RIFT VALLEY
RESOURCES LIMITED

ACN: 121 985 395

# Half Year Financial Report
31 December 2017

# CORPORATE DIRECTORY

## DIRECTORS

| | |
|---|---|
| Steven Dobson | Executive Chairman |
| David Hammond | Executive Director / Chief Operating Officer |
| Mark Hohnen | Non-Executive Director |
| Neil Maclachlan | Non-Executive Director |
| Akram Aziz | Non-Executive Director |

## COMPANY SECRETARY

Scott Mison

## REGISTERED OFFICE

Ground Floor, 10 Outram Street,
West Perth WA 6005
www.riftvalleyresources.com.au
info@riftvalleyresources.com.au

## ASX CODE

RVY

## SOLICITORS

Johnson Winter & Slattery
Level 4, 167 St Georges Terrace, Perth WA 6000

## SHARE REGISTRY

BoardRoom Pty Ltd
Level 12, 225 George Street, Sydney NSW 2000

## AUDITORS

Ernst and Young
11 Mounts Bay Rd, Perth WA 6000

# CONTENTS

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity for the half-year ended 31 December 2017.

**DIRECTORS**
The names of directors who held office during or since the end of the half-year and up to the date of this report are:

| | |
|---|---|
| Steven Dobson | Executive Chairman |
| David Hammond | Executive Director / Chief Operating Officer (appointed 14 November 2017) |
| Mark Hohnen | Non-Executive Director (appointed 25 August 2017) |
| Neil Maclachlan | Non-Executive Director (appointed 17 January 2018) |
| Akram Aziz | Non-Executive Director |
| Gregory Cunnold | Technical Director (resigned 17 January 2018) |
| Geoffrey Gilmour | Executive Director (resigned 25 August 2017) |

## Review of Operations

The consolidated entity incurred an operating loss after income tax of $572,565 (31 December 2016 $618,730) for the half-year ended 31 December 2017.

The reporting period saw the Company appoint new board members and technical management team. Strong results were received from the Company's 70% owned Ozango Project in Angola, which contains the Longonjo Magnet Metal and Cassenha Hill Copper-Gold Prospects.

Work completed this period demonstrates that the Longonjo Magnet Metal Project has the potential to become a globally significant deposit and a potential source of neodymium and praseodymium for the expanding electric vehicle markets.

A summary of the Company's operations over the last six months and to the date of this Director's Report are as follows:

### Longonjo Magnet Metal Project
A series of strong positive results were received during the reporting period with the completion of a diamond drilling program within the Longonjo Carbonatite that returned high grade rare earth mineralised intersections, the release of a large and high grade Maiden Mineral Resource estimate and highly encouraging preliminary results from a Scoping Study.

**High grade rare earth drill results**
Assay results from the diamond drilling program at Longonjo returned high grade mineralised intersections from surface of up to:

| **Drill hole** | **Intersection** |
|---|---|
| LJD001: | 20m at 6.47% REO* from surface |
| LJD002: | 38m at 5.04% REO from surface |
| LJD007: | 16m at 7.04% REO from surface |

*REO= total rare earth oxide is the sum of $La_2O_3$, $CeO_2$, $Pr_6O_{11}$, $Nd_2O_3$, $Sm_2O_3$, $Eu_2O_3$, $Gd_2O_3$, $Tb_4O_7$, $Dy_2O_3$, $Ho_2O_3$, $Er_2O_3$, $Tm_2O_3$, $Yb_2O_3$, $Lu_2O_3$ and $Y_2O_3$.

Further details of the program are provided in the ASX announcement "**Positive Diamond Drilling Assay Results at Longonjo**" of 24 August 2017.

**<u>High grade Maiden Mineral Resource estimate</u>**
The release of a Maiden Mineral Resource estimate closely followed the completion of the drilling (ASX announcement), and includes a high grade weathered zone of:

**11.6 million tonnes at 4.30% REO for 499,000t contained REO***
*reported at a 1% REO lower grade cut off, see ASX announcement "**Maiden JORC Mineral Resource estimate - Longonjo Project**" of 26 September 2017 for further details.

A favourable proportion (19.6%) of the rare earths at Longonjo are comprised of the more valuable neodymium and praseodymium ("NdPr"), or the Magnet Metals, for which demand is predicted to surge in coming years due to the widespread uptake of electric vehicles. At current prices, the Company estimates that NdPr represents approximately 82% of the value of all rare earths at Longonjo, aligning the project well with the magnet metal market.

