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# **CENTENNIAL MINING LIMITED**

ACN 149 308 921

## **Interim Financial Report 31 December 2017**

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## DIRECTORS' REPORT

Your Directors submit the financial report of Centennial Mining Limited (**Centennial Mining** or the **Company**) for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors & Company Secretary

The names of the Directors and Company Secretary who held office during or since the end of the interim period and until the date of this report are noted below. The Directors and Company Secretary were in office for the entire period unless otherwise stated.

Dale Rogers	Chairman (Executive)
Jamie Cullen	Director (non-executive)
Anthony Gray	Director (non-executive)
Dennis Wilkins	Company Secretary

### Review of Operations

Centennial Mining Limited (ASX: CTL) ("Centennial" or "the Company") is a junior Australian gold producer. Centennial has a suite of Operating and Development assets in Victoria, Australia;

- A1 Underground Gold Mine (A1 Gold Mine)
- Union Hill and Nuggetty Underground Gold Mines at Maldon (Union Hill Mine, Nuggetty Mine)
- Porcupine Flat Processing Facility at Maldon (Porcupine Flat Mill), and
- Walhalla Goldfield.

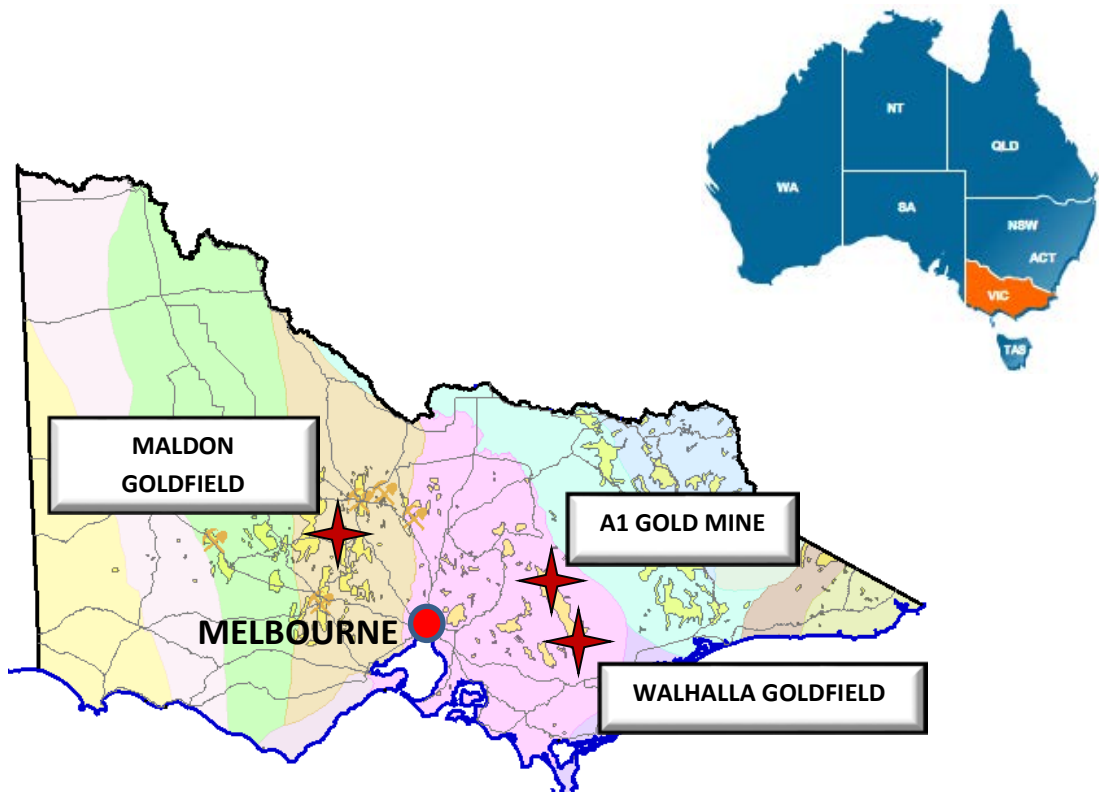


Figure 1: Location of Centennial's Operations

The Company is mining gold bearing ore from the A1 Gold Mine and Union Hill Mine and trucking the ore for processing at the Porcupine Flat processing facility near Maldon.

