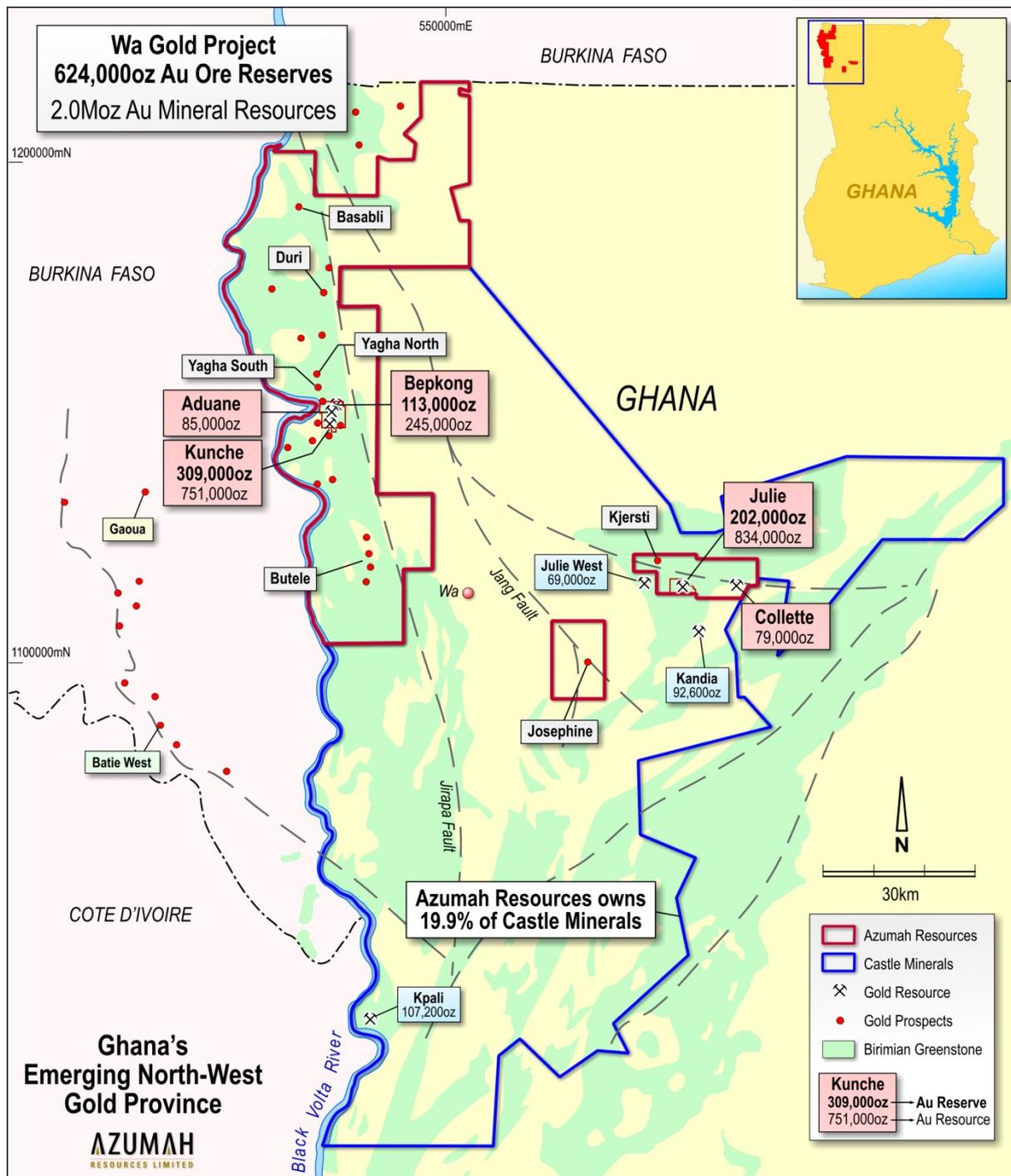
*Values have been rounded*

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**DIRECTORS' REPORT (continued)**

*Wa Gold Project – Key Deposits and Prospects*



# AZUMAH RESOURCES LIMITED

31 DECEMBER 2015

## DIRECTORS' REPORT (continued)

### Governance Controls

Governance of Azumah's mineral resources development and management activities is a key responsibility of the Executive Management of the Company.

