

AZUMAH RESOURCES LIMITED

ABN 72 112 320 251

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2017

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 2017 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 2017**

Contents	Page
DIRECTORS' REPORT	3
COMPETENT PERSON'S STATEMENT	6
FORWARD-LOOKING STATEMENT	6
AUDITOR'S INDEPENDENCE DECLARATION	8
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	9
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
CONSOLIDATED STATEMENT OF CASH FLOWS	12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13
DIRECTORS' DECLARATION	20
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	21

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

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 2017.

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 (*ceased 5 October 2017*)

REVIEW AND RESULTS OF OPERATIONS

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

	2017	
	Revenues	Results
	\$	\$
Consolidated entity revenues and profit	4,740,458	1,845,548

Azumah Resources Limited is a Perth-based, ASX-listed (ASX: AZM) company focused on exploring and developing its regional scale Wa Gold Project in the Upper West Region of Ghana, West Africa.

Three main deposits have been discovered and extensively drilled 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 delineated a JORC 2012 Mineral Resource of 2.1Moz of gold grading 1.5g/t Au, including 1.4Moz Measured and Indicated grading 1.7g/t Au, with these evenly distributed between Kunche-Bepkong and Wa East (Julie deposit). Within this a JORC 2012 Ore Reserve of 624,000oz Au (9.1Mt at 2.14g/t Au) has been defined.

Extensive metallurgical test work has confirmed a high average overall gold recovery of ~92% for the combined Kunche, Bepkong and Julie deposits.

Mineral Resources have been progressively grown through a focused, systematic approach to exploration of the Company's 2,400km² licence holdings, which encompass large tracts of prospective Birimian terrain, the rocks that host the majority of West Africa's gold mines. Much of this is covered in soil, alluvium or laterite so most discoveries have been 'blind'. Azumah anticipates Mineral Resources will grow substantially as it continues to test its large pipeline of target areas and specific prospects.

Azumah's exploration strategy is primarily driven by its need to boost Mineral Resources to increase the existing Ore Reserve base from 624,000oz towards 1.0Moz. This would more solidly underpin a development decision and improve funding capability.

Azumah has two 15-year Mining Leases over its key deposits (Ghana government holds a 10% free carried interest in their 'rights and obligations' and is also entitled to a 5% gross gold royalty).

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

DIRECTORS' REPORT (continued)

No technical, social or environmental impediments to development have been identified, no communities need to be relocated and rehoused and there is strong support from key stakeholders for the Project. The Project benefits from excellent regional infrastructure including grid power to site, good quality bituminised and non-bituminised roads, easy access to water, a 2km sealed airstrip at the regional centre of Wa and good general communications.

HIGHLIGHTS:

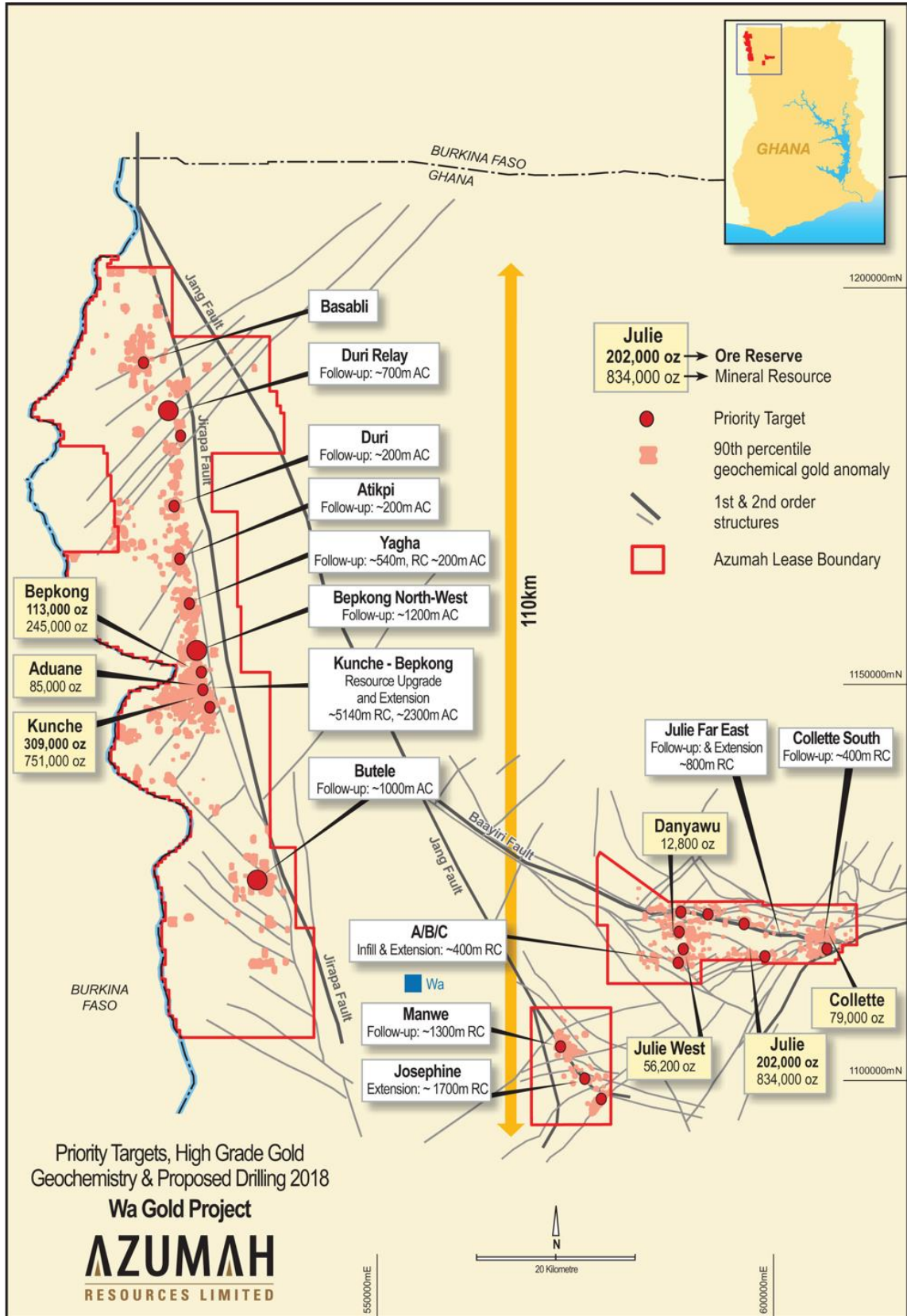
- ▶ Executed on 1 September 2017 a transformative Earn-In and Shareholders Agreement (EISA) with Ibaera Capital GP Limited (Ibaera), whereby Ibaera can earn in two stages, over two years, up to a 47.5% direct interest for an expenditure of US\$13.5 million in the Company's Wa Gold Project;
- ▶ Commenced operation of the EISA on 3 November 2017 with Ibaera's highly experienced and multi-disciplinary technical team now on board and implementing programmes and budgets including for drilling aimed at boosting Mineral Resources, Ore Reserves and ultimately the delivery of a revised blueprint for funding and development of the Project;
- ▶ Committed in 2018 to ~47,000m of reverse circulation (RC), diamond, aircore and auger drilling directed at advancing existing and to generating new targets;
- ▶ Submitted to Ghana EPA a revised draft Environmental Impact Statement (EIS) towards the securing of an EPA operating permit;
- ▶ Completed during September 2017 a fully underwritten 1 for 5 non-renounceable Rights Issue at a price of \$0.02 per share that raised \$2.33 million (before costs);
- ▶ Progressed a search for additional growth opportunities; and
- ▶ Held a 12.5% (27.7M shares) strategic shareholding in Ghana neighbour, Castle Minerals Limited (~\$0.89 million as at 31 December 2017).