## Safety & Environment

There was one lost time injury (LTI) during the period and no reportable environmental incidents.

The Company has achieved in excess of 23,500 hours LTI free as of 31 December 2017.

## Corporate Strategy

The Company's focus during the first half of the 2017-2018 financial year was continuing the development of its 100% owned A1 Gold Mine in north eastern Victoria and developing ore sources proximal to the Porcupine Flat Processing Plant (Union Hill Mine and Nuggetty Mine at Maldon).

The half year to December, 2017 saw significant investments in development, upgrades at the Porcupine Flat Mill and necessary repairs, upgrades to the mining fleet, the continued change to owner operating, the reopening and redevelopment of the Union Hill Gold Mine to open up a second source of feed for the Company, and the installation of a secondary crushing circuit at Porcupine Flat Mill increasing throughput by +60%.

**As a result of these investments, gold production and revenues in the March Quarter of 2018 have increased by 140% when compared to the December 2017 Quarter. The last few weeks of gold pours has seen several new records set for the Company with almost 500 ounces poured in late February, then over 660 ounces poured in one week in March, 2018.**

The Company's forecast gold production is skewed 40% - 60% across the first and second halves of the 2018 financial year. Gold production in the second half of the financial year, to date, is achieving that increase as a result of improved throughput and recoveries at the Porcupine Flat processing facility. Gold production for the June Quarter of 2018 is forecast to increase again, compared to the March 2018 Quarter, as the mined grades are anticipated to increase when the upper sections of the Magenta Zone are brought into production.

## Highlights achieved during the half-year are set out below

### • Mining and Processing Activities

Centennial Mining declared commercial production at the A1 Gold Mine (transitioning from pre-production phase to commercial production phase) early in the September 2017 quarter. Hence, from 1 July 2017, all relevant operating costs and revenue has been accounted for in the Company's income statement (other than costs that qualify for capitalisation).

Drilling to date has increased the A1 Gold Mine resource base by 30,000 oz to 1.56 mt @ 6.1 g/t for 306,000 oz Au (refer to the Company's ASX announcement dated 9 November 2017). Significant investments were made to systems and service networks as well as upgrades to the mining fleet as the Company transitioned to owner operated mining fleet. The Company also completed recruitment of its executive management team.

Centennial Mining's activities during the half-year included the following highlights:

- Magenta Zone exploration target identified at the A1 Gold Mine, with three higher grade exploration targets within that Zone (refer to the Company's ASX announcement dated 10 October 2017);
- The Magenta Zone provides the link and pathway for development towards the +370,000 tonnes of Resources grading 6.5g/t Au below the 21 level;
- Replacement mill gearbox installed at the Porcupine Flat Processing Plant enabling throughput to increase by circa 10%;
- Subsequent to the end of the Half Year, the Porcupine Flat Processing Plant throughput was increased again following the installation of a secondary crushing circuit;
- Development of Folly's North Long Hole Stope at the A1 Gold Mine completed and mining commenced;
- The top two stoping levels of Victory North (part of Magenta Zone) drilled with indications of the block continuing at depth;
- Development towards Victory North progressed;
- Re opened Union Hill Gold Mine and commenced development;
- First Ore delivery to Porcupine Flat from Union Hill Mine as a second Ore source;
- First mechanised Stopping at Union Hill Gold Mine; and
- Positive internal assessments of Nuggetty completed at Maldon, approvals underway.

- **Annual General Meeting**

At the Company's annual general meeting on 27 November 2017, all resolutions detailed in the Notice of Meeting were passed on a show of hands. Resolution 3, Approval of 10% Placement Facility, and Resolution 4, Approval of Proportional Takeover Provisions, were special resolutions, and were passed with the requisite 75% majority.

