

ESPERANCE MINERALS LIMITED
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

FOR THE 6 MONTHS ENDED
31 DECEMBER 2015

CORPORATE DIRECTORY

DIRECTORS

John Rawicki (Non-Executive Chairman)

Sophia Zhang (Executive Director)

Robert Lees (Non-Executive Director)

COMPANY SECRETARY

Robert Lees

REGISTERED OFFICE - ESPERANCE MINERALS LIMITED

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SHARE REGISTRY

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SOLICITORS

HWL Ebsworth Lawyers

AUDITORS

RSM Australia

BANKERS

Westpac Banking Corporation

WEBSITE

www.esperanceminerals.com

DIRECTORS' REPORT

The Directors of the Company hereby submit the Directors' Report as part of the interim financial report for the half-year ended 31 December 2015.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial half-year are:

JOHN RAWICKI

Non-Executive Chairman

Mr Rawicki was appointed to the Esperance Board on 7 May 2015 and was not re-elected at the Annual General Meeting held 30 November 2015. On 14 March 2016 Mr Rawicki was again appointed to the Board.

John Rawicki has 10 years of stockbroking and corporate finance experience across the healthcare, resources and technology sectors. John is the Managing Director of BlueSky Shareholder Services, which provides investor relations and corporate advisory services to listed companies.

Mr. Rawicki holds a Bachelor of Commerce from the University of Sydney.

SOPHIA ZHANG

Executive Director

Ms. Zhang was appointed to the Esperance Board on 7 May 2015 and was not re-elected at the Annual General Meeting held 30 November 2015. On 14 March 2016 Ms Zhang was again appointed to the Board.

Ms Sophia Zi Ying Zhang has 20 years of international sales and marketing experience in healthcare. Ms Zhang currently runs a successful import/export business that markets and distributes Australian healthcare products, in particular Nature's Care and Toplife brands in China.

Ms. Zhang holds a Bachelor of Arts degree from Shen Zhen University of PRC.

ROBERT LEES

Non-Executive Director

Mr Lees was appointed to the Esperance Board on 12 August 2015 and was appointed Chairman on the resignation of Kris Knauer on 14 August 2015. He resigned as Chairman on the appointment of Tony Ho on 12 October 2015, continuing as a non-executive director.

Mr Lees is member of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia. He is a graduate of the UTS, holding a Bachelor of Business (Accounting) and a Graduate Diploma in Data Processing. In the last 14 years he has provided Company Secretarial services to small ASX listed companies. He is currently Company Secretary of four Listed Public Companies.

ANTHONY (TONY) HO

Non-Executive Chairman

Mr Tony Ho, appointed on 12 October 2015 and resigned on 14 March 2016.

Mr. Ho holds a bachelor of commerce degree from the UNSW and is a member of the ICA in Australia and New Zealand. He is a fellow of the Governance Institute of Australia and the Australian Institute of Company Directors.

Mr Tony Ho is an experienced company director having roles with a number of publicly listed companies.

KRIS KNAUER

Executive Chairman

Mr. Knauer was appointed to the Esperance Board on 25 September 2009 and was appointed Executive Chairman on 31 January 2010 and resigned as a Director and Chairman on 13 August 2015.

Mr. Knauer has a B.SC (Hons) in Geology and spent 5 years working in the Mining Industry as a geologist.

DIRECTORS' REPORT

VINCE FAYAD
Non-Executive Director

Mr Fayad was appointed to the Esperance Board on 20 February 2013 and resigned on 12 August 2015.

Mr Fayad is currently a Director of PKF Lawler Corporate Finance Pty Ltd and has had approximately 30 years of experience in Corporate Finance, Accounting and other advisory related services.

SILVI EL KHOURI
Non-Executive Director

Ms El Khouri was appointed to the Esperance Board on 14 August 2015 and resigned 14 March 2016.

Ms. El Khouri has a Master of Business Administration and a Bachelor of Science.

COMPANY SECRETARY

Mr Robert Lees was appointed company secretary on 7 January 2010. Robert is member of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia. He has served as a Company Secretary on a number of ASX listed entities since 1998.