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

DIRECTORS' REPORT (continued)

Wa Gold Project: Priority targets and planned drilling in 2018



AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

DIRECTORS' REPORT (continued)

References

All references to Mineral Resources and Ore Reserves pertain to ASX releases dated 2 September 2014, 23 March 2015 and 12 October 2016 respectively. Also refer to Tables 1 and 2 herein. The Company confirms that all material assumptions underpinning the production targets and forecast information continue to apply and have not materially changed other than a positive material reduction in capital costs (refer ASX release dated 9 May 2016). For further information on Azumah Resources Limited and its Wa Gold Project please visit its website at www.azumahresources.com.au which contains copies of all continuous disclosure documents to ASX, Competent Persons' Statements and Corporate Governance Statement and Policies.

Competent Persons' Statements

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 an employee (Managing Director) of Azumah Resources Limited. 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.

Table 1: Ore Reserves Summary – JORC Code 2012

(As at August 2014)	Proved		Probable		Total		Gold To Mill
	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	Tonnes (Mt)	Grade g/t Au	Gold oz
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
Total	7.00	1.92	2.09	2.85	9.08	2.14	624,000

Values have been rounded.

Table 2: Mineral Resource Estimate – JORC Code 2012 – Updated October 2016

Deposit	Measured			Indicated			Inferred			Total		
	Tonnes (M)	Grade g/t Au	Gold oz	Tonnes (M)	Grade g/t Au	Gold oz	Tonnes (M)	Grade g/t Au	Gold oz	Tonnes (M)	Grade g/t Au	Gold oz
Kunche	8.42	1.7	468,000	2.24	1.4	99,000	4.86	1.2	183,000	15.52	1.5	751,000
Bepkong	2.22	1.8	128,000	1.70	1.3	73,000	1.17	1.2	44,000	5.09	1.5	245,000
Aduane							1.77	1.5	85,000	1.77	1.5	85,000
Julie	0.89	1.4	41,000	10.06	1.6	507,000	5.98	1.5	286,000	16.93	1.5	834,000
Julie West				0.38	4.2	52,000	0.03	4.0	4,000	0.41	4.2	56,000
Danyawu				0.07	5.5	13,000				0.07	5.5	13,000
Collette							1.69	1.5	79,000	1.69	1.5	79,000
Total	11.52	1.7	637,000	14.45	1.6	744,000	15.50	1.4	681,000	41.49	1.5	2,063,000

Note: Values have been rounded. A lower cut-off of 0.5g/t Au was used for Kunche, Bepkong, Aduane, Julie and Collette, and a lower cut-off of 1.0g/t Au was used for Julie West and Danyawu

Statements of Competent Persons for the various Mineral Resource Estimates, Ore Reserve Estimates and Process Metallurgy can all be found on the Company's website at http://www.azumahresource.com.au/projects-competent_persons.php

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

DIRECTORS' REPORT (continued)

Forward-Looking Statement

All statements other than statements of historical fact included on this website including, without limitation, statements regarding future plans and objectives of Azumah, are forward-looking statements. Forward-looking statements can be identified by words such as 'anticipate', 'believe', 'could', 'estimate', 'expect', 'future', 'intend', 'may', 'opportunity', 'plan', 'potential', 'project', 'seek', 'will' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Azumah that could cause Azumah's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained on this website will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Azumah does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained on this website, except where required by applicable law and stock exchange listing requirements.

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 8.