- **SPP and Top Up Placement**

On 28 November 2017, the Company completed a Share Purchase Plan (**SPP**). The SPP closed oversubscribed, with demand well in excess of the \$1.0m underwritten by Patersons Securities Limited. The Company issued 100,928,238 fully paid ordinary shares at an issue price of \$0.011419 to raise approximately \$1,152,500 (before costs) under the SPP.

The underwriter proceeded with a top up placement pursuant to the underwriting agreement to qualifying clients of Patersons Securities Limited. Tranche 1 of 170,191,746 fully paid ordinary shares were issued immediately to raise approximately \$1,943,000 (before costs) and Tranche 2 of 16,922,775 fully paid ordinary shares were issued in February 2018 (once shareholder approval for the issue had been obtained at the general meeting held on 1 February 2018) to raise approximately \$193,000 (before costs).

**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this Directors' Report for the half-year ended 31 December 2017.

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



**Dale Rogers**  
**Executive Chair**

**16 March 2018**

**ASX Compliance Statements**

The information in this report that relates to A1 Gold Mine Mineral Resources is extracted from the Company's ASX announcement dated 9 November 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed.

The information in this presentation that relates to Exploration Targets Results is extracted from the Company's ASX announcement dated 10 October 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement.

The potential quality and grade of the Exploration Targets within the Magenta Zone are conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.



Accountants | Business and Financial Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Centennial Mining Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

Perth, Western Australia  
16 March 2018

M R Ohm  
Partner

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

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Notes	Consolidated	
		31 December 2017	31 December 2016
		\$	\$
<b>Revenue from continuing operations</b>	2a	10,709,279	20,554
Cost of sales		(15,911,525)	-
<b>Gross profit / (loss)</b>		(5,202,246)	20,554
Other income	2b	180,113	134,759
Accounting and taxation services		(131,582)	(88,313)
Auditor's remuneration		(57,091)	(27,000)
Company secretary fees		(64,412)	(81,185)
Directors' fees		(70,262)	(43,790)
Finance costs		(457,738)	(342,359)
Insurance expense		(281,442)	(220,001)
Impairment of exploration expenses		(595,000)	-
Other expenses	2c	(806,275)	(432,851)
Share based payment expense		(260,259)	(90,819)
Share registry and listing fees		(37,171)	(72,240)
<b>Loss before income tax</b>		(7,783,365)	(1,243,245)
Income tax benefit / (expense)	3	1,271,692	-
<b>Loss for the period after income tax expense</b>		(6,511,673)	(1,243,245)
Other comprehensive income for the period		-	-
<b>Total comprehensive loss for the period</b>		(6,511,673)	(1,243,245)
Basic and diluted loss per share (cents per share)		(0.86)	(0.19)

The accompanying notes form part of these financial statements

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

	Notes	Consolidated	
		31 December 2017	30 June 2017
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	564,277	527,663
Trade and other receivables		402,454	191,009
Inventories		1,426,210	1,099,559
Other		120,977	277,072
<b>Total current assets</b>		<b>2,513,918</b>	<b>2,095,303</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	7,104,189	7,286,638
Exploration and evaluation assets	6	2,763,171	30,041,345
Mining production assets	7	25,260,290	-
Other		1,002,440	976,500
<b>Total non-current assets</b>		<b>36,130,090</b>	<b>38,304,483</b>
<b>Total assets</b>		<b>38,644,008</b>	<b>40,399,786</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		6,127,666	3,088,018
Borrowings	13	2,885,467	2,453,842
Provisions		341,284	558,806
<b>Total current liabilities</b>		<b>9,354,417</b>	<b>6,100,666</b>
<b>Non-current liabilities</b>			
Net deferred tax liabilities	3	-	1,271,692
Borrowings		-	428,010
Provisions		1,346,587	1,264,066
<b>Total non-current liabilities</b>		<b>1,346,587</b>	<b>2,963,768</b>
<b>Total liabilities</b>		<b>10,701,004</b>	<b>9,064,434</b>
<b>Net assets</b>		<b>27,943,004</b>	<b>31,335,352</b>
<b>Equity</b>			
Issued capital	8	51,269,195	48,410,129
Reserves		6,249,477	5,989,218
Accumulated losses		(29,575,668)	(23,063,995)
<b>Total equity</b>		<b>27,943,004</b>	<b>31,335,352</b>

The accompanying notes form part of these financial statements.



