

Mount Rommel Mining Limited

ABN 89 005 583 031

Half-year Financial Report - 31 December 2016

Mount Rommel Mining Limited

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31 December 2016

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Mount Rommel Mining Limited
Corporate directory
31 December 2016

Directors	Frederick L Hunt (Executive Director, Chairman) Rodney K Bradshaw (Non-Executive Director) Justin Packer (Non-Executive Director)
Company secretary	Frederick L Hunt
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205
Principal place of business	Shed 2 Corner Smythe & Batten Streets, Allendale, Victoria 3364
Share register	Link Market Service Limited Tower 4 Collins Square 727 Collins Street Melbourne Victoria 3008 Telephone: (03) 9200 4555
Auditor	MSI Ragg Weir Level 2 108 Power Street Hawthorn Victoria 3122
Solicitors	J + K Law 76 High Street Eaglehawk Victoria 3556
Stock exchange listing	Mount Rommel Mining Limited shares are listed on the National Stock Exchange of Australia (NSX code: MMT and MMTPA)

Mount Rommel Mining Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Mount Rommel Mining Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of Mount Rommel Mining Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr. Frederick L Hunt (Executive Director, Chairman)
Mr. Rodney K Bradshaw (Non-Executive Director)
Mr. Justin Packer (Non-Executive Director) (appointed 13 April 2017)
Mr. Hamish Hunt (Non-Executive Director) (resigned 1 March 2017)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Batch processing of about 1,000 tonnes of Glenfine material, recovering activated carbon, road freight of that carbon to Como Carbon Services, Perth for gold recovery there. The small bar recovered was transferred by Como Carbon Services to Perth Mint, for final clean-up and detailed analysis. These activities and results were reported to NSX on 15 December 2016, and 17 January, 2017, with useful photo illustrations. The outcomes confirm the capacity of the Glenfine plant to recover ultra-fine gold historically lost into these old tailings. Evaluation of the means to recover the separated gold passing to sands is currently underway.
- Several attempts were made to develop a working relationship to advance action on Clunes Goldfield. None were successful.
- The Company exploration holdings at Clunes were believed significantly improved by the making of strata application ELA 6406. This strata application is designed to ensure full tenure rights under the basalt at south Clunes are clearly held for benefit of the Company. The new application was made in the name of the wholly owned subsidiary of this Company, Bonshaw Gold Pty. Ltd.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$2,016,763 (31 December 2015: \$49,141).

Subsequent to the end of calendar year 2016, Directors undertook a confirmatory sampling program at Glenfine. As those results were being assessed, visitors to Glenfine became commercially interested in the innovations within the processing plant which does not belong to MRM. These visitors also sought information about the drilling results at Clunes within EL5492. On 20 March, 2017, the Chairmen received by email what amounted to an offer of involvement with the Company. Directors in due course responded to give the writer of that email 60 days to 4 June, 2017, to consider whether or not to enter an arrangement for joint activity at Clunes. Directors are awaiting further information on this matter.

In addition, provisional steps were taken on 10 March, 2017, by private parties to acquire an ownership interest in the Glenfine processing plant. Directors were then requested to negotiate rights to enable the plant use by other private parties. These negotiations led to the signing on 7 April, 2017, of a Terms Agreement for which the other private party will pay the Company for access to the Glenfine site, for the purpose of the private party being able to carry out its business of processing of tailings and other materials. The Terms Agreement also states that the Company will receive a percentage of the cash surplus generated by the private party for its sales of precious metals from its processing activities.

The consequences arising from these changes is uncertain at the time of preparation of this Report to Members.

CLUNES

At Clunes, the asset "value" is held within the aggregate assessment of the results from drilling.

The growth in that "value" normally occurs where added drilling allows all observers to place a quantity estimate on the data.

The Directors have on plan a space of about 170 metres north to south, just north of Creswick's Creek, considered a reasonable objective for underground investigations within EL 5492.