The Managing Director of the Company oversees reviews and technical evaluations of the Mineral Resource estimates.

The Ore Reserves for the Wa Gold Project have been derived by Kirk Mining Consultants who is the Competent Person qualified to report the Ore Reserves in accordance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)". The Ore Reserve estimate is based on the Mineral Resources classified as "Measured" and "Indicated" after consideration of mining, metallurgical, social, environmental and financial aspects of the operation. The Proved Ore Reserve has been derived from the Measured Mineral Resource and the Probably Ore Reserve has been derived from the Indicated Mineral Resources.

Mineral Resources for each deposit are estimated by external and independent consultants and are reported in accordance with JORC 2012 requirements.

### Competent Persons' Statement

The scientific and technical information in this report that relates to the **geology of the deposits and exploration results** is based on information compiled by **Mr Stephen Stone**, who is a full-time employee (Managing Director) of Azumah Resources Ltd. Mr Stone is a Member of the Australian Institute of Mining and Metallurgy and 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 Stone is the Qualified Person overseeing Azumah's exploration projects and has reviewed and approved the disclosure of all scientific or technical information contained in this announcement that relates to the geology of the deposits and exploration results.

The scientific and technical information in this report that relates to the in-situ **Mineral Resource estimates for the Bepkong and Collette deposits** is based on information compiled by **Mr David Williams**, who is a geological consultant employed by CSA Global Pty Ltd. Mr Williams is a Member of the Australian Institute of Geoscientists and the Australian Institute of Mining and Metallurgy and 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 Williams has reviewed and approved the disclosure of all scientific or technical information contained in this announcement that relates to the Bepkong and Collette Mineral Resource estimate.

The scientific and technical information in this report that relates to the in-situ **Mineral Resource estimates for the Kunche and Aduane deposits** is based on information compiled by **Mr Dmitry Pertel**, who is a full-time employee (Manager - Resources) of CSA Global Pty Ltd. Mr Pertel is a Member of the Australian Institute of Geoscientists and 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 Pertel has reviewed and approved the disclosure of the relevant scientific or technical information contained in this announcement that relates to the Kunche and Aduane Mineral Resource estimates.

The scientific and technical information in this report that relates to **Mineral Resources estimates for the Julie deposit** is based on information compiled by **Mr Brian Wolfe**, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Wolfe is a consultant to Azumah Resources Limited and is not an employee of the Company. Mr Wolfe has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Wolfe consents to the inclusion in the report of the Julie Mineral Resources in the form and context in which it appears.

The scientific and technical information in this report that relates to **Ore Reserves estimates for the Kunche, Bepkong and Julie deposits** is based on information compiled by **Mr Linton Kirk**, an independent consultant to Azumah Resources Limited. Mr Kirk is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Kirk has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Kirk consents to the inclusion in the report of the matters related to the Ore Reserve estimate in the form and context in which it appears.

The scientific and technical information in this report that relates to **Process Metallurgy** is based on information compiled by **Mr Ian Thomas**, an independent process consultant to Azumah Resources Limited. Mr Thomas is a member of the Australasian Institute of Mining and Metallurgy. Mr Thomas has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Thomas consents to the inclusion in the report of the matters related to the metallurgy, specifically the data represented in Table 3, in the form and context in which it appears.

## **AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

### **DIRECTORS' REPORT (continued)**

#### **Forward-Looking Statement**

This release contains forward-looking information. Such forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend", and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved, and other similar expressions. In providing the forward-looking information in this news release, the Company has made numerous assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) that the results of the feasibility study continue to be positive; and (iv) that future exploration results are as anticipated.

Management believes that these assumptions are reasonable. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contained in the forward-looking information. Forward-looking information is based on estimates and opinions of management at the date the statements are made.

Except as required by law, Azumah does not undertake any obligation to update forward-looking information even if circumstances or management's estimates or opinions should change. Readers should not place reliance on forward-looking information and readers are advised to consider such forward-looking statements in light of the risks set forth in the Company's continuous disclosure filings.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

This report is made in accordance with a resolution of directors.