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

		Issued capital	Option premium on convertible notes	Share based payment reserve	Accumulated Losses	Total Equity
	Notes	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2016		45,177,830	66,854	5,542,875	(19,732,526)	31,055,033
Loss for the period					(1,243,245)	(1,243,245)
Total comprehensive loss for the period		-	-	-	(1,243,245)	(1,243,245)
Shares issued during the half-year	8	3,667,943	-	-	-	3,667,943
Share issue costs		(435,644)	-	-	-	(435,644)
Share-based payment		-	-	90,819	-	90,819
Balance at 31 December 2016		48,410,129	66,854	5,633,694	(20,975,771)	33,134,906
Consolidated						
Balance at 1 July 2017		48,410,129	66,854	5,922,364	(23,063,995)	31,335,352
Loss for the period					(6,511,673)	(6,511,673)
Total comprehensive loss for the period		-	-	-	(6,511,673)	(6,511,673)
Shares issued during the half-year	8	3,095,920	-	-	-	3,095,920
Share issue costs	8	(236,854)	-	-	-	(236,854)
Share-based payment		-	-	260,259	-	260,259
Balance at 31 December 2017		51,269,195	66,854	6,182,623	(29,575,668)	27,943,004

The accompanying notes form part of these financial statements

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

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
	Inflow / (Outflows)	
<b>Cash flows from operating activities</b>		
Receipts from customers	10,704,561	-
Payments to suppliers and employees	(12,740,553)	(820,363)
Interest received	11,594	32,623
Finance costs	(291,520)	(176,344)
<b>Net cash used in operating activities</b>	<b>(2,315,918)</b>	<b>(964,084)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of non-current assets	-	70,000
Purchase of non-current assets	(207,917)	(349,096)
Investment in term deposit	(8,000)	-
Refund of bond	-	30,000
Exploration and evaluation expenditure	-	(176,625)
Development expenditure	-	(11,781,466)
Gold and silver sales	-	10,282,846
<b>Net cash used in investing activities</b>	<b>(215,917)</b>	<b>(1,924,341)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	2,865,920	3,667,943
Payment for share issue costs	(111,098)	(382,966)
Repayment of borrowings	(186,374)	(197,390)
<b>Net cash provided by financing activities</b>	<b>2,568,448</b>	<b>3,087,587</b>
Net increase/(decrease) increase in cash and cash equivalents	36,613	199,162
Cash and cash equivalents at the beginning of the period	527,664	334,922
<b>Cash and cash equivalents at the end of the period</b>	<b>564,277</b>	<b>534,084</b>

The accompanying notes form part of these financial statements

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

These half-year financial statements are general purpose financial statements 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'.

This condensed half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Centennial Mining Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The interim financial statements were authorised for issue on 16 March 2018.

#### Basis of preparation

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

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

#### Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### Going Concern

The half-year financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company incurred a loss from ordinary activities of \$7,783,365 for the half-year ended 31 December 2017 (2016: \$1,243,245) and net cash outflows from operating and investing activities of \$2,531,835 (2016: \$2,888,425). In addition, there is a working capital deficiency of \$6,840,499 as at 31 December 2017 (30 June 2017: \$4,005,363).

The directors are of the opinion that the continued mining, processing and sale of gold will be successful and will enable the Group to continue as a going concern. However, if funds derived are not sufficient, then other options to raise additional funds will need to be considered.

If the Company is unable to raise sufficient funds as noted above or from other sources, there exists a material uncertainty that may cast significant doubt as to whether the Company will be able to continue as a going concern and, therefore, whether it will realise its assets (especially its exploration and production assets and its property, plant and equipment) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

#### Standards and Interpretations applicable to 31 December 2017

In the period ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

#### Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods. Those which may have a significant impact to the Group are set out below. The Group does not plan to adopt these standards early.