The Directors note that a new hole drilled along the centre-line of that space, intended to cut through the known mineralised zone at an angle of about 45 degrees, would be an unusual procedure. However such a hole has the potential to expose over 20 lineal metres of prospective ore shoot(s). Such a hole would turn "projections" into facts, adding to those from an existing set of 10 old holes in close vicinity by WMC, and 12 more recent holes by Mount Rommel Mining Ltd.

The commercial purpose of any proposed work is to outline a target zone - one carrying sufficient gold to warrant the costs associated with new underground entry to obtain bulk samples.

The licence for MIN 5391 was not renewed on 18 March 2017 as the Directors decided that at this juncture it is commercially better not to do so. Thus as at 31 December 2016, the Directors have elected to fully impair the carrying value of exploration expenses relating to MIN 5391 – Clunes of \$1,066,528. The law allows for MIN 5391 to become part of EL5492 but as at this point in time the Directors have yet to make this request with the Government. The Directors are of the opinion that if a successful application is made to the Government to include the area of former MIN 5391 as part of EL5492, the impaired capitalised exploration expenses may be recovered, partly or in whole.

Background

The principal and un-related activities providing that consolidated information forming a current status for Clunes Goldfield are these:

- (a) expenditures by the late Western Mining Corporation (WMC) between 27 May, 1985 and 5 April, 1988, recorded as \$819,035.
- (b) expenditures between 22 October 1995 and 25 May, 1996, by MIM Exploration Pty. Ltd (MIM), in Joint Venture on then-current EL 3262, amounting to \$ 518,703, and
- (c) the drilling accomplished so successfully by Mount Rommel Mining Ltd., in a series of spaced campaigns 2004, 2006, 2007, and 2015. working in spaces not tested by others.

The aggregate number of holes at Clunes certainly exceeds 150.

The broader scale work by WMC, followed by the in-fill work of MIM, was collated in April 1996 -- see MIM Report # 2699 released on internet by GSV This work provides a basis for on-going search at Clunes.

Thus all explorers have recognised that substantial potential exists for transformation of this dormant gold field. The staff of WMC put forward in 1988, a program of shaft sinking and horizontal development intended to obtain bulk samples from "promising" places. The proposal did not eventuate, as WMC were then committed to developments elsewhere in Victoria. The concept continues to have value.

The Attraction

Apart from the early years, most of the worked gold areas of Clunes were as "blind" ore shoots -- completely hidden from surface. The drilling of 67 percussion holes by WMC resulted in many thousands of analyses, allowing that Company to describe a zone of potential extending north from Creswick's Creek, to the limit of workings. MIM later demonstrated (by the results from MCR 8) that prospects do continue further north, and recommended. "holes down dip and along strike from MCR 8, to test the extent of the mineralised zone". (see Report # 2699, Section 6). In 2005, and 2007 two holes were drilled to test this prospect, but neither attempt reached the zone thought prospective by MIM staff. Thus the north end of the field awaits further work.

In the mid-section of the Clunes goldfield, the results of at least 10 holes outline an attractive target, extending north from Creswick's Creek.

A traverse of 10 holes east-west, just north of Creswick's Creek, by the former WMC, found gold in a number of instances, including in CP113, and CP116.

Those working for Mount Rommel consider the gold intercepts in old WMC holes CP113 and CP116 could well be part of an east-dipping mineralised zone as yet un-touched by miners.

The shortness of WMC holes CP 109, 110, 111, and 112, leave open today the down-dip development of gold-bearing structures as were intersected in holes CP113 and CP116.

Most gold-quartz zones worthy of exploitation occur in structural dilatant features.

Very experienced observers note that if there is no dilatancy, there is no deposit (see Boyle, R.W. 1969, in Econ. Geol. Vol. 64).

Mount Rommel tested the ground 100 metres north of CP116, for suspected places carrying gold. The work (in 2006) located what appeared to be a cohesive breccia structure carrying commercially interesting levels of gold. Later drilling continued to produce evidence of a dilatancy zone. Subsequent work has developed / expanded the gross size of this structure. If this structure is found continuous between CD06-05, then CD15-0, 02, and to CP116, it would be gold-bearing for a distance of about 170 metres.