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



Stephen Stone
Managing Director
Perth, 14 March 2018

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AZUMAH RESOURCES LIMITED

As lead auditor for the review of Azumah Resources Limited for the half-year ended 31 December 2017, 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.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2018

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Note	Half-year	
		2017	2016
		\$	\$
REVENUE AND OTHER INCOME			
Revenue		11,284	25,857
Other income		337,817	40,404
Net gain on deconsolidation of subsidiaries	5(c)	4,391,357	-
EXPENDITURE			
Depreciation expense		(89,111)	(45,094)
Salaries and employee benefits expense		(448,222)	(221,176)
Exploration expenditure		(479,664)	(1,656,986)
Impairment of receivables	3	(382,146)	(90,508)
Administration expenses		(586,964)	(243,087)
Finance costs		-	(40,537)
Share-based payments (expense)/income	6(c)/6(b)	(374,500)	45,567
Share of net losses of joint venture and associate accounted for using the equity method		(534,303)	(9,056)
PROFIT/(LOSS) BEFORE INCOME TAX		1,845,548	(2,194,616)
Income tax benefit/(expense)		-	-
PROFIT/(LOSS) FOR THE HALF-YEAR AFTER TAX		1,845,548	(2,194,616)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(60,957)	42,805
Share of associates' exchange differences on translation of foreign operations		(93,279)	262
<i>Items that have been reclassified to profit or loss</i>			
Exchange differences realised on deconsolidation of foreign operations		(1,307,001)	-
Other comprehensive income for the period, net of tax		(1,461,237)	43,067
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED		384,311	(2,151,549)
Basic and diluted earnings/(loss) per share (cents)		0.3	(0.4)

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 2017

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31 December 2017 \$	30 June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		1,107,409	750,912
Trade and other receivables		446,800	181,563
TOTAL CURRENT ASSETS		1,554,209	932,475
NON-CURRENT ASSETS			
Investments accounted for using the equity method	4	3,416,896	126,931
Property, plant and equipment		14,005	1,491,358
TOTAL NON-CURRENT ASSETS		3,430,901	1,618,289
TOTAL ASSETS		4,985,110	2,550,764
CURRENT LIABILITIES			
Trade and other payables		174,435	645,644
TOTAL CURRENT LIABILITIES		174,435	645,644
TOTAL LIABILITIES		174,435	645,644
NET ASSETS		4,810,675	1,905,120
EQUITY			
Contributed equity	6	105,508,350	103,361,606
Reserves		4,590,483	5,677,220
Accumulated losses		(105,288,158)	(107,133,706)
TOTAL EQUITY		4,810,675	1,905,120

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

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Contributed Equity	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2016	98,337,406	4,358,111	1,408,857	(103,639,823)	464,551
Loss for the period	-	-	-	(2,194,616)	(2,194,616)
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	42,805	-	42,805
Share of associate's exchange differences on translation of foreign operations	-	-	262	-	262
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	43,067	(2,194,616)	(2,151,549)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	5,228,503	-	-	-	5,228,503
Share issue transaction costs	(204,303)	-	-	-	(204,303)
Share-based payments expense	-	(45,567)	-	-	(45,567)
BALANCE AT 31 DECEMBER 2016	103,361,606	4,312,544	1,451,924	(105,834,439)	3,291,635
BALANCE AT 1 JULY 2017	103,361,606	4,312,544	1,364,676	(107,133,706)	1,905,120
Profit for the period	-	-	-	1,845,548	1,845,548
OTHER COMPREHENSIVE INCOME					
Exchange differences on translation of foreign operations	-	-	(60,957)	-	(60,957)
Share of joint venture's and associate's exchange differences on translation of foreign operations	-	-	(93,279)	-	(93,279)
Exchange differences realised on deconsolidation of foreign operations	-	-	(1,307,001)	-	(1,307,001)
TOTAL COMPREHENSIVE INCOME/(LOSS)	-	-	(1,461,237)	1,845,548	384,311
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	2,330,264	-	-	-	2,330,264
Share issue transaction costs	(183,520)	-	-	-	(183,520)
Share-based payments expense	-	374,500	-	-	374,500
BALANCE AT 31 DECEMBER 2017	105,508,350	4,687,044	(96,561)	(105,288,158)	4,810,675