#### *AASB 9 Financial Instruments (2014)*

AASB 9 (2014), published in December 2014, replaces the existing guidance AASB 9 (2009), AASB 9 (2010) and AASB 139 Financial Instruments: Recognition and Measurement and is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The new standard results in changes to accounting policies for financial assets and liabilities covering classification and measurement, hedge accounting and impairment.

The Group is in the process of evaluating the impact of the new financial instrument standard. The changes in the Group's accounting policies from the adoption of AASB 9 will be applied from 1 July 2018 onwards.

#### *AASB 15 Revenue 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. It replaces existing revenue recognition guidance, AASB 111 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions. AASB 15 is effective from annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of AASB 15 is that it requires identification of discrete 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 and services is transferred, rather than on transfer of risks and 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 Group has commenced the process of evaluating the impact of the new standard on existing revenue streams and will first apply AASB 15 in the financial year beginning 1 July 2018.

#### *AASB 16 Leases*

AASB 16 replaces current AASB 117 Leases standards. 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 balance sheet by recognising 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense. Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

The Group is in the process of evaluating the impact of the new leases standard. The changes in the Group's accounting policies from the adoption of AASB 16 will be applied from 1 July 2018 onwards.

#### Significant accounting judgments and key estimates

The preparation of half-year financial reports 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.

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

#### Transition from pre-production to production phase

The Directors of the Group implemented the transition from pre-production phase to commercial production phase on 1 July 2017. Under accounting standards, commercial production occurs when a mine is in the location and condition necessary for it to be capable of operating in the manner intended by management. Management has been monitoring the consistency and stability of the performance of the A1 Gold Mine. Having achieved the production and infrastructure criteria determined by the Board, the A1 Gold Mine moved to commercial production.

Hence, from 1 July 2017, all relevant operating costs and revenue have been accounted for in the Company's income statement (other than costs that qualify for capitalisation).

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**NOTE 2: REVENUE AND EXPENSES**

	<b>Consolidated</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>\$</b>	<b>\$</b>
<b>a) Revenue</b>		
Sales (net of refining and assaying cost)	10,704,561	-
Bank interest received	4,718	20,554
	<u>10,709,279</u>	<u>20,554</u>
<b>b) Other income</b>		
Fuel tax credits received	179,518	86,625
Profit on sale of fixed assets	-	48,134
Other	595	-
	<u>180,113</u>	<u>134,759</u>
<b>c) Expenses</b>		
Included within other expenses are the following items:		
Depreciation	4,749	4,791
Employee entitlements	540,210	263,181
	<u>544,959</u>	<u>267,972</u>

Depreciation and amortisation of \$1,501,468 in relation to production assets is included within cost of sales.

**NOTE 3: INCOME TAX**

	<b>Consolidated</b>	
	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Income tax expense / (benefit)</b>		
Current tax	-	-
Deferred tax	(1,271,692)	1,271,692
Under / (over) provision in prior years	-	-
<b>Total income tax expense / (benefit)</b>	<u>(1,271,692)</u>	<u>1,271,692</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

**NOTE 3: INCOME TAX (Continued)**

	<b>Consolidated</b>	
	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	(7,783,365)	(2,034,778)
Tax at the Australian tax rate of 30% (2016: 30%)	(2,335,010)	(610,433)
Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:		
Share based payments	78,078	113,847
Accounting revaluation not deductible for tax purposes	-	94,498
Other permanent differences	48,870	11,130
Deferred tax assets not brought to account	936,370	-
Previously unrecognised deferred tax balances now brought to account	-	1,662,650
<b>Income tax expense /(benefit)</b>	<b>(1,271,692)</b>	<b>1,271,692</b>
<b>(c) Deferred tax liability</b>		
Property, plant and equipment	427,152	435,583
Exploration and development assets	5,032,050	5,096,351
	5,459,202	5,531,934
Offset of deferred tax assets	(5,459,202)	(4,260,242)
Net deferred tax liability recognised	-	1,271,692
<b>(d) Deferred tax asset</b>		
Tax losses (i)	5,799,208	3,689,228
Share issue costs	100,234	88,042
Borrowing costs	-	30,469
Accrued expenses and liabilities	58,860	13,200
Employee entitlements	197,225	128,203
Provision for rehabilitation	311,100	311,100
	6,466,627	4,260,242
Offset against deferred tax liabilities	(5,459,202)	(4,260,242)
Unrecognised deferred tax assets	1,007,425	-