The last hole drilled for the Company - CD 15-09 - did locate the same breccia structure. Assays of samples from this intersection returned low grade gold values, to confirm that the commercially promising zone for gold appear to have a northern limit. The southern extent remains unknown, but can reasonably be projected to extend to holes CP113, and CP116, as above.

A plan diagram has been prepared at scale 1 to 500, to illustrate the location of this promising gold-bearing structure.

Next steps

The usual practice is to drill on cross-section, to establish the nature of zones like this prior to underground entry.

In this case, the Councillors of Clunes voted in 2015 to dis-allow exploration drilling from land under their control, and in so doing, cut off the capacity to investigate natural mineralised ground.

Directors -- using the above plan -- are able to show that an alternate site near the collar of hole CD15-09 could be used to achieve essentially the same purpose -- to gain confidence about the likely continuity of what amounts to a prospective ore shoot, for full strike extent of 170 metres.

Directors intend to seek funds for this work. The zone of interest is considered to already be unusually prospective. The described gold-bearing breccia zone is between the places worked by earlier miners, who followed vertical veining, not then the east-dipping link structures between those vertical structures, as first intersected by drilling in 2006.

Mount Rommel Mining Limited
Directors' report
31 December 2016

Tenure

It can be noted that MIN 5391 has been allowed to expire. Further work is to continue under the granted EL 5492. As EL 5492 embraces all present areas of commercial interest, there is no impairment to the value of the Company holdings at Clunes. No renewal was made for EL 5488, which expired 10 October 2016.

Mount Rommel, using its subsidiary Bonshaw Gold Pty Ltd is applicant for two separate areas made available within the Clunes gold field, and adjoining EL 5492. These are ELA's 6406 and 6473.

GLENFINE

The Directors have assessed the carrying value of the capitalised exploration expenses at Glenfine site (MIN 5492) which was, as at 31 December 2016, \$1,344,999 before impairment. Based on the subsequent to year events as described above, the Directors conclude that certainty about any recoverable amount should be re-assessed. Thus a carrying value of the exploration assets at the Glenfine Site is given as \$500,000. This has resulted in an \$834,999 impairment of capitalised Glenfine exploration expenses.

Progress in relation to processing at Glenfine (MIN 5492) has been reported in some detail to the public - see the NSX Announcements platform.

The two relevant dates are 15 December, 2016, and 17 January, 2017.

Background

The historic tailings within MIN 5492, Glenfine, are the property of the landowner. Those tailings - with formal landowner permission - are available to be re-processed, by permits from Heritage Victoria and the Shire of Golden Plains, in conjunction with the approvals to operate on site as set out in the approved / registered Work Plan.

The Work Plan allows for batch processing operations, for up to 200 tonnes per day. The hours of work are prescribed in Planning Permit number P10-352, dated 8 March, 2011.

The grant of MIN 5492 transfers to the Company all rights to gold and any metallic minerals currently enclosed within historic tailings within the area of that licence.

On 24 March, 2016, the Company transferred a proportion of those rights to Metallic Recoveries Pty Ltd (ACN 610 561 763). This formal Agreement is in respect of a delineated 10,000 tonnes of sands, and the gold in those sands. Excluded from that Agreement were any non-gold mineral recovered or collected as a by-product. The Announcement of 17 January 2017 confirms non-gold minerals exist in these particular sands -- largely unexpected. Other non-minerals excluded include silica.

Current Activity

Sampling - 2 January, 2017 - has shown that this processing plant by design is highly effective in the fast recovery to carbon of ultra-fine gold. The same sampling work showed a significant proportion of the total gold passing through the plant apparently due to entrainment with particles of silica. It has become evident that improved overall gold recovery requires a variance in process procedure. Trials to establish a technical basis for variance are incomplete.