**Stephen Stone**  
Managing Director  
Perth, 15 March 2016

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF AZUMAH RESOURCES LIMITED

As lead auditor for the review of Azumah Resources Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Azumah Resources Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2016

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	2015	2014
	\$	\$
<b>REVENUE</b>	<b>18,839</b>	134,898
<b>EXPENDITURE</b>		
Depreciation expense	(119,245)	(128,855)
Salaries and employee benefits expense	(217,117)	(232,173)
Exploration expenditure	(823,776)	(1,501,316)
Impairment of receivables	(24,228)	(13,190)
Impairment of financial assets	(77,189)	(347,685)
Administration expenses	(373,825)	(410,783)
Finance costs	(278,092)	(295,553)
Share-based payments expense	(65,553)	9,109
<b>LOSS BEFORE INCOME TAX</b>	<b>(1,960,186)</b>	(2,785,548)
Income tax benefit/(expense)	-	-
<b>LOSS FOR THE HALF-YEAR AFTER TAX</b>	<b>(1,960,186)</b>	(2,785,548)
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net (loss)/gain on revaluation of financial assets	(57,874)	19,315
Impairment of financial assets included in loss for the period	77,189	347,685
Exchange differences on translation of foreign operations	217,783	294,092
Other comprehensive income for the period, net of tax	237,098	661,092
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED</b>	<b>(1,723,088)</b>	(2,124,456)
Basic and diluted loss per share (cents)	<b>(0.5)</b>	(0.7)

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

**AZUMAH RESOURCES LIMITED****31 DECEMBER 2015****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2015**

	Note	31 December 2015 \$	30 June 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,822,956	2,198,304
Trade and other receivables		165,467	131,547
Available-for-sale financial assets	3	135,771	193,159
<b>TOTAL CURRENT ASSETS</b>		<b>2,124,194</b>	<b>2,523,010</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,878,595	1,904,742
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,878,595</b>	<b>1,904,742</b>
<b>TOTAL ASSETS</b>		<b>4,002,789</b>	<b>4,427,752</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		406,072	334,793
Borrowings	4	2,256,024	2,058,351
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,662,096</b>	<b>2,393,144</b>
<b>TOTAL LIABILITIES</b>		<b>2,662,096</b>	<b>2,393,144</b>
<b>NET ASSETS</b>		<b>1,340,693</b>	<b>2,034,608</b>
<b>EQUITY</b>			
Contributed equity		97,106,395	96,142,775
Reserves		5,779,467	5,476,816
Accumulated losses		(101,545,169)	(99,584,983)
<b>TOTAL EQUITY</b>		<b>1,340,693</b>	<b>2,034,608</b>

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

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Contributed Equity	Share-Based Payments Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
<b>BALANCE AT 1 JULY 2014</b>	94,683,918	4,263,022	(367,000)	693,578	(95,435,865)	3,837,653
Loss for the period	-	-	-	-	(2,785,548)	(2,785,548)
OTHER COMPREHENSIVE INCOME						
Net gain on revaluation of financial assets	-	-	19,315	-	-	19,315
Impairment of financial assets included in loss for the period	-	-	347,685	-	-	347,685
Exchange differences on translation of foreign operations	-	-	-	294,092	-	294,092
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	-	-	367,000	294,092	(2,785,548)	(2,124,456)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	1,327,380	-	-	-	-	1,327,380
Share-based payments expense	-	(26,109)	-	-	-	(26,109)
<b>BALANCE AT 31 DECEMBER 2014</b>	96,011,298	4,236,913	-	987,670	(98,221,413)	3,014,468
<b>BALANCE AT 1 JULY 2015</b>	<b>96,142,775</b>	<b>4,268,528</b>	<b>(19,315)</b>	<b>1,227,603</b>	<b>(99,584,983)</b>	<b>2,034,608</b>
Loss for the period	-	-	-	-	(1,960,186)	(1,960,186)
OTHER COMPREHENSIVE INCOME						
Net loss on revaluation of financial assets	-	-	(57,874)	-	-	(57,874)
Impairment of financial assets included in loss for the period	-	-	77,189	-	-	77,189
Exchange differences on translation of foreign operations	-	-	-	217,783	-	217,783
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	-	-	19,315	217,783	(1,960,186)	(1,723,088)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	990,420	-	-	-	-	990,420
Share issue transaction costs	(26,800)	-	-	-	-	(26,800)
Share-based payments expense	-	65,553	-	-	-	65,553
<b>BALANCE AT 31 DECEMBER 2015</b>	<b>97,106,395</b>	<b>4,334,081</b>	-	<b>1,445,386</b>	<b>(101,545,169)</b>	<b>1,340,693</b>