(i) For these deferred tax balances to be available, the company must rely on satisfying the Continuity of Ownership Test ('COT'), or the Same Business Test ('SBT'). Management are of the view that these losses are available and whilst a full assessment is in progress, the recognition of deferred tax balances has been based upon management's assessment of the most probable scenario.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

**NOTE 4: CASH AND CASH EQUIVALENTS**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	564,277	527,663
	<u>564,277</u>	<u>527,663</u>

**NOTE 5: PROPERTY, PLANT AND EQUIPMENT**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Property, plant and equipment – at cost	11,289,293	11,105,322
Accumulated depreciation	(4,185,104)	(3,818,684)
Total property, plant and equipment net carrying amount	<u>7,104,189</u>	<u>7,286,638</u>
<b>Reconciliation of property, plant and equipment</b>		
Carrying amount at beginning of period	7,286,638	7,364,775
Additions	183,971	678,033
Disposals	-	(21,866)
Depreciation	(366,420)	(734,304)
<b>Carrying amount at end of period</b>	<u>7,104,189</u>	<u>7,286,638</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

**NOTE 6: EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS**

	<b>Six months to 31 December 2017 \$</b>	<b>Year to 30 June 2017 \$</b>
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of period	3,326,928	2,910,108
Impairment expense	(595,000)	-
Exploration and evaluation costs incurred during the period	31,243	416,820
<b>Balance at end of period</b>	<b>2,763,171</b>	<b>3,326,928</b>
<b>Development phase – at cost</b>		
Balance at beginning of period	26,714,417	25,610,368
Additions on acquisition of subsidiary – Union Hill Mine (refer note 9)	-	401,368
Pre-production costs (net) capitalised (refer note 1)	-	26,487,707
Gold and silver sales (net)	-	(25,785,026)
Development assets transferred to production assets	(26,714,417)	-
<b>Balance at end of period</b>	<b>-</b>	<b>26,714,417</b>
<b>Total exploration and evaluation assets</b>	<b>2,763,171</b>	<b>30,041,345</b>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful commercial exploitation or sale of the respective areas.

During the reporting period, an event occurred that indicated that the carrying amount of an exploration asset may exceed its recoverable amount. This resulted in an impairment charge of \$595,000 being expensed through the Consolidated Statement of Comprehensive Income



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**NOTE 7: MINING PRODUCTION ASSETS**

	<b>Consolidated</b>	
	<b>Six months to 31 December 2017</b>	<b>Year to 30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Mining production phase – at cost</b>		
Balance at beginning of period	-	-
Production assets transferred from development assets	26,714,417	-
Adjustments to production assets	(314,330)	-
Amortisation	(1,139,797)	-
<b>Balance at end of period</b>	<b>25,260,290</b>	<b>-</b>

Adjustments to production assets relate primarily to the adjustment in provision for duty liability. This duty liability relates to the Company's acquisition of Maldon Resources Pty Limited. See Note 12 for further information.

Production assets will be recouped through the successful production and sale of gold from the respective properties. The carrying amount of the relevant cash generating units were compared with their recoverable amounts using value in use. For calculation purposes, management prepared cash flow projections for a 3.5-year period. Cash flow projections during the forecast period are based on the expected gross margins. The key assumptions used in the calculation include a risk adjusted pre-tax discount rate of 12%.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. Based on these calculations, the development asset is not impaired during the current period.