Mount Rommel Mining Limited
Directors' report
31 December 2016

Commercial

On 8 March, 2017, remaining Directors were advised by email of a then-imminent proposal to change the operating arrangements for Glenfine, such that:

- there would be a one-off payment of \$50,000 + GST, allowing an outside party to gain site access rights for a number of years;
- there would be a monthly site rental payment of \$10,000 + GST, for routine site access, and
- there would be post-process an intended profit share arrangement.

At this stage Directors are uncertain about the timing of any profit share arrangement. That is, as operations are permitted on a batch basis, is that profit share resolved after each "batch".

Notwithstanding a number of matters were unresolved in detail, two Directors in late March / early April 2017 agreed in principle to the terms on offer, to enable the further development of Glenfine.

At the time of this Report (11 May 2017), commercial deliberations are on-going. Both parties are working towards resolution of obligations arising from a joint association.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

On 21 March 2017, the securities of the Company have been placed under suspension for failing to release their half year financial statements for 31 December 2016, pursuant to NSX listing rules.

Please refer to the review of operations in the Directors' Report for the full disclosure of the subsequent event that led to the failure to release the half year financial statements for 31 December 2016.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 immediately after this directors' report.

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

On behalf of the directors



Frederick Hunt
Director

11 May 2017

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MOUNT ROMMEL MINING LIMITED**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. Wong

L.S. WONG
Partner

Melbourne: 11 May 2017

Mount Rommel Mining Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

		Consolidated	
		31 December 2016	31 December 2015
	Note	\$	\$
Revenue	4	50,640	957
Other income	5	2,300	60,881
Expenses			
Utilisation of inventories		(9,250)	-
Administration expenses		(13,246)	(12,175)
Corporate expenses		(40,667)	(52,667)
Write off of capital work in progress		(70,000)	-
Exploration and evaluation expenses written off		(1,901,540)	(6,137)
Directors' remuneration - accrued, not paid		(25,000)	(30,000)
Finance costs		(10,000)	(10,000)
Loss before income tax expense		(2,016,763)	(49,141)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Mount Rommel Mining Limited		(2,016,763)	(49,141)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Mount Rommel Mining Limited		<u>(2,016,763)</u>	<u>(49,141)</u>
		Cents	Cents
Basic earnings per share	16	(3.65)	(0.09)
Diluted earnings per share	16	(3.65)	(0.09)

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

Mount Rommel Mining Limited
Statement of financial position
As at 31 December 2016

		Consolidated	
		31 December	
	Note	2016	30 June 2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		16,951	5,344
Trade and other receivables		42,425	31,470
Other current assets		66,000	75,250
Total current assets		<u>125,376</u>	<u>112,064</u>
Non-current assets			
Property, plant and equipment		2,600	2,600
Exploration and evaluation	6	575,215	2,438,523
Capital works in progress		-	70,000
Total non-current assets		<u>577,815</u>	<u>2,511,123</u>
Total assets		<u>703,191</u>	<u>2,623,187</u>
Liabilities			
Current liabilities			
Trade and other payables	7	574,331	523,815
Borrowings	8	1,618,200	1,608,200
Other payables	9	45,675	-
Total current liabilities		<u>2,238,206</u>	<u>2,132,015</u>
Total liabilities		<u>2,238,206</u>	<u>2,132,015</u>
Net assets/(liabilities)		<u>(1,535,015)</u>	<u>491,172</u>
Equity			
Issued capital	10	4,696,734	4,706,158
Accumulated losses		<u>(6,231,749)</u>	<u>(4,214,986)</u>
Total equity/(deficiency)		<u>(1,535,015)</u>	<u>491,172</u>

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

Mount Rommel Mining Limited
Statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Contributed equity \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	4,508,396	(4,069,685)	438,711
Loss after income tax expense for the half-year	-	(49,141)	(49,141)
Other comprehensive loss for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(49,141)	(49,141)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs	148,492	-	148,492
Balance at 31 December 2015	<u>4,656,888</u>	<u>(4,118,826)</u>	<u>538,062</u>