Why the Magnet Metals?

Analysts predict that the Magnet Metal rare earths neodymium and praseodymium (NdPr) are set to experience strong demand growth in coming years due to the wider acceptance of emerging technologies including electric and hybrid vehicles (EV's) and clean energy applications(wind turbines electricity generation).
NdPr is a key component in the manufacture of permanent magnets used in the motors and turbines of these technologies.

Each plug in EV requires ~1.5kg of NdPr

A permanent magnet wind turbine requires ~120kg NdPr per MW

The weathered zone mineralisation is soft oxide material occurring from surface as a blanket averaging 20m thickness, enabling simple, low cost open pit mining. Rare earths are hosted within the most commonly processed minerals of monazite and bastnaesite and the high grades are also a distinguishing feature of the Project.

The weathered zone Mineral Resource estimate is contained within and forms a subset of a Total Mineral Resource estimate for Longonjo at a 1% REO lower grade cut off of:

**44.7 million tonnes at 2.50% REO for 1,120,000t contained REO**

The Mineral Resource estimates are classified as Inferred and were prepared by Heather King of AMEC Foster Wheeler, a competent person as defined by the JORC Code 2012 and is reported in accordance with the JORC Code and Guidelines 2012.

**Significant upside to the Mineral Resource**

The Mineral Resource remains open in all directions beyond the current drill pattern. With only a portion of the prospective area of the Longonjo Carbonatite and high tenor rare earth in soils anomaly tested, there is significant potential to expand the current Mineral Resource into an even larger, globally significant Magnet Metal deposit through additional drilling (Figure 1).

