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Level 3, 263 Adelaide Terrace
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Australia

Arafura Resources Limited

Consolidated Interim Financial Report

For the Half-Year Ended

31 December 2017

CONTENTS

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Arafura Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were Directors of Arafura Resources Limited during the half-year period and up to the date of this report.

I Kowalick
C Tonkin
T Grose
Q Zhang
M Southey*
G Lockyer

*Mr Southey was appointed as a Non-Executive Director on the 30th of January 2018.

REVIEW OF OPERATIONS

During the six months ended 31 December 2017, Arafura incurred a net loss of $1,529,480. When compared to the prior six months period loss of $1,274,084, the main driver of the increase was related to an approximate $200,000 reduction in the non-capitalised portion of the R&D rebate received in the current period. Arafura has succeeded in pursuing its target of reducing overhead and other non-project related expenditure over the past several years and due to the reductions made last financial year, the non-capitalised portion of the R&D rebate had fallen in line with those reductions made. Other related expenditure items were consistent with prior years, however from a financial position perspective, significant gains have been made.

In October 2017, the Company was able to secure approximately $3,100,000 in capital from Institutional and Sophisticated/Professional Investors both domestic and abroad and receive approximately $1,800,000 in R&D related rebates. These cash injections have been built on the back of successful piloting and environmental programs which continue to de-risk the Nolans Neodymium-Praseodymium (NdPr) Project and place the Company in a better position to take advantage of the upcoming supply deficit that is expected in the industry. Arafura's financial position allows it to rapidly advance toward Definitive Feasibility Study in 2018.

REGULATORY APPROVALS – ENVIRONMENTAL IMPACT ASSESSMENT

The Northern Territory Environment Protection Authority (NT EPA) has completed its environmental impact assessment for the Nolans NdPr project and recommends environmental approval subject to conditions regarding appropriate operational controls.

The completion of the NT EPA's assessment is a key milestone in Nolans' advancement towards a final investment decision.

NOLANS PILOT PROGRAM

During the half year Arafura advised that Phase 2 of flowsheet piloting (Figure 1) for its 100 per cent-owned Nolans NdPr project in the Northern Territory, which focused on the extraction of a saleable merchant-grade phosphoric acid (MGA) by-product from high-phosphate concentrate (HPC), had met with approval from independent phosphoric acid expert Prayon Technologies. This phase resulted in the production of NdPr-rich pre-leach residue (PLR) grading 11% total rare earth oxide (TREO), a rare earth recovery precipitate grading 34% TREO, an MGA product, and waste gypsum. Phosphate (P_2O_5) and TREO losses to gypsum were around 12% and 3% respectively.

Arafura also completed Phase 3 bulk pre-leach piloting over a five-day period during July. The broad objectives of the program were to demonstrate its technical and operational viability, to process all available HPC to generate sufficient PLR for downstream piloting, and to obtain process and mechanical engineering design data for incorporation into the Nolans definitive feasibility study (DFS).

The first stage trials of Phase 4 sulfuric acid bake piloting were successfully concluded in October using Gouda paddle dryer technology. Preliminary metallurgical mass balance results indicated that 98.5% extraction of NdPr was achieved. Final planning for an expanded Phase 4 program, which is aimed at de-risking future commissioning and operation of the project's extraction plant flowsheet, is nearing completion, and the up-scaled pilot plant is expected to be operated during March 2018.

Arafura is targeting completion of all pilot programs by the middle of 2018 which, together with the DFS, will put the Company in a position to make a final investment decision on the project by the end of 2018.