Consolidated	Contributed equity \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2016	4,706,158	(4,214,986)	491,172
Loss after income tax expense for the half-year	-	(2,016,763)	(2,016,763)
Other comprehensive loss for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(2,016,763)	(2,016,763)
<i>Transactions with owners in their capacity as owners:</i>			
Cost of raising capital (note 10)	(9,424)	-	(9,424)
Balance at 31 December 2016	<u>4,696,734</u>	<u>(6,231,749)</u>	<u>(1,535,015)</u>

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

Mount Rommel Mining Limited
Statement of cash flows
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 December 2016	31 December 2015
		\$	\$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(39,352)	(80,083)
Interest received		640	957
Other revenue		52,300	11,400
		<u>13,588</u>	<u>(67,726)</u>
Net cash from/(used in) operating activities			
Cash flows from investing activities			
Payments for exploration and evaluation		(38,232)	(41,143)
		<u>(38,232)</u>	<u>(41,143)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	10	-	92,492
Funds received in advance of issue of shares		45,675	-
Capital raising costs		(9,424)	-
		<u>36,251</u>	<u>92,492</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		11,607	(16,377)
Cash and cash equivalents at the beginning of the financial half-year		5,344	21,293
Cash and cash equivalents at the end of the financial half-year		<u>16,951</u>	<u>4,916</u>

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

Note 1. General information

The financial statements cover Mount Rommel Mining Limited as a consolidated entity consisting of Mount Rommel Mining Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Mount Rommel Mining Limited's functional and presentation currency.

Mount Rommel Mining Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 4 100 Albert Road South Melbourne VIC 3205	Shed 2, Corner Smythe & Batten Streets, Allendale Victoria 3364

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 11 May 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going Concern

The consolidated entity has accumulated losses of \$6,231,749, net current asset deficiency of \$2,112,830 and net liabilities of \$1,535,015 at 31 December 2016 (30 June 2016: \$4,214,986, \$2,019,951 and net assets of \$491,172 respectively). Notwithstanding the above, the directors believe that the consolidated entity will be successful in its future operations and has accordingly prepared the financial report on the going concern basis. The directors are of the opinion that no asset is likely to be realised for an amount less than that recorded in the financial report at 31 December 2016.

The directors have based their opinion on the following:

- the consolidated entity anticipates gold recovery from stockpiles at Glenfine.
- the consolidated entity does have continuing support from shareholders to fund its future operations, which is evidenced by the capital raised to provide working capital in each of the last two financial years.
- in the event the group is unable to meet the repayment of shareholder borrowings, the group may issue shares as consideration for the repayable amounts or make alternative agreements with shareholders, or persons at present not shareholders of the Company.
- the directors are encouraged by the evidence to date in respect of Clunes, and the prospectivity there.

Note 2. Significant accounting policies (continued)

Sovereign risk is a reality in respect of all approved work on licences issued pursuant to the MRSD Act of Victoria. In the event that the above initiatives do not eventuate or do not generate sufficient cash flows from operations there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial statements do not any include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment: exploration for base and precious metals in Australia. The operating segment is based on the internal reports reviewed by the Directors (who are identified as Chief Decision Makers) in assessing performance and allocation of resources.

Note 4. Revenue

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
<i>Sales revenue</i>		
Sales	50,000	-
<i>Other revenue</i>		
Interest	640	957
Revenue	<u>50,640</u>	<u>957</u>

On 24 March 2016, the Company signed an agreement with a third party to sell 10,000 tonnes of sand and all gold recovered from the processed sand. As per the payment terms within the agreement, the Company received \$50,000 which was payable on 1 July 2016 or on completion of processing 3,750 tonnes of the asset.

Mount Rommel Mining Limited
Notes to the financial statements
31 December 2016

Note 5. Other income

	Consolidated	31 December 2016	31 December 2015
		\$	\$
Donations		2,300	11,400
Research and Development Tax Concession		-	49,481
		<u>2,300</u>	<u>60,881</u>
Other income		<u>2,300</u>	<u>60,881</u>

Effective 1 July 2011, the R&D tax incentive regime replaced the R&D tax concession. For half-year period ended 31 December 2015 under this regime, Mount Rommel, having expected aggregated annual turnover of under \$20 million, was entitled to a refundable R&D credit of 45% on the eligible R&D expenditure incurred on eligible R&D activities.