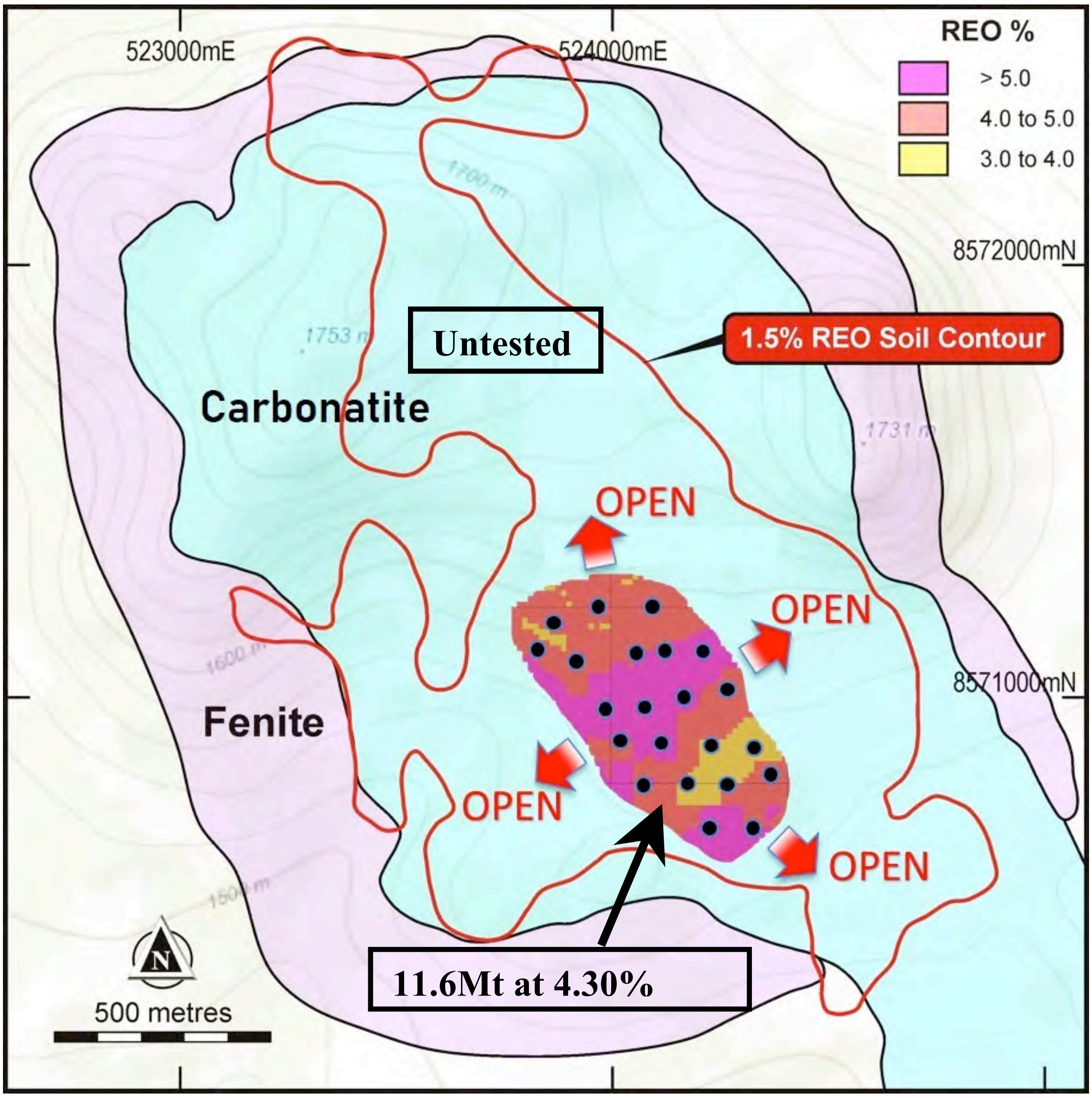


Figure 1: Weathered Zone Mineral Resource REO grade block model and extent of current drilling. The Mineral Resource is open in all directions and only a relatively small portion of the prospective area and soil anomlay have been drill tested to date.

The Company believes there is excellent potential to significantly expand the current Mineral Resource and further drilling is planned in 2018 to realise the full potential of the Longonjo Magnet Metal Project

## Scoping Study Update

The Company received preliminary results from the scoping study (“**Study**”) on the Longonjo Magnet Metal Project in December (ASX announcement “**Longonjo Magnet Metal Project Scoping Study Update**” of 6 December 2017).

The Study is being undertaken by leading global mining and processing consultant Amec Foster Wheeler. The Study contemplates a shallow open pit mining operation at the Project based on the weathered zone portion of the Inferred JORC Mineral Resource, an onsite processing plant and associated infrastructure.

A conceptual process flowsheet has been developed for Longonjo’s favourable mineralogy to produce four separated high purity products aligned to the Magnet Metal market.
The Study Update identifies several favourable aspects of the Project’s development including:

- High potential to significantly expand the current Mineral Resource
- Weathered mineralisation amenable to conventional open pit mining with “free dig” material and a very low waste to resource strip ratio
- The Project is favourably located close to existing infrastructure and utilities
- The deposit has favourable and commonly processed rare earth mineralogy
- Flowsheet design to produce four high purity separated products aligned to end uses
- Potential products are aligned to the magnet metal market with approximately 82% of potential value from neodymium-praseodymium oxide (“**NdPr**”).
- Demand for magnet metals is widely predicted to surge driven by their application in the electrification of vehicles and green energy generation.

The favourable location of the project close to existing infrastructure and the port at Benguela are expected to have a positive impact by reducing the Capital and Operating costs as well as the ability to practically implement the project.

The Project lies just 3km from the sealed national highway and rail line that run from the port at Benguela 200km to the west, to the provincial capital of Huambo 60km to the east (Figures 2 & 3). A power transmission line from the Gove Dam hydroelectric power plant currently extends to Caala, 38km to the east of the Project.


Figures 2 and 3: Longonjo is favourably located close to existing infrastructure that includes a sealed national highway and rail linking the Project to the deep water sea port at Benguela just 200km to the west, and the provincial capital of Huambo 60km to the east

The Company anticipates strong news flow from additional drilling programs in 2018 that will target high grade extensions to the current Weathered Zone Mineral Resource. Infill drilling to support an Indicated Mineral Resource estimate and provide additional metallurgical samples are also planned. Together with the metallurgical testwork currently in progress, this new data will allow for the completion of a preliminary economic assessment of the Longonjo Magnet Metal Project.

### Cassenha Hill Copper-Gold

Just after the end of the reporting period, the Company received initial results for the 9 hole diamond drilling program completed in December 2017 (ASX announcement "Cassenha Hill Copper Project – Progress Report" of 19 January 2018).

Previously reported* diamond drilling results of up to **24m at 1.49% copper from 84m** (including 9m at 3.11% copper from 87m from hole CHD006) were returned from the Company's 2015/2016 drilling program*. Previous channel sampling of underground workings returned up to **84m at 0.81% copper** (including 6.4m at 3.6% copper) from Adit 2 and 16 metres at 1.79% copper from trench DTR5.

Extensions to the copper mineralisation were demonstrated by new intersections up to 6m at 0.72% copper from 9m and 6m at 0.51% copper from 48m.