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

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Half-year	
	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on exploration interests	(461,460)	(1,418,122)
Payments to suppliers and employees	(1,006,409)	(504,805)
Interest received	9,177	9,131
Interest paid	-	(40,328)
Net cash (outflow) from operating activities	(1,458,692)	(1,954,124)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash disposed on deconsolidation of subsidiaries	(10,556)	-
Payments for term deposits	-	(1,020,000)
Payments for property, plant and equipment	(7,214)	(19,348)
Loans to joint venture and associate	(313,813)	(250,000)
Repayment of loan by associate	-	196,856
Net cash (outflow) from investing activities	(331,583)	(1,092,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of ordinary shares (net of costs)	2,146,744	3,842,382
Repayment of borrowings	-	(1,000,000)
Net cash inflow from financing activities	2,146,744	2,842,382
Net increase/(decrease) in cash and cash equivalents	356,469	(204,234)
Cash and cash equivalents at the beginning of the half-year	750,912	1,031,143
Effects of exchange rate changes on cash and cash equivalents	28	266
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	1,107,409	827,175

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

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

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 2017 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 2017 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, except for accounting for joint arrangements as set out below:

Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has acquired an interest in a joint venture during the current reporting period.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

New and amended standards adopted by the Group

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the interim reporting period.

Impact of standards issued but not yet applied by the Group

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 2017. 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.

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 matches the Group's financial statements.

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: PROFIT AND LOSS INFORMATION

	Half-year	
	2017	2016
	\$	\$
Profit/(loss) for the half-year before income tax includes the following specific expenses:		
<i>Impairment of receivables</i>		
Impairment of trade and other receivables of a subsidiary prior to deconsolidation	2,013	90,508
Impairment of loan to joint venture (refer note 10(a))	380,133	-
Total impairment expense	382,146	90,508

NOTE 4: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of equity-accounted investments has changed as follows in the half-year:

	Half-year	
	2017	2016
	\$	\$
Beginning of the period	126,931	128,894
Addition of investment in Azumah Resources GH Ltd (note 4)	3,918,300	-
Share of joint venture's and associate's other comprehensive income for the period	(628,335)	(8,794)
End of the period	3,416,896	120,100

NOTE 5: DECONSOLIDATION OF SUBSIDIARIES

(a) Description

On 1 September 2017 the Group executed an Earn-In and Shareholders Agreement (**EISA**) with private equity group Ibaera Capital GP Limited (**Ibaera**), whereby Ibaera can earn in two stages over two years up to a 47.5% direct interest in the Group's Wa Gold Project for an expenditure of US\$13.5 million. An Amended EISA dated 30 October 2017 was subsequently executed, under which the Commencement Date was 3 November 2017.

The EISA provides for Azumah to retain a 57.5% ownership interest and Ibaera the ability to obtain a 42.5% ownership interest in Azumah Resources GH Ltd (**ARG**) by spending US\$11.25 million (**Initial Earn-In Funding**) (or the completion of a feasibility study). An additional 5% ownership interest may be obtained (in defined circumstances) by Ibaera spending a further US\$2.25 million. From the commencement date Ibaera have been issued Series A Redeemable Convertible Preference Shares (**RCPS**) in ARG that will convert to ordinary shares in ARG upon satisfaction of the Initial Earn-In Funding. The RCPS have participative and voting rights in the proportion that the contributed funding bears to the Initial Earn-In Funding. At 31 December 2017 this equated to a 5.0% interest in ARG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5: DECONSOLIDATION OF SUBSIDIARIES (continued)

The contractual rights contained in the EISA include the appointment of two members to ARG's board of directors by Ibaera (Azumah have two appointees also, including the chairman), and unanimous voting requirements over the relevant activities of ARG. These rights have created a situation whereby Azumah and Ibaera, from the Commencement Date, have joint control of ARG, thereby creating a joint venture. Hence, from the Commencement Date, Azumah has deconsolidated its former subsidiary ARG, and the two other entities within the ARG consolidated group.