RESULT AND REVIEW OF OPERATION

The loss after income tax for the period amounted to \$726,313 (December 2014: \$1,076,621).

The Company announced to the market on 21 August 2015 it has entered into a heads of agreement with eDutyFree Pty Ltd ('eDutyfree') and commenced due diligence to acquire 51% of that business. .

On 9 December 2015 the Company announced that the board of Esperance had considered the due diligence material for the proposed acquisition of shares in eDutyfree and formed the view that it does not represent an acquisition which is in the best interests of shareholders.

On 15 December 2015 the Company announced to the market it has entered into a non-binding heads of agreement for the proposed acquisition of 40% of the issued capital of Goyes Agri-Food Investment Ltd ('Goyes'). This proposed acquisition of Goyes is subject to, satisfactory confirmatory due diligence, acquisition of an Australian based agri-food businesses, approval by shareholders of the Company in a general meeting and the Company re-complying with chapters 1 and 2 of the ASX Listing Rules.

Goyes informed the Company on 14 March 2016 that it was terminating the Heads of Agreement.

The Company is continuing with its strategy of looking for new prospect's, in Australia and internationally that will provide better and earlier benefits for shareholders.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 30 September 2015 the Company received a section 249D notice from shareholders holding in aggregate more than 5% of the Company's shareholding. The requisitioned meeting for the removal of Ms. Silvi El Khouri was withdrawn on 20 November 2015. At the AGM held 30 November 2015, Mr. John Rawicki and Ms. Sophia Zhang failed to be re-elected as directors of the Company.

On 1 March 2016, the Company received another section 249D notice from shareholders holding in aggregate more than 5% of the Company's shareholding. The notice requisitions a meeting for the removal of Mr. Anthony Ho and Ms. Silvi El Khouri and the appointment Mr. John Rawicki and Ms. Sophia Zhang as directors of the Company.

At the date of this report the section 249D notice has been withdrawn. Mr. Anthony Ho and Ms. Silvi El Khouri resigned as Directors on 14 March 2016 after the appointment of Mr. John Rawicki and Ms. Sophia Zhang as directors of the Company.

Other than the foregoing, in the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial half-year under review.

DIVIDEND

No dividends have been paid or declared since the end of the previous financial year to the date of this report.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the Board made pursuant to S306(3) of the *Corporations Act 2001*.



John Rawicki
Chairman

Dated at Sydney this 15th day of March 2016.

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Esperance Minerals Limited for the half year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

A stylized blue ink signature of "RSM".

RSM AUSTRALIA PARTNERS

A blue ink signature of "C J Hume".

C J Hume
Partner

Sydney, NSW

Dated: 15 March 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
for the half-year ended 31 December 2015

	Note	CONSOLIDATED HALF-YEAR ENDED	
		31-DEC-2015 \$	31-DEC-2014 \$
Exploration costs written off		-	(804,750)
Administrative expenses	3	(729,380)	(271,930)
(LOSS) FROM OPERATING ACTIVITIES		<u>(729,380)</u>	<u>(1,076,680)</u>
Financial income		3,067	59
TOTAL FINANCIAL INCOME		<u>3,067</u>	<u>59</u>
(LOSS) BEFORE INCOME TAX		<u>(726,313)</u>	<u>(1,076,621)</u>
Income tax		-	-
(LOSS) FOR THE PERIOD		<u><u>(726,313)</u></u>	<u><u>(1,076,621)</u></u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the period, net of income tax		-	-
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		<u><u>(726,313)</u></u>	<u><u>(1,076,621)</u></u>
(Loss) attributable to:			
Owners of the parent		(726,313)	(1,076,621)
Non-controlling interests		-	-
		<u>(726,313)</u>	<u>(1,076,621)</u>
Total comprehensive (loss) attributable to:			
Owners of the parent		(726,313)	(1,076,621)
Non-controlling interests		-	-
		<u>(726,313)</u>	<u>(1,076,621)</u>
Basic and diluted (loss) per share	2	(0.63) cents	(1.28) cents