**NOTE 8: ISSUED CAPITAL**

	<b>31 December 2017</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<i>Ordinary shares</i>		
Issued and fully paid	51,269,195	48,410,129

	<b>Six months to 31 December 2017</b>		<b>Year to 30 June 2017</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
<b>Movement in ordinary shares on issue</b>				
Balance at beginning of period	705,444,920	48,410,129	552,689,252	45,177,830
Shares issued for cash				
August 2016	-	-	152,755,647	3,667,942
December 2016	-	-	21	1
November 2017	271,119,984	3,095,920	-	-
Share issue costs	-	(236,854)	-	(435,644)
Balance at end of period	976,564,904	51,269,195	705,444,920	48,410,129

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### NOTE 8: ISSUED CAPITAL (Cont'd)

	Six months to 31 December 2017	Year to 30 June 2017
	No.	No.
<b><i>Movement in options over ordinary shares on issue</i></b>		
Balance at beginning of period	370,557,631	270,639,276
Granted	29,000,000	114,918,376
Exercised	-	(21)
Expired	-	(15,000,000)
Balance at end of period	399,557,631	370,557,631

29,000,000 incentive options were allotted and issued by the Company on 27 November 2017. The incentive options were issued to senior executives of the Company and were issued as reward and incentive for employees. No funds were raised from the issue.

### NOTE 9: SHARE BASED PAYMENTS

On 27 November 2017 (valuation date), the Company obtained approval to grant 29,000,000 Options to the senior executives of the Company. These options were issued in 11 tranches, with each tranche exercisable at 148% of the volume weighted average share price ('VWAP') of shares on the five days up to and including Valuation Date, or 2.5 cents, whichever is higher, and expiring in four years. The options have been valued using the Hoadley Trading & Investment Tools Barrier 1 option valuation model for Tranches 6, 8, 9, 10 and 11 and the Hoadley Trading & Investment Tools Options1 valuation model for Tranches 1, 2, 3, 4, 5 and 7, based on the following assumptions:

Assumptions	Tranches 1 to 5 and 7	Tranche 6	Tranche 8	Tranche 9	Tranche 10	Tranche 11
Valuation Date	27 Nov 17	27 Nov 17	27 Nov 17	27 Nov 17	27 Nov 17	27 Nov 17
Share price at grant date	\$0.014	\$0.014	\$0.014	\$0.014	\$0.014	\$0.014
Exercise price	\$0.025	\$0.025	\$0.025	\$0.025	\$0.025	\$0.025
Vesting target	Non-market	\$0.071	\$0.142	\$0.213	\$0.284	\$0.354
Expiry date	27 Nov 21	27 Nov 21	27 Nov 21	27 Nov 21	27 Nov 21	27 Nov 21
Volatility factor	105%	105%	105%	105%	105%	105%
Risk free rate	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%
Dividend yield	0%	0%	0%	0%	0%	0%

Full details of vesting conditions associated with these options are contained in the Company's Notice of General Meeting announced to the ASX on 27 October 2017. The grant of options was approved by shareholders on 27 November 2017.

### NOTE 10: FINANCIAL INSTRUMENTS

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

The Directors consider that the carrying value of the financial assets and financial liabilities as recognised in the consolidated financial statements approximate their fair value.

### NOTE 11: SEGMENT REPORTING

AASB 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Company that are reviewed by the chief operating decision maker (considered to be the Board of Directors) in order to allocate resources to the segment and assess its performance. The chief operating decision maker of the Company reviews internal reports

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

prepared as financial statements and strategic decisions of the Company are determined upon analysis of these internal reports. During the period, the Company operated predominantly in one segment being the mineral exploration and production sectors in Victoria. Accordingly, under the "management approach", only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

**NOTE 12: CONTINGENT LIABILITIES**

On 19 September 2017, the Directors were notified by the State Revenue Office in Victoria of a potential duty liability under the landholder duty provisions of the *Duties Act 2000 (Vic)*. The duty liability relates to the Company's acquisition of Maldon Resources Pty Limited. As such, for the year ended 30 June 2017, the Board had taken the conservative view to raise a provision of \$401,368 in the financial statements to allow for any potential duties which may be payable. After expert advice, this provision has been adjusted to \$111,178 in the financial statements of which \$20,000 has been paid in the period. The matter is still currently being assessed with the State Revenue Office in Victoria.