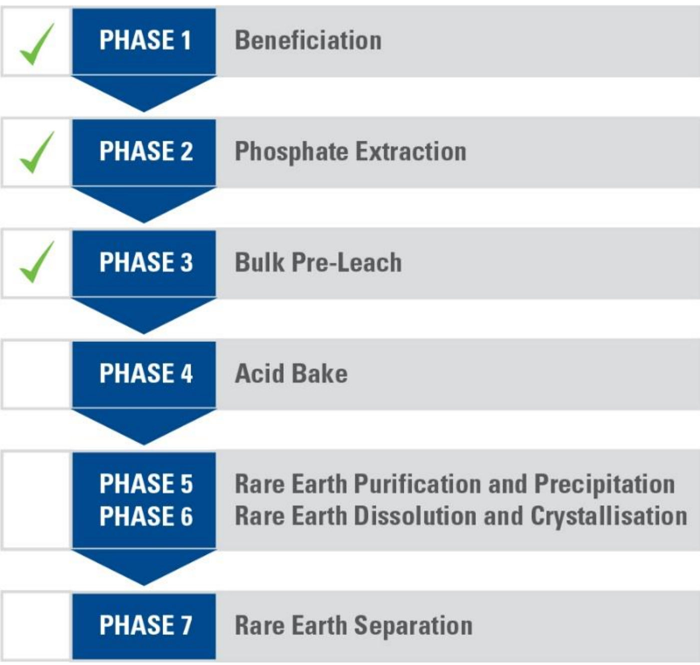

Figure 1. Nolans Pilot Program

MINE PLANNING

During the half year Arafura announced that mine planning work undertaken in advance of the Nolans DFS has established a mining inventory that could support more than 30 years of mining and processing at the project.

Arafura commissioned AMC Consultants (AMC) to undertake a mine planning study to understand the impact on the development of the project, after successes in the company's beneficiation, phosphate extraction and bulk pre-leach pilot plants demonstrated that processing of phosphate-rich material types in the Nolans Bore resource achieves high recoveries of NdPr and phosphate (P_2O_5). The study by AMC reported a mining inventory and annual strategic (production) schedules that could allow Arafura to produce 14,000 tonnes of TREO per annum, including 3,600 tonnes of NdPr oxide annually, for a period of 34 years, at a steady-state beneficiation plant feed rate of 525,000 tonnes per annum for the first 11 years of operation (including preproduction).

The study did not consider 21 million tonnes of Inferred Mineral Resources in the analysis, nor did it consider approximately nine million tonnes of rare earths mineralisation from which lower metallurgical recoveries are predicted using the high-phosphate metallurgical process being piloted. Considering the abundance of phosphate-rich plant feed available, Arafura plans to prioritise this material for processing and recovery of NdPr.

EXPLORATION

Jervois (Base and Precious Metals; Tungsten; Iron-Vanadium)

Rox Resources Ltd (Rox) holds a 51 per cent interest in the base and precious metal rights on Arafura's EL 29701, located 280 kilometres north-east of Alice Springs. Arafura holds the residual 49 per cent interest, and Rox had previously elected to earn 70 per cent by spending an additional $1 million on the tenement to December 2017. Rox has informed Arafura that it will not complete the Stage 2 earn-in expenditure and in accordance with the Farm-in Agreement a joint venture (Rox 51%; Arafura 49%) is being negotiated.

SEGMENT INFORMATION

A summary of consolidated expenditures, revenues and results for the half-year by significant segments is set out below:

	Segment expenditures		Segment revenues		Capitalised		Segment results	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	$	$	$	$	$	$	$	$
Project evaluation	(2,207,017)	(1,262,471)	1,173,986	905,760	(1,033,031)	(356,711)	(1,033,031)	(356,711)
Exploration	(113,968)	(195,658)	-	-	(113,968)	(195,658)	(113,968)	(195,658)
Unallocated	(2,274,999)	(2,211,463)	659,567	847,253	-	-	(1,615,432)	(1,364,210)
Total(s)	(4,595,984)	(3,669,592)	1,833,553	1,753,013	(1,146,999)	(552,369)	(2,762,431)	(1,916,579)

Segment results are adjusted earnings/(losses) before interest, tax, depreciation, share option expense gains/(losses) on disposals of assets and exchange rate gains/(losses). For reconciliation to loss before income tax refer to note 2.

Project evaluation

Expenditure incurred in this segment was primarily focussed on ongoing engineering analysis and beneficiation testwork and piloting to refine and confirm the Nolans project's flowsheet which precedes definition engineering, as well as environmental work programs supporting the completion of the supplement to the Nolans Environmental Impact Statement, which was lodged during the half year.

Exploration

Expenditure incurred in this segment was primarily used to maintain tenements. There has been a reduction on in-ground exploration due to several tenements being relinquished in order for Arafura to increase its focus on the Nolans Project.

Unallocated

Expenditure incurred was for corporate costs including legal, compliance, sales and marketing, business development, finance and commercial costs. The Company is continuing its efforts to save money in these areas where possible.

EVENTS OCCURRING AFTER THE REPORTING DATE

On the 30th of January 2018 Mark Southey was appointed as a Non-Executive Director of the Company.

There have been no other subsequent matters after the reporting date.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Signed in accordance with a resolution of the Directors.