Azumah's continuing investment in the joint venture will be treated as an investment accounted for using the equity method. The fair value upon initial recognition of this investment has been determined as the amount of the Initial Earn-In Funding that Ibaera is committed to spend prior to having the option of voluntarily withdrawing from the EISA. This amount is US\$3 million. Subsequently, Azumah will recognise its share of the joint venture's profit or loss and other comprehensive income in accordance with the Group's existing accounting policies.

Contemporaneously with the execution of the EISA, Azumah also entered a Loan Assignment Deed with Ibaera whereby 42.5% of the benefits of Azumah's loan to ARG have been assigned to Ibaera for consideration of US\$1. The loan is USD denominated, unsecured, interest free (until the commencement of project development), with repayment set for 31 October 2027. The loan balance on the Commencement Date was US\$63,433,908, with that amount fully impaired by Azumah. If the EISA is terminated or Ibaera withdraw, the benefit of the loan assignment is transferred to Azumah for US\$1.

The fair value of Azumah's financial liability to Ibaera upon initial recognition of the loan assignment has been determined as the US\$1 that Azumah is contractually obligated to deliver if the EISA is terminated or Ibaera withdraw. Until such time that ARG has the financial resources to repay the loan, any future increase in the loan will continue to be fully impaired by Azumah, and the associated increase in Azumah's financial liability to Ibaera (of 42.5% of the loan increase) will have an assessed nil fair value.

(b) Critical accounting estimates and judgements

Accounting for this transaction has required management to exercise a high degree of judgement over the following areas:

Classification of joint control

From the Commencement Date of the EISA, Azumah and Ibaera have two appointee's each on the board of directors of ARG. The EISA also stipulates decisions of ARG's board that require unanimous approval, which the Group has determined creates substantive rights over the relevant activities of ARG. This has resulted in joint control over ARG, resulting in deconsolidation by Azumah of the ARG consolidated group, and the subsequent recognition of an investment in a joint venture.

Fair value on initial recognition of joint venture

The fair value on initial recognition of the Group's retained interest in ARG, which was 100% at date of disposal, has been determined using management's judgement on the contractual provisions of the EISA. Ibaera is committed to a minimum spend of US\$3 million, after which time it is possible for them to voluntarily withdraw from the EISA with no further obligation. This has been determined as being representative of the fair value of the Group's investment in ARG.

AZUMAH RESOURCES LIMITED**31 DECEMBER 2017****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****NOTE 5: DECONSOLIDATION OF SUBSIDIARIES (continued)****(c) Details of the gain on deconsolidation of subsidiaries**

	Half-year	
	2017	2016
	\$	\$
Fair value of investment retained in AZG	3,918,300	-
Carrying amount of net assets disposed	(833,944)	-
Gain on deconsolidation before income tax and reclassification of foreign currency translation reserve	3,084,356	-
Reclassification of foreign currency translation reserve	1,307,001	-
Income tax	-	-
Net gain on deconsolidation of subsidiaries	4,391,357	-

The carrying amounts of assets and liabilities as at the date of deconsolidation (3 November 2017) were:

	3 November 2017
	\$
Cash	10,556
Other receivables	22,671
Property, plant and equipment	1,390,328
Total assets	1,423,555
Trade and other payables	(589,611)
Total liabilities	(589,611)
Net assets	833,944

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: CHANGES IN EQUITY SECURITIES ON ISSUE