**NOTE 13: CONVERTIBLE NOTES**

The Company's Convertible Notes are governed by Convertible Note Agreements which are subject to covenant clauses standard for this type of financial arrangement. During the period under review, the Company technically breached certain covenant clauses when it:

- entered into an arrangement in the normal course of business on 13 November 2017 with Pybar Mining Services Pty Ltd ("Pybar") and HMR Drilling Services Pty Ltd ("HMR") in respect of amounts owing to Pybar and HMR by the Company; and,
- entered into an arrangement on 10 October 2017 with Squadron Resources Pty Ltd ("Squadron") in respect of a delay to pay interest to Squadron on 25 September 2017 under the Convertible Note Agreements.

Due to these technical breaches of the covenant clauses, the Noteholders are contractually entitled to request immediate payment of the outstanding amount under the Convertible Notes (\$2.5m). While Squadron, as the representative holder of the Noteholders has reserved its rights, no request for immediate repayment has been received. The Company has contingency plans in place in the event immediate repayment is demanded. In any case, the Convertible Notes mature on 15 June 2018 and the Company expects to be in a position to fully repay the outstanding amount on that date. The outstanding balance is presented as a current liability as 31 December 2017.

The arrangement with Pybar and HMR has subsequently been settled in full on 19 December 2017 in accordance with the terms of the arrangement and the interest due to Squadron was paid on 27 December 2017.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**
**NOTE 14: RELATED PARTY TRANSACTIONS**

The consolidated financial statements include the financial statements of Centennial Mining Limited and the subsidiaries listed in the following table.

	% Equity interest		Investment	
	31 December 2017 %	30 June 2017 %	31 December 2017 \$	30 June 2017 \$
Maldon Resources Pty Limited	100%	100%	6,813,410	6,813,410
Highlake Resources Pty Limited	100%	100%	48	48
Matrix Gold Pty Limited	100%	100%	23	23

Centennial Mining Limited is the ultimate Australian parent entity and ultimate parent of the Group. All subsidiaries are incorporated in Australia.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

The following table provides the total amount of transactions that were entered into with related parties for the six months to 31 December 2017 and six months to 31 December 2016. For details of the relationship of the related parties refer to the annual report for the year ended 30 June 2017.

Related party	31 December 2017	Income from Related parties \$	Expenditure related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
<b>Director related parties</b>					
Transactions with Directors for:					
- Salary and superannuation					
D Rogers (appointed Executive Chairman 18 April 2016)	2017	-	194,654	-	556,577
	2016	-	108,491	-	96,436
- Directors' fees and superannuation					
Peregrine Enterprises Pty Limited (related to D Rogers – appointed 24/11/14)	2017	-	-	-	-
	2016	-	51,562	-	-
Kahala Holdings Pty Ltd (related to J Cullen)	2017	-	30,113	-	78,019
	2016	-	51,100	-	21,900
Octagonal Resources Pty Ltd (employer of A Gray)	2017	-	30,113	-	16,562
	2016	-	48,982	-	24,090
<b>Other related parties</b>					
D W Corporate Pty Ltd	2017	-	64,412	-	15,813
	2016	-	125,618	-	4,950

**NOTE 15: EVENTS SUBSEQUENT TO REPORTING DATE**

On 28 February 2018, Centennial Mining Limited issued 16,922,775 fully paid ordinary shares at an issue price of \$0.011419 per share to exempt investors under section 708(10) or (11) of the Corporations Act 2001 (Act), as approved by shareholders at the Company's general meeting held on 1 February 2018.

Apart from the above, no matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs in future financial years.

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Centennial Mining Limited ('the Company'):

1. The attached financial statements and notes thereto 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 Group's financial position as at 31 December 2017 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



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**Dale Rogers**  
Director

**16 March 2018**

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Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Centennial Mining Limited

### Report on the Condensed Interim Financial Report

#### *Conclusion*

We have reviewed the accompanying interim financial report of Centennial Mining Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed 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 Group 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 Centennial Mining Limited is not in accordance with the *Corporations Act 2001* including:

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

#### *Material uncertainty related to going concern*

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group'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 half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *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

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

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

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**

**Perth, Western Australia**  
**16 March 2018**

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

**M R Ohm**  
**Partner**

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