Gavin Lockyer
CEO & Managing Director

Perth
1 March 2018

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ARAFURA RESOURCES LIMITED

As lead auditor for the review of Arafura 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 Arafura Resources Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 1 March 2018

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

	Notes	31-Dec-17 $	31-Dec-16 $
Revenue from continuing operations	3	137,602	132,954
Non-capitalised portion of R&D tax incentive rebate	3	659,567	847,253
Other income/ (loss)	3	(65)	366
Employee benefits expense	4	(1,125,679)	(1,144,201)
Other expenses	4	(1,163,609)	(1,078,795)
Depreciation and amortisation	4	(27,074)	(23,982)
Finance costs	4	(3,030)	(2,774)
Impairment of assets	4	(7,192)	(4,905)
Loss before income tax		**(1,529,480)**	**(1,274,084)**
Income tax benefit		-	-
Net (Loss) after income tax for the year		**(1,529,480)**	**(1,274,084)**
Total comprehensive (loss) for the half year attributable to owners of Arafura Resources Limited		**(1,529,480)**	**(1,274,084)**
		Cents	**Cents**
Loss per share attributable to owners of Arafura Resources Limited			
Basic loss per share		(0.3)	(0.3)
Diluted loss per share		(0.3)	(0.3)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31-Dec-17 $	30-Jun-17 $
CURRENT ASSETS			
Cash and cash equivalents		12,693,081	12,471,662
Trade and other receivables		243,053	288,752
Total Current Assets		**12,936,134**	**12,760,414**
NON-CURRENT ASSETS			
Property, plant and equipment		257,153	138,929
Deferred exploration and evaluation costs	6	90,891,607	89,751,800
Other assets		209,335	240,795
Total Non-Current Assets		**91,358,095**	**90,131,524**
TOTAL ASSETS		**104,294,229**	**102,891,938**
CURRENT LIABILITIES			
Trade and other payables		675,586	786,841
Provisions		306,787	208,924
Total Current Liabilities		**982,373**	**995,765**
NON-CURRENT LIABILITIES			
Provisions		285,793	331,324
Total Non-Current Liabilities		**285,793**	**331,324**
TOTAL LIABILITIES		**1,268,166**	**1,327,089**
NET ASSETS		**103,026,063**	**101,564,849**
EQUITY			
Contributed equity		203,567,242	200,590,837
Reserves		11,664,952	11,650,663
Accumulated losses		(112,206,131)	(110,676,651)
TOTAL EQUITY		**103,026,063**	**101,564,849**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2017

Consolidated	Contributed equity $	Equity reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	**194,128,196**	**11,629,350**	**(107,263,319)**	**98,494,227**
Loss for the period	-	-	(1,274,084)	(1,274,084)
Total Comprehensive Loss for the period	**-**	**-**	**(1,274,084)**	**(1,274,084)**
Cost of Share Based Options	-	11,533	-	11,533
Balance at 31 Dec 2016	**194,128,196**	**11,640,883**	**(108,537,403)**	**97,231,676**
Balance at 1 July 2017	**200,590,837**	**11,650,663**	**(110,676,651)**	**101,564,849**
Loss for the period	-	-	(1,529,480)	(1,529,480)
Total Comprehensive Loss for the period	-	-	(1,529,480)	(1,529,480)
Cost of Share Based Options	-	14,289	-	14,289
Contributions of equity, net of transaction costs and tax	2,976,405	-	-	2,976,405
Balance at 31 Dec 2017	**203,567,242**	**11,664,952**	**(112,206,131)**	**103,026,063**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2017

	31-Dec-17	31-Dec-16
	$	**$**
Cash flows from operating activities		
Payments to suppliers and employees	(2,132,673)	(2,296,978)
Interest received	146,625	147,267
R&D Incentive rebate - non-capitalised portion	659,567	847,253
Interest paid	(3,030)	(2,774)
Net cash (outflow) from operating activities	**(1,329,510)**	**(1,305,232)**
Cash flows from investing activities		
Payment for property, plant and equipment	(145,300)	(36,902)
Payments for exploration and evaluation	(2,485,559)	(1,610,565)
Proceeds from sale of tenements	31,460	300,000
R&D Incentive rebate - capitalised portion	1,173,985	905,760
Net cash (outflow) from investing activities	**(1,425,414)**	**(441,707)**
Cash flows from financing activities		
Proceeds from share issue	3,174,550	-
Capital raising expenses	(198,146)	-
Net cash inflow from financing activities	**2,976,404**	**-**
Net increase/(decrease) in cash and cash equivalents	**221,480**	**(1,746,939)**
Cash at the beginning of the financial year	12,471,662	16,615,482
Effects of exchange rate changes on cash and cash equivalents	(61)	13,343
Cash and cash equivalents at the end of the financial year	**12,693,081**	**14,881,886**

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

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

BASIS OF PREPARATION

This general purpose financial report for the interim 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 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 Arafura 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.