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

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Half-year	
	2015	2014
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on exploration interests	(801,677)	(1,352,902)
Payments to suppliers and employees	(518,706)	(684,276)
Interest received	21,720	52,099
Proceeds from release of security bond	40,000	-
<b>Net cash (outflow) from operating activities</b>	<b>(1,258,663)</b>	<b>(1,985,079)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchases of available-for-sale financial assets	(486)	-
Payments for property, plant and equipment	-	(1,998)
<b>Net cash (outflow) from investing activities</b>	<b>(486)</b>	<b>(1,998)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issues of ordinary shares (net of costs)	883,200	1,200,000
<b>Net cash inflow from financing activities</b>	<b>883,200</b>	<b>1,200,000</b>
Net (decrease) in cash and cash equivalents	(375,949)	(787,077)
Cash and cash equivalents at the beginning of the half-year	2,198,304	3,932,027
Effects of exchange rate changes on cash and cash equivalents	601	1,447
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>1,822,956</b>	<b>3,146,397</b>

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

## AZUMAH RESOURCES LIMITED

31 DECEMBER 2015

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Azumah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

During the half-year the Group recorded a net loss of \$1,960,186 and incurred net cash outflows from operating activities of \$1,258,663.

The Directors believe that the Group will continue as a going concern. As a result the financial report has been prepared on a going concern basis. The Directors are of the belief that the Convertible Notes will be settled by issue of equity and thus not diminish the Group's cash position.

#### Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

##### *Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using option pricing models or the fair market value of shares (right) at the date of grant, using the assumptions detailed in note 5. If any of these assumptions were to change, there may be an impact on the amounts reported.

#### New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2016 annual report as a consequence of these amendments.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 2: SEGMENT INFORMATION**

For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Ghana, West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit or loss and cash flows and is measured in accordance with the Group's accounting policies.

	Half-year	
	2015	2014
	\$	\$
<b>Exploration Segment</b>		
<b>Segment revenue</b>	-	-
<b>Reconciliation of segment revenue to total revenue before tax:</b>		
Interest revenue	18,839	47,941
Net foreign exchange gains	-	86,957
<b>Total revenue</b>	<u>18,839</u>	<u>134,898</u>
<b>Segment results</b>	<b>(845,202)</b>	<b>(1,018,608)</b>
<b>Reconciliation of segment result to net loss before tax:</b>		
Depreciation	(11,740)	(17,884)
Finance costs	(278,092)	(295,553)
Impairment of financial assets	(77,189)	(347,685)
Other corporate and administration	(747,963)	(1,105,818)
<b>Net loss before tax</b>	<u><b>(1,960,186)</b></u>	<u><b>(2,785,548)</b></u>
	<b>31 December</b>	<b>30 June 2015</b>
	<b>2015</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Segment operating assets</b>	<b>1,965,461</b>	<b>1,922,920</b>
<b>Reconciliation of segment operating assets to total assets:</b>		
Other corporate and administration assets	2,037,328	2,504,832
<b>Total assets</b>	<u><b>4,002,789</b></u>	<u><b>4,427,752</b></u>
Total assets includes additions to property, plant and equipment:		
Exploration segment	-	19,238
Other corporate and administration	-	1,998
	<u>-</u>	<u>21,236</u>
<b>Segment operating liabilities</b>	<b>342,764</b>	<b>246,848</b>
<b>Reconciliation of segment operating liabilities to total liabilities:</b>		
Other corporate and administration liabilities	2,319,332	2,146,296
<b>Total liabilities</b>	<u><b>2,662,096</b></u>	<u><b>2,393,144</b></u>