Note 6. Non-current assets - exploration and evaluation

	Consolidated	31 December 2016	30 June 2016
		\$	\$
Exploration and evaluation expenditure		75,215	1,103,524
Development phase		500,000	1,334,999
		<u>575,215</u>	<u>2,438,523</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Exploration and evaluation \$	Development phase \$	Total \$
Balance at 1 July 2016	1,103,524	1,334,999	2,438,523
Additions	38,232	-	38,232
Impairment of assets	(1,066,541)	(834,999)	(1,901,540)
Balance at 31 December 2016	<u>75,215</u>	<u>500,000</u>	<u>575,215</u>

The Company does not own the operating plant at Glenfine. The Company assets at Glenfine include the appropriate licences to operate on MIN5492, including the constructed water supply bore, and the water storage facility.

The operating plant owned by others includes a power source and the equipment necessary to pump water up to the storage facility at rates of about 5 litres per second. The combined assets are sufficient for operational purposes. Further operating efficiencies are planned.

Note 6. Non-current assets - exploration and evaluation (continued)

The licence for MIN 5391 was not renewed on 18 March 2017 as the Directors decided that at this juncture it is commercially better not to do so. Thus as at 31 December 2016, the Directors have elected to fully impair the carrying value of exploration expenses relating to MIN 5391 – Clunes of \$1,066,528. The law allows for MIN 5391 to become part of EL5492 but as at this point in time the Directors have yet to make this request with the Government. The Directors are of the opinion that if a successful application is made to the Government to include the area of former MIN 5391 as part of EL5492, the impaired capitalised exploration expenses may be recovered, partly or in whole.

The Directors have assessed the carrying value of the capitalised exploration expenses at Glenfine site (MIN 5492) which was, as at 31 December 2016, \$1,344,999 before impairment. Based on the subsequent to year events as described in the review of operations, the Directors conclude that certainty about any recoverable amount should be re-assessed. Thus a carrying value of the exploration assets at the Glenfine Site is given as \$500,000. This has resulted in an \$834,999 impairment of capitalised Glenfine exploration expenses.

Note 7. Current liabilities - trade and other payables

	Consolidated	
	31 December	30 June 2016
	2016	2016
	\$	\$
Trade payables	206,831	176,315
Key management personnel	362,500	337,500
Sundry payables and accrued expenses	5,000	10,000
	<u>574,331</u>	<u>523,815</u>

Note 8. Current liabilities - borrowings

	Consolidated	
	31 December	30 June 2016
	2016	2016
	\$	\$
Loans from shareholders	982,200	972,200
Offer information statement monies received	636,000	636,000
	<u>1,618,200</u>	<u>1,608,200</u>

Interest of \$10,000 was charged on loans from shareholders during the half year ended 31 December 2016 (2015: \$10,000). The majority of the loan amounts noted above are special arrangements whereby these amounts will be repaid through amounts of gold when Glenfine comes into production. The above balance of loans from shareholders includes an amount of \$192,500 which will be paid back in cash and not through this arrangement. The \$192,500 is interest bearing, while the remaining \$789,700 of loans to shareholders is non-interest bearing. During the previous financial year a loan to the value of \$56,000 was converted to equity via the issue of ordinary shares.

The funds raised from the issuance of the preference shares have been issued in accordance with the offer information statement dated 29 May 2009.

Mount Rommel Mining Limited
Notes to the financial statements
31 December 2016

Note 9. Current liabilities - other payables

	Consolidated	
	31 December 2016	30 June 2016
	\$	\$
Other payables	45,675	-

Other payables relate to funds received in advance of options subject to a motion at a shareholders meeting for approval.