NEW AND AMENDED STANDARDS ADOPTED BY THE ENTITY

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 may be some changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE ENTITY

There were no new standards issued since 30 June 2017 that have been applied by Arafura Resources Limited. The 30 June 2017 annual report disclosed that Arafura Resources anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2017.

NOTE 2: SEGMENT INFORMATION

AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes.

(A) DESCRIPTION OF SEGMENTS

For management purposes, the Group is organised into business units based on the critical activities to the group and most significant areas of expenditure. The operating segments are as follows:

(i) Project evaluation segment
(ii) Exploration segment

Management monitors the expenditure levels of the segments against critical performance evaluations for the purpose of making decisions about resources allocation and performance assessment. Performance assessment is measured consistently with predetermined and static key performance indicators.

From a current geographical perspective the two reportable business segments operate in Australia. Should transfer pricing between operating segments occur, this would be on an arm's length manner as with transactions with third parties.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

(B) SEGMENT INFORMATION PROVIDED TO THE ARAFURA BOARD

Management has determined, based on strategic management reports on each segment reviewed by the Arafura Board, that the Group assesses the performance of operating segments based on a measure of adjusted EBITDA. As such this measurement excludes the effects of certain expenditure from operating segments as shown in the reconciliation of adjusted EBITDA below.

The segment information provided to the Arafura Board for the reportable segments for the half-year ended 31 December 2017 is as follows*:*

	Project evaluation	Exploration	Unallocated	Total
Six Months to 31 Dec 2017				
Segment revenue	1,173,986	-	659,567	1,833,553
Segment expenditure	(2,207,017)	(113,968)	(2,274,999)	(4,595,984)
	(1,033,031)	(113,968)	(1,615,432)	(2,762,431)
Adjusted EBITDA	**-**	**-**	**(1,615,432)**	**(1,615,432)**
Capitalised expenditure	(1,033,031)	(113,968)	-	(1,146,999)
	(1,033,031)	(113,968)	(1,615,432)	(2,762,431)
Six Months to 31 Dec 2016				
Segment revenue	905,760	-	847,253	1,753,013
Segment expenditure	(1,262,471)	(195,658)	(2,211,463)	(3,669,592)
	(356,711)	(195,658)	(1,364,210)	(1,916,579)
Adjusted EBITDA			**(1,364,210)**	**(1,364,210)**
Capitalised expenditure	(356,711)	(195,658)	-	(552,369)
	(356,711)	(195,658)	(1,364,210)	(1,916,579)
Total segment assets				
31-Dec-17	77,173,487	13,718,120	13,402,622	104,294,229
30-Jun-17	76,140,458	13,611,342	13,140,138	102,891,938
Total segment liabilities				
31-Dec-17	382,608	12,316	873,243	1,268,166
30-Jun-17	473,735	12,075	841,279	1,327,089

	Consolidated Entity Half Year	
	31-Dec-17	**31-Dec-16**
	$	**$**
Adjusted EBITDA	**(1,615,432)**	**(1,364,210)**
Interest Received	137,602	132,954
Finance Costs	(3,030)	(2,774)
Depreciation & amortisation	(27,074)	(23,982)
Impairment on assets	(7,192)	(4,905)
Share option expense	(14,289)	(11,533)
Unrealised exchange rate (loss)/gain	(65)	366
Loss before income tax	**(1,529,480)**	**(1,274,084)**

NOTE 3: REVENUE

	Consolidated Entity Half Year	
	31-Dec-17	**31-Dec-16**
	$	**$**
Revenue from continuing operations		
Other revenue		
Interest received	137,602	132,954
	137,602	**132,954**
Other Income		
Foreign exchange gain/(loss)	(65)	366
Non-capitalised portion of R&D Tax Incentive rebate	659,567	847,253
	659,502	**847,619**
Total Revenue	**797,104**	**980,573**

NOTE 4: EXPENSES

	Consolidated Entity Half Year	
	31-Dec-17	**31-Dec-16**
	$	**$**
Expenses		
Depreciation		
Depreciation – plant & equipment	18,600	15,508
Depreciation – leasehold improvements	8,474	8,474
Total depreciation	**27,074**	**23,982**
Finance costs		
Interest expense	3,030	2,774
Total finance costs	**3,030**	**2,774**
Other expenses		
Accounting and other professional fees	84,640	73,065
Audit fees	19,035	23,056
Consultants fees	258,179	239,052
Employee benefits expense	1,125,679	1,144,201
Insurance	39,517	39,502
Legal fees	113,889	120,825
Share registry and stock listing fees	66,572	47,695
Other expenses	581,777	535,600
Total other expenses	**2,289,288**	**2,222,996**
Impairment of assets		
Capitalised exploration expenditure	7,192	4,905
Capitalised evaluation expenditure	-	-
Total impairment of assets	**7,192**	**4,905**

NOTE 5: SHARE BASED PAYMENTS

Employee option plan

The establishment of the Arafura Resources Limited Employee Share Option Plan (ESOP) was approved by shareholders at the 2017 AGM. The options are issued for nil consideration and are granted at the discretion of the Board.