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Australian listed equity securities	<b>135,771</b>	193,159

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

**NOTE 4: BORROWINGS**

	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Convertible notes	<b>2,256,024</b>	2,058,351

The parent issued 2,000,000 8% convertible notes for \$2,000,000 on 29 January 2014. The notes are convertible into ordinary shares of the parent entity at any time prior to the expiry date (originally 1 February 2016, subsequently extended to 1 May 2016, refer note 10), or at the option of the holder, at \$0.05 per share. Azumah has the option to repay the notes on expiry, and pay periodic interest, in cash or by the issue of ordinary shares. The issue price of shares required to settle interest payments is 90% of the 15 day volume weighted average price (VWAP) of Azumah's shares traded on ASX prior to the interest payment date. The issue price of shares at expiry upon Azumah's election to convert is the greater of (i) \$0.014, or (ii) 90% of the 30 day VWAP of Azumah's shares preceding the expiry date. Azumah also has the right to require conversion prior to expiry at \$0.05 per share if the 30 day VWAP of Azumah's shares exceeds \$0.075.

	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Face value of notes issued	<b>2,000,000</b>	2,000,000
Other equity securities – value of conversion rights	<b>(560,000)</b>	(560,000)
	<b>1,440,000</b>	1,440,000
Fair value adjustment <sup>(1)</sup>	<b>508,736</b>	391,721
Interest paid	<b>307,288</b>	226,630
	<b>2,256,024</b>	2,058,351

(1) Interest expense is calculated by applying the effective interest rate of 27% to the liability component. The effective interest rate is the rate that exactly discounts estimated future cash payments (in this case \$2,222,222) through the expected life of the financial instrument (in this case 2 years) to the net carrying amount of the financial liability (in this case \$1,440,000).

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 4: BORROWINGS (continued)**

The initial fair value of the liability portion of the notes was determined as the proceeds less the value of the conversion rights. The liability is subsequently recognised at fair value until extinguished on conversion or maturity of the notes, with the fair value at maturity estimated to be \$2,222,222 being the face value plus the premium to recognise conversion at 90% of VWAP. The value of conversion rights is recognised in shareholders' equity, and not subsequently remeasured, and was calculated using the Black-Scholes European Option Pricing Model on the issue date.

**NOTE 5: CHANGES IN EQUITY SECURITIES ON ISSUE**

Ordinary Share Capital	2015 Shares	2015 \$	2014 Shares	2014 \$
<b>As at 1 July</b>	<b>393,850,639</b>	<b>95,582,775</b>	356,189,096	94,123,918
<b>Issued during the half-year</b>				
Issued on vesting of performance rights	-	-	500,000	17,000
Issued as consideration for interest due on convertible notes	<b>3,496,504</b>	<b>80,420</b>	2,127,823	97,880
Issued as consideration for consulting fees	-	-	500,000	12,500
Issued for cash @ 2.3 cents per share	<b>39,565,217</b>	<b>910,000</b>	-	-
Issued for cash @ 4 cents per share	-	-	30,000,000	1,200,000
Less transaction costs	-	<b>(26,800)</b>	-	-
<b>As at 31 December</b>	<b>436,912,360</b>	<b>96,546,395</b>	389,316,919	95,451,298

**Options**

	Number of options	
	2015	2014
<b>As at 1 July</b>	-	3,000,000
Options expired on 30 November 2014, exercisable at 26 cents	-	(1,000,000)
Options expired on 30 November 2014, exercisable at 60 cents	-	(2,000,000)
<b>As at 31 December</b>	-	-

**Performance Rights**

	Number of performance rights	
	2015	2014
<b>As at 1 July</b>	<b>4,075,000</b>	4,325,000
Performance rights issued, expiring 30 June 2015	-	2,000,000
Performance rights issued, expiring 30 June 2016	<b>3,450,000</b>	4,000,000
Performance rights issued, expiring 30 December 2016	<b>9,750,000</b>	-
Performance rights converted, expiring 30 November 2014	-	(500,000)
Performance rights expired/cancelled, expiring 30 November 2014	-	(3,500,000)
Performance rights expired/cancelled, expiring 30 November 2015	<b>(75,000)</b>	(250,000)
<b>As at 31 December</b>	<b>17,200,000</b>	6,075,000

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 5: CHANGES IN EQUITY SECURITIES ON ISSUE (continued)**

During the 2015 half-year, 3,450,000 performance rights expiring on 30 June 2016 were issued to employees. These rights vest on the expiry date upon continuation of employment. The fair value of 2.5 cents per right was calculated by reference to the closing share price on the date of grant.