Oxide copper mineralisation occurs as azurite (Figures 4 & 5) and malachite within a sub vertical structural zone of brecciated quartz veining and magnetite-rich alteration bands approximately 20 metres in horizontal width.


Figures 4 and 5: Azurite copper oxide mineralisation in brecciated quartz. Field of view of the photo of brecciated quartz vein with azurite outcrop on right is approximately 5 metres.

Significant upside for additional copper mineralisation exists at Cassenha Hill as drilling has tested just 400m of a high tenor copper and gold in soils anomaly that extends over a total strike length of 1,700 metres (Figure 6). A second copper mineralised horizon – the sedimentary hosted 'copper clay' – lies just to the north of the quartz breccia and has yet to be drill tested.

*ASX Announcement "Extensive copper mineralisation with associated gold at Cassenha Hill – Angola" of 11 April 2016.

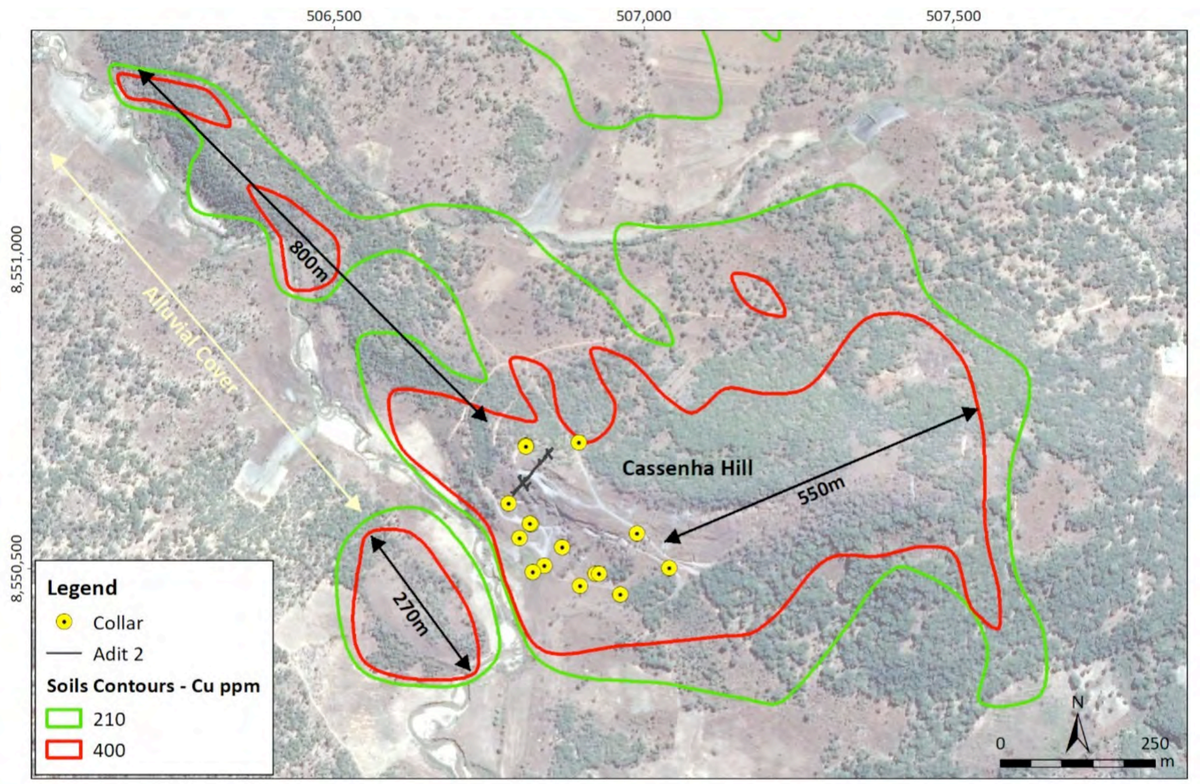

Figure 6: Cassenha Hill drilling over a 400m strike length within the high tenor copper in soil anomaly

The Company will evaluate these target areas for their potential to host significant copper-gold mineralisation to add to that already discovered at Cassenha Hill with the aim to locate sufficient mineralisation to support a copper-gold mining operation at Ozango.

## Ozango Project Regional Exploration

The Ozango licence (Rift 70%) extends over a large area of 3,670km$^2$ that is strategically located over virtually unexplored Proterozoic geology of comparable age to the Copper Belt in adjacent DRC and Zambia. As well as containing the Longonjo Magnet Metals and Cassenha Hill Copper-Gold Projects, several new geochemical anomalies and mineral occurrences were identified by the Company in 2017 through its active early stage exploration programs.