The options cannot be transferred, are not quoted on the Australian Stock Exchange (ASX) and carry no dividend or voting rights. The exercise price is based on the weighted average price at which the Company's shares are traded on the ASX during a specified period immediately before the options are granted.

Once able to be exercised, options are exercisable at any time whilst the holder is employed by Arafura Resources Limited. When exercisable, each option is convertible into one ordinary share.

Options may also be issued outside of the ESOP. These options are offered at the Directors' discretion to prospective employees as an incentive to commence employment with Arafura Resources Limited.

During the half year ended 31 December 2017, 2,055,000 options were granted to various employees, including key management personnel in 3 Tranches. The company has internally measured the fair value of options granted by adopting a Black-Scholes pricing model. The key inputs for the model are tabled below.

Black-Scholes Pricing Model			
Tranche	**1**	**2**	**3**
Grant Date	31/07/2017	31/07/2017	31/07/2017
Date of Expiry	30/06/2021	30/06/2021	30/06/2021
Vesting trigger date	31/07/2018	31/07/2019	31/07/2020
Exercise Price	$0.15	$0.15	$0.15
Share price (at issue date)	$0.07	$0.07	$0.07
Risk free interest rate	1.85%	1.94%	2.00%
Volatility	72.43%	74.33%	74.57%
Years to Expiry	2.42 years	2.92 years	3.42 years
Number of Rights Granted	685,000	685,000	685,000
Fair Value per right	$0.016	$0.02	$0.023
Total Fair Value	$10,960	$13,700	$15,755

The total expenses arising from share-based payment transactions recognized during the period as part of employee benefit expense were as follows:

	31-Dec-17	**31-Dec-16**
	$	**$**
Options issued under the executive & employee option plan	(14,287)	(11,533)
	(14,287)	**(11,533)**

NOTE 6: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity Half Year	
	31-Dec-17	**30-Jun-17**
	$	**$**
Exploration and evaluation costs carried forward		
Balance at beginning of period	89,751,800	87,308,434
Capitalised exploration expenditure	113,968	363,067
Capitalised evaluation expenditure [(a)]	2,207,017	2,991,560
Impairment of exploration expenditure	(7,192)	(5,501)
R&D Tax Incentive rebate receipted against capitalised evaluation costs	(1,173,986)	(905,760)
Balance at end of period	**90,891,607**	**89,751,800**

(a) Capitalised evaluation expenditure is expenditure on the Nolans Project feasibility works and environment impact assessment to evaluate, formulate and demonstrate the technical feasibility and commercial viability in developing a Rare Earths processing plant to process and treat the ore to be mined from the Nolans Project.

The exploration and evaluation costs in relation to each area of interest are carried forward as an asset where the Group:

- Has rights to tenure of the area of interest; and
- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest or; alternatively by its sale; or
- Exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

NOTE 7: RELATED PARTY TRANSACTIONS

During July 2017 key management personnel Peter Sherrington, Richard Brescianini and Brian Fowler were issued with 300,000 options each, for shares in the Company with a strike price of $0.15 and an expiry date of 30/06/2021. These options vest in three equal tranches; one third for every year of service from the 31/07/2017 grant date. Please see note 5 for more information on these and other share-based payments.

There were no other related party transactions during the half-year other than payments to key management personnel which were in line with 30 June 2017.

NOTE 8: COMMITMENTS

There have been no significant changes in commitments and contingencies since the release of the 30 June 2017 Financial Statements.

NOTE 9: EVENTS OCCURING AFTER THE REPORTING DATE

On the 30th of January 2018 Mark Southey was appointed as a Non-Executive Director of the Company.

There have been no other subsequent matters after the reporting date.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12-19 are in accordance with the *Corporations Act 2001*; and

(I) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give 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.

(b) 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 made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Gavin Lockyer
CEO & Managing Director

Perth
1 March 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arafura Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Arafura 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.

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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

Jarrad Prue

Director

Perth, 1 March 2018