Note 10. Equity - issued capital

	Consolidated			
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	55,400,297	55,400,297	4,647,464	4,656,888
Preference shares - fully paid	640	640	-	-
Ordinary shares - partly paid	1,642,318	1,642,318	49,270	49,270
	<u>57,043,255</u>	<u>57,043,255</u>	<u>4,696,734</u>	<u>4,706,158</u>

Movements in ordinary share capital - fully paid

Details	Date	No of shares	Issue price	\$
Balance	1 July 2016	55,400,297		4,656,888
Capital raising costs	28 July 2016	-	\$0.00	(9,424)
Balance	31 December 2016	<u>55,400,297</u>		<u>4,647,464</u>

Movement in ordinary shares - partly paid

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	1,642,318		49,270
Options	31 December 2016	-	\$0.00	-
Balance	31 December 2016	<u>1,642,318</u>		<u>49,270</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Preference shares

Preference shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held, with priority over ordinary shareholders.

Preference shares do not have any voting rights.

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Contingent liabilities

The company had no recognised contingent liabilities at 31 December 2016 and 30 June 2016. Under tenement licences the consolidated entity is required to rehabilitate each licence area to a fair and reasonable state, prior to closing exploration works.

The tax rebate of \$49,502 received by the Company during the 30 June 2016 financial year, and the tax rebate of \$148,429 received by the Company during the 30 June 2015 and 30 June 2014 financial years totaling \$197,931 may be subject to review and subsequent claw back of funds should there be a determination of non-confirming claims. Other than this the consolidated entity had no contingent liabilities as at 31 December 2016. Under tenement obligations, the consolidated entity is required to rehabilitate each area worked to a state in accordance with the approved work plan.

Note 13. Commitments

The company's commitments have not changed materially from those reported in the 30 June 2016 annual report.

In order to maintain current rights of tenure for tenements, the Company and consolidated entity is required to meet the minimum requirements of the Victorian Department of State Development, Business and Innovation. Where a tenement has pendency under a valid renewal application, expenditure may continue.

Note 14. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary:

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 December 2016 %	30 June 2016 %
Bonshaw Gold Pty Ltd	Australia	100.00%	100.00%

Note 15. Events after the reporting period

On 21 March 2017, the securities of the Company have been placed under suspension for failing to release their half year financial statements for 31 December 2016, pursuant to NSX listing rules.

Please refer to the review of operations in the Directors' Report for the full disclosure of the subsequent event that led to the failure to release the half year financial statements for 31 December 2016.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Mount Rommel Mining Limited
Notes to the financial statements
31 December 2016

Note 16. Earnings per share

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
Loss after income tax attributable to the owners of Mount Rommel Mining Limited	<u>(2,016,763)</u>	<u>(49,141)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>55,225,580</u>	<u>55,201,997</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>55,225,580</u>	<u>55,201,997</u>
	Cents	Cents
Basic earnings per share	(3.65)	(0.09)
Diluted earnings per share	(3.65)	(0.09)

Mount Rommel Mining Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Frederick Hunt
Director

11 May 2017

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MOUNT ROMMEL MINING LIMITED**

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Mount Rommel Mining Limited and controlled entities, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Mount Rommel Mining Limited and controlled entities are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 the 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 Mount Rommel Mining Limited and controlled entities' financial position as at 31 December 2016 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 Mount Rommel Mining Limited and controlled entities, 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 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.

Basis for Qualified Conclusion

The limited human resources within the Company have made it not practicable for the Company to establish usual internal controls over shareholder loans received prior to their entry in the accounting records. Accordingly, our audit relating to shareholder loans was limited to the amounts as recorded in the financial statements.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MOUNT ROMMEL MINING LIMITED**

Qualified Conclusion

Except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Mount Rommel Mining Limited and its controlled entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated group's financial position as at 31 December 2016 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 Act 2001.

Emphasis of Matter

We draw attention to Note 2 of the financial report regarding the ability of the consolidated entity to continue as a going concern. The financial report indicates that the consolidated entity has significant accumulated losses and is in a significant net current asset deficiency and net liability position as at 31 December 2016. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. Wong

L.S. WONG
Partner

Melbourne: 11 May 2017