(a) Ordinary Share Capital

	2017 Shares	2017 \$	2016 Shares	2016 \$
As at 1 July	582,565,957	103,361,606	464,727,332	97,777,406
Issued during the half-year				
Issued on vesting of performance rights ⁽¹⁾	-	-	2,700,000	-
Issued on conversion of convertible notes	-	-	22,727,273	1,181,818
Transferred from other equity securities on conversion of convertible notes ⁽²⁾	-	-	-	560,000
Issued for cash @ 2 cents per share	116,513,192	2,330,264	-	-
Issued via share purchase plan	-	-	71,506,802	3,146,299
Issued for cash @ 4.4 cents per share ⁽³⁾	-	-	20,904,550	900,386
Less transaction costs	-	(183,520)	-	(204,303)
As at 31 December	699,079,149	105,508,350	582,565,957	103,361,606

- (1) These performance rights vested on 30 June 2016 and \$67,500 was included in contributed equity at that date. The shares were issued on 1 July 2016.
- (2) The value of the conversion rights recorded upon initial recognition of the convertible notes has been transferred to ordinary share capital at the time of their redemption.
- (3) \$19,400 was received prior to 30 June 2016 in relation to shares issued on 1 July 2016.

(b) Performance Rights

	Number of performance rights	
	2017	2016
As at 1 July	-	5,875,000
Performance rights expired 30 December 2016	-	(5,875,000)
As at 31 December	-	-

For the above performance rights that expired unvested on 30 December 2016, the previously recognised expense of \$45,567 was written-back to the profit and loss during the half-year ended 31 December 2016.

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: CHANGES IN EQUITY SECURITIES ON ISSUE (continued)

(c) Options

	Number of options	
	2017	2016
As at 1 July	-	-
Issued, expiring 13 November 2021, exercisable at \$0.03	<u>35,000,000</u>	-
As at 31 December	<u><u>35,000,000</u></u>	-

During the 2017 half-year, 35,000,000 options with an exercise price of 3 cents and expiring on 13 November 2021 were issued to Directors after approval at the 2017 annual general meeting. These options vested on the date of issue and the full expense of \$374,500 has been recognised in the profit or loss for the period ended 31 December 2017. The fair value of the options granted during the half-year was 1.1 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2017
Exercise price (cents)	3.0
Life of the options (years)	4.0
Underlying share price (cents)	2.0
Expected share price volatility	84.95%
Risk free interest rate	1.91%

NOTE 7: CONTINGENCIES

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

NOTE 8: DIVIDENDS

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

NOTE 9: COMMITMENTS

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

AZUMAH RESOURCES LIMITED

31 DECEMBER 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 10: RELATED PARTY TRANSACTIONS

(a) Loan to Joint Venture Entity

Azumah Resources Limited has provided an unsecured, interest free (until the commencement of project development) loan to Azumah Resources GH Ltd. Refer to note 4, ARG was formerly a subsidiary of Azumah, but is now a joint venture that is accounted for using the equity method. The loan is denominated in USD and is not repayable until 31 October 2027. The balance of the loan at 31 December 2017 was \$81,625,092 and has been fully impaired by Azumah. The movement in the carrying value of the loan for the period from deconsolidation of subsidiaries to the reporting date is shown below:

	Half-year	
	2017	2016
	\$	\$
Opening value at deconsolidation of subsidiaries	-	-
Loans advanced	380,133	-
Impairment charge	(380,133)	-
Closing value	-	-

(b) Director related transaction

In relation to Azumah's 1 for 5, fully underwritten, non-renounceable rights issue completed during September 2017, the underwriter entered into a sub-underwriting agreement with Windamurah Pty Ltd ATF The Atkins Superannuation Fund (Sub-Underwriter), an entity controlled by the Company's Chairman, Mr Atkins, to sub-underwrite 1,763,191 Shares (\$35,263).

The underwriter paid the Sub-Underwriter an underwriting fee of \$441 (equating to 1.25% of the amount sub-underwritten) for the Sub-Underwriter's sub-underwriting commitment.

NOTE 11: EVENTS AFTER REPORTING DATE

No matter or circumstance has arisen since 31 December 2017, 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 2017

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 9 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 2017 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, 14 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Azumah Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Azumah Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch

Director

Perth, 14 March 2018