Also during the 2015 half-year, 1,500,000 performance rights expiring on 30 December 2016 were issued to a contractor and 8,250,000 performance rights expiring on 30 December 2016 were issued to Directors after approval at the 2015 annual general meeting. 3,875,000 of these rights will vest on the completion of a material transaction or the introduction of a joint venture partner for the Wa Project ("Condition A"). 2,000,000 of these rights will vest on a greater than 20% increase in JORC resource and/or reserves ("Condition B"). The weighted average fair value of 2.9 cents per right was calculated by reference to the closing share price on the dates of grant.

The remaining 3,875,000 rights have a market-related performance vesting conditions, being the obtainment of a 20-day volume weighted average price (VWAP) of the Company's shares of 5 cents. The fair value of the performance rights granted during the half-year was 0.8 cents for those granted to the contractor and 0.1 cents for those granted to the Directors. The fair values were calculated by using a Trinomial Barrier Option Pricing Model applying the following inputs:

	<b>Granted to</b>	
	<b>Contractor</b>	<b>Directors</b>
Exercise price (cents)	Nil	Nil
Life of the performance right (years)	1.1	1.1
Underlying share price (cents)	3.3	2.7
Barrier price (cents)	5.0	5.0
Expected share price volatility	28%	28%
Risk free interest rate	2.07%	2.07%

During the 2014 half-year, 2,000,000 performance rights expiring on 30 June 2015, and 4,000,000 performance rights expiring on 30 June 2016, were issued to Directors after approval at the 2014 annual general meeting. These rights have market-related performance vesting conditions, being the obtainment of a 20-day volume weighted average price (VWAP) of the Company's shares of 7 and 11 cents respectively. The fair value of the performance rights granted during the half-year was 1.7 cents for those expiring on 30 June 2015 and 1.9 cents for those expiring 30 June 2016. The fair values were calculated by using a Trinomial Barrier Option Pricing Model applying the following inputs:

	<b>Expiring 30 June</b>	
	<b>2015</b>	<b>2016</b>
Exercise price (cents)	Nil	Nil
Life of the performance right (years)	0.7	1.7
Underlying share price (cents)	3.5	3.5
Barrier price (cents)	7.0	11.0
Expected share price volatility	87.7%	87.7%
Risk free interest rate	2.58%	2.58%

## **AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

#### **NOTE 6: CONTINGENCIES**

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

#### **NOTE 7: DIVIDENDS**

No dividends were paid during the half-year. No recommendation for payment of dividends has been made.

#### **NOTE 8: COMMITMENTS**

There have been no significant changes to commitments since the last annual reporting date.

#### **NOTE 9: RELATED PARTY TRANSACTIONS**

There have been no significant changes to related party transactions since the last annual reporting date, other than the issue of performance rights to the Directors following approval at the Company's 2015 annual general meeting as disclosed at note 5.

#### **NOTE 10: EVENTS AFTER REPORTING DATE**

On 8 February 2016 the Company issued 2,755,172 ordinary shares as consideration for interest due on the convertible notes. Additionally, a variation to the Converting Note Agreement has extended the repayment date to 1 May 2016.

No other matter or circumstance has arisen since 31 December 2015, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

**AZUMAH RESOURCES LIMITED**

**31 DECEMBER 2015**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 10 to 19 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Azumah Resources 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.



**Stephen Stone**  
Managing Director  
Perth, 15 March 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azumah Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Azumah Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2015 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 Azumah Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Azumah Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Azumah Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', with the letters 'BDO' written above it.

Glyn O'Brien

Director

Perth, 15 March 2016