The consolidated statement of profit or loss and other comprehensive income is to be read
in conjunction with the attached notes to the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	CONSOLIDATED	
		31-DEC-2015 \$	30-JUN-2015 \$
CURRENT ASSETS			
Cash and cash equivalents		116,841	770,964
Other receivables		26,426	-
TOTAL CURRENT ASSETS		<u>143,267</u>	<u>770,964</u>
TOTAL ASSETS		<u>143,267</u>	<u>770,964</u>
CURRENT LIABILITIES			
Trade and other payables		256,685	266,879
Borrowings	4	1,207,075	1,148,266
TOTAL CURRENT LIABILITIES		<u>1,463,761</u>	<u>1,415,145</u>
TOTAL LIABILITIES		<u>1,463,761</u>	<u>1,415,145</u>
NET LIABILITIES		<u>(1,320,493)</u>	<u>(644,181)</u>
EQUITY			
Issued capital	5	10,813,083	10,763,083
Reserves		250,522	250,522
Accumulated losses		(12,384,104)	(11,657,792)
Parent entity equity		(1,320,499)	(644,187)
Non-controlling interest		6	6
TOTAL EQUITY		<u>(1,320,493)</u>	<u>(644,181)</u>

The consolidated statement of financial position is to be read in conjunction
with the attached notes to the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2015

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- Controlling Interest \$	Total Equity \$
BALANCE AT 1 JULY 2014	10,163,083	155,275	(9,697,020)	6	58,803
Net (loss) for the period	-	-	(1,076,621)	-	(1,076,621)
Other comprehensive income:	-	-	-	-	-
Total comprehensive loss for the period	-	-	(1,076,621)	-	(1,076,621)
BALANCE AT 31 DEC 2014	10,163,083	155,275	(11,336,182)	6	(933,367)
BALANCE AT 1 JULY 2015	10,763,083	250,522	(11,657,792)	6	(644,181)
Net (loss) for the period	-	-	(726,313)	-	(726,313)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(726,313)	-	(726,313)
Issue of shares during the period	50,000	-	-	-	50,000
BALANCE AT 31 DEC 2015	10,813,083	250,522	(12,384,105)	6	(1,320,493)

The consolidated statement of changes in equity is to be read in conjunction
with the attached notes to the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2015

	CONSOLIDATED HALF-YEAR ENDED	
	31-DEC-2015	31-DEC-2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(657,190)	(117,443)
Interest received	3,067	58
NET CASH USED IN OPERATING ACTIVITIES	<u>(654,123)</u>	<u>(117,385)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	100,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>100,000</u>
Net (decrease) in cash held	(654,123)	(17,385)
Cash at the beginning of the financial period	770,964	17,879
CASH AT THE END OF THE FINANCIAL PERIOD	<u><u>116,841</u></u>	<u><u>493</u></u>

The consolidated statement of cash flows is to be read in conjunction
with the attached notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Esperance Minerals Limited ("the Company") is a company domiciled in Australia.

The interim financial report of the Company and its controlled entities (the Group) is for the half year ended 31 December 2015. The financial statements were approved by the Board of Directors on 15 March 2016.

BASIS OF PREPARATION

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

The consolidated half-year financial report does not include all of the information required for a full annual financial report. The half-year financial report is to be read in conjunction with the most recent annual financial report for the year ended 30 June 2015. This report must also be read in conjunction with any public announcements made by the company during the half-year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. The accounting policies adopted in the preparation of this financial report are, unless otherwise stated, consistent with those presented in the most recent annual financial report.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of certain non-current assets, financial assets and financial liabilities.

The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

NEW OR REVISED STANDARDS AND INTERPRETATIONS THAT ARE FIRST EFFECTIVE IN THE CURRENT REPORTING PERIOD

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has no effect on the amounts reported for the current or prior half-years. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The Group's statement of profit or loss and other comprehensive income for the half year ended 31 December 2015 reflected a net loss of \$726,313. The Group's statement of financial position as at 31 December 2015 reflected net current liabilities and a deficiency of net assets of \$1,320,493. The Group's consolidated statement of cash flows for the half year ended 31 December 2015 reflected net cash used in operating activities of \$654,123. At a minimum, without an acquisition, the Company would be required to raise approximately \$500,000 in equity or loans over the next 12 months.

The Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report after consideration of the following factors:

- The Company plans to issue further convertible notes during the next twelve months, which has proven to be successful in the past;
- As disclosed in Note 3, the Series B convertible note has been drawn to \$470,000 and \$100,000 remains undrawn and available for working capital and other purposes;

NOTES TO FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN (CONTINUED)

- A significant shareholder, SJL Management Pty Ltd ("SJL"), has confirmed that SJL and its associated parties, intend to continue providing financial support to the Company during the course of 2016 to the value of approximately \$500,000 as may be required for working capital and other purposes. SJL and its associated parties have provided approximately \$530,000 in investment funds to the Company since April 2015 through equity placement and convertible notes; and
- The Company plans to continue to raise further capital to meet working capital requirements, which has proven to be successful in the past.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. However, should the Company be unsuccessful in the above, there is significant uncertainty as to whether the Group would be able to continue as going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as going concern.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2. LOSS PER SHARE

The calculation of basic (loss) and diluted (loss) per share at 31 December 2015 was based on the loss attributable to ordinary shareholders of \$726,313 (2014: \$1,076,621) and the weighted average number of ordinary shares outstanding during the financial period ended 31 December 2015 of 114,247,898 (2014: 84,039,679), calculated as follows:

	31-DEC-2015	31-DEC-2014
	Cents	Cents
Basic and diluted (loss) per share	(0.63)	(1.28)

3. EXPENSES

	31-DEC-2015	31-DEC-2014
	\$	\$
Administration and compliance expenses	60,184	56,977
Acquisition and due diligence fees	118,428	-
Consultants fees	101,626	56,569
Directors fees and benefits	109,825	54,000
Finance expenses	114,022	104,384
Legal fees	129,797	-
Travel expenses	95,497	-
	729,380	271,930

NOTES TO FINANCIAL STATEMENTS

4. BORROWINGS

	31-DEC-2015	30-JUN-2015
	\$	\$
CURRENT		
Series A Convertible Notes	330,000	330,000
Series B Convertible Notes	470,000	470,000
<i>Movement in Equity component of Convertible Notes</i>	67,075	8,266
<i>Less: Converted to Equity</i>	(200,000)	(200,000)
Series C Convertible Notes (Subject to shareholder approval)	540,000	540,000
	1,207,075	1,148,266

During the 2014 year the Company issued the following convertible notes:

- Series A – being notes in connection with the payment of certain due diligence costs associated with the Brazilian project with a face value of \$330,000; and
- Series B – being notes in connection with the ongoing funding of the Company with a face value \$570,000.

Both notes (the combined notes referred to as “Notes”) involve various shareholders, including a company that is associated with the former Chairman, Mr Kris Knauer as well as Mining Investments Limited. The shareholders not associated with the Series A and B Notes approved the terms of their conversion at a general meeting on the 30 April 2014. The Note holders have extended the maturity date of the notes from 31 August 2015 by one year to 31 August 2016. As at 31 December 2015, the Series B note has been drawn to \$470,000 and \$100,000 remains undrawn.

The key terms of the Notes are as follows:

- conversion price of the lesser of 5 cents per ordinary share, or the 5 day volume weighted average price (“VWAP”) of the Company’s ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;
- the Notes cannot be converted until after 31 August 2014 and then at any time up to the Maturity Date of 31 August 2016;
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per Company share (**Options**);
- the Notes will accrue interest at a rate of 8% per annum; and
- the Notes are unsecured.

On 7 May 2015 the Company announced that it has raised \$540,000 to be subscribed for a Series C convertible note. The term of the notes are subject to shareholder approval in future shareholder meeting. Its’ terms will be:

- conversion price of the lessor of 2 cents per ordinary share, or the 5 day volume weighted average price (“VWAP”) of the Company’s ordinary shares on the ASX immediately prior to the issue of a conversion notice by the Noteholder to the Company;
- for each share issued on conversion, the Noteholder will be issued with 1 free option to subscribe for an additional ordinary share in the Company exercisable on or before 31 August 2018 at an exercise price of 10 cents per Company share (**Options**);
- the Notes will accrue interest at a rate of 8% per annum;
- the Notes are unsecured; and
- the issue of the Series C Convertible Notes requires Shareholder approval which will be sought in an upcoming shareholders General Meeting.