The company acquired airborne magnetic data from an historical, regional (1km spaced) survey over the Ozango Project. Multi-element stream sediment sampling has defined 12 high priority targets that returned strongly anomalous values for a range of elements over the concession including base metals, gold lithium and rare earths.

The Company has prioritised these areas for further investigation in 2018 and plans to complete follow-up geological mapping, surface sampling, and trenching.

## Tanzania (Rift Valley 100%)

New legislation governing the legal and regulatory framework for the mining industry was passed by the Tanzanian Parliament during the period. The uncertainty for resource investors in Tanzania created by the new laws, together with the strong progress made on its projects in Angola, has led to the Company to focus its resources on the development of its properties in Angola.

Rift Valley owns gold properties in the Lake Victoria Goldfields Region of northern Tanzania that together contain over a million ounces of gold in Mineral Resource. The Company has received a number of expressions of interest. Negotiations with several of these parties were progressed during the period and have now reached an advanced stage.

The Board is confident a successful outcome will be forthcoming that will bring further capital into the Company to assist in funding its exploration and development activities in Angola.

## Corporate

### Strategic Board Appointments

The Company was pleased to announce two new board appointments during and just after the reporting period.

Experienced rare earth executive Mr Dave Hammond was appointed as Chief Operating Officer and Executive Director in November 2017. Mr Hammond was most recently the Technical Director with Peak Resources Ltd for seven years where he led the exploration, resource definition and technical studies, from the second drill hole into the Ngualla deposit through resource, reserve, scoping study and pre-feasibility. Mr Hammond holds a Master of Science (M.Sc.) and a Diploma of Imperial College (DIC) from the Royal School of Mines, Imperial College, London. He is a Member of AUSIMM and a competent person for JORC reporting.

The Company was also pleased to welcome Mr Neil MacLachlan to the Board as Non-Executive Director. Mr MacLachlan has considerable public company experience in the mining sector having been on the boards of several companies listed on the ASX, AIM and TSX. Mr. MacLachlan, has over 35 years' investment banking experience in Europe, South East Asia and Australia and has extensive experience in public company directorships. He currently serves as chairman and a major shareholder in Markham Associates, a private UK partnership, which undertakes financial consultancy and direct investment activities in the junior mining sector in Europe, Australia and South East Asia.
Mr. MacLachlan was a director of Extract Resources Ltd and Kalahari Minerals Plc. Both Extract Resources and Kalahari Minerals were the subject of successful takeovers for $2.1billion and £651million respectively.
The Company also announced the resignation of Mr Greg Cunnold from the Board on 17 January 2018.

### Placement

On 15 December 2017 the Company announced a $1.5 million placement to institutional and sophisticated investors. The Placement comprised 50 million shares at a price of $0.03 per share.

For further information please contact:

**Stephen Dobson**
Executive Chairman

**Rift Valley Resources Limited**
Tel +61 8 9221 0090
Fax +61 8 9221 0095
info@riftvalleyresources.com.au

**Competent Persons Statements**

The information in this report that relates to the Mineral Resource estimate for the Longonjo Magnet Metal Project was first reported by the Company on 26 September 2017, and the Company confirms that it is not aware of any new information that materially affects the information included in the original announcement. The Mineral Resource estimate is based on work conducted by Mrs Heather King who is a member of the South African Council for Natural Scientific Professions, a Recognised Professional Organisation included in the list posted by the ASX from time to time, and Mrs King is a Professional Natural Scientist (Pr. Sci. Nat.). Mrs King is a full time employee of Amec Foster Wheeler. Mrs Heather King has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs King consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The information in this report that relates to metallurgical test work results is based on information compiled or reviewed by Mr Gavin Beer who is a Member of The Australasian Institute of Mining and Metallurgy and a Chartered Professional. Gavin Beer is the principal of Met-Chem Consulting Pty Limited, Rift Valley's lead metallurgical specialist and has sufficient experience relevant to the activity which he is undertaking to be recognised as competent to compile and report such information. Gavin Beer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Geology and Exploration Results is based on information compiled or reviewed by David Hammond, who is a Member of The Australasian Institute of Mining and Metallurgy. David Hammond is the Chief Operating Officer and a Director of the Company. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person in terms of the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. David Hammond consents to the inclusion in the report of the matters based on his information in the form and contest in which it appears