NOTES TO FINANCIAL STATEMENTS

5. ISSUED CAPITAL

	Note	31-DEC-2015 \$	30-JUN-2015 \$
115,039,679 (30 June 2015: 114,039,679) Fully paid ordinary shares:	(a)	10,813,083	10,763,083

	31 Dec 2015 \$	30 June 2015 \$	31 Dec 2015 No.	30 June 2015 No.
(a) Movement in fully paid ordinary shares				
Opening balance	10,763,083	10,163,083	114,039,679	84,039,679
Movement during the period (i)	50,000	600,000	1,000,000	30,000,000
Closing balance	10,813,083	10,763,083	115,039,679	114,039,679

- (i) 1,000,000 shares were issued to Pei, Yanmei as consideration for the eDutyFree Pty Ltd option to acquire (subject to Due Diligence) announced 21 August 2015. After consideration of the due diligence report the Board announced on 9 December 2015 that it has formed the view that it does not represent an acquisition which is in the best interest of shareholders and Esperance formally terminated the conditional Share Purchase Agreement and expensed the option cost.

Terms of Issue:

(a) Fully paid ordinary shares

Ordinary shares participate in dividends and are entitled to one vote per share at shareholders meetings. In the event of winding up the company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation in proportion to the number of shares held.

(b) Options

There are 10,000,000 options (exercisable at 10 cents) over the Company's shares that expiring on 31 August 2018. Unless converted to ordinary shares, the options do not participate in dividends. Options are not entitled to one vote at shareholders meetings. In the event of winding up the company, option holders are not entitled to any proceeds of liquidation.

6. SEGMENT INFORMATION

The Group operates in a single segment being mining and exploration activities in Australia.

7. DIVIDENDS

During the half-year, the Group did not pay any dividends.

NOTES TO FINANCIAL STATEMENTS

8. EVENTS SUBSEQUENT TO 31 DECEMBER 2015

Subsequent to 31 December 2014, the Series A and B Convertible Note holders agreed to extend the maturity date of the Convertible Notes from 31 August 2015 to 31 August 2016. In consideration for this extension, the Company has agreed to pay an interest rate of 10% for the period after 31 August 2015. Additionally, the Convertible Note Holders have agreed to provide further financial support.

On 14 March 2016 \$300,000 of Series A and B Convertible notes were sold by Mining Investments Limited to a group of investors. Mr John Rawicki and Ms Sophia Zhang were appointed directors and Mr Tony Ho and Ms Silvi Elkhouri resigned as Directors of the company. The section 249D notice has been withdrawn.

Goyes Agri-Food Investment Ltd informed the Company it was terminating the non-binding heads of Agreement announced 15 December 2015.

Other than the above and matters as disclosed in Significant Events during the period, there have been no other events subsequent 31 December 2015 which would have a material impact effect on the Group's financial statements at 31 December 2015.

9. COMMITMENTS AND CONTINGENCIES

As at 31 December 2015, there are no contingencies that affect the Group.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Esperance Minerals Limited, the directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standard AASB 134: Interim Financial Reporting and giving a true and fair view of the financial position and performance of the consolidated entity.

Dated at Sydney this 15th March 2016.

Signed in accordance with a resolution of the Board



John Rawicki
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ESPERANCE RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Esperance Resources Limited which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, 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 information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Esperance Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of \$726,313 and had net cash outflows from operating activities of \$654,123 for the half-year ended 31 December 2015. As of that date, the consolidated entity had a deficiency of working capital and net liabilities of \$1,320,493. These conditions, along with other matters as set forth in Note 1, 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 extinguish its liabilities in the normal course of business.

A handwritten signature in blue ink, appearing to read 'RSM', is positioned above the company name.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'C J Hume', is positioned above the name and title.

C J Hume
Partner

Sydney, NSW
Dated: 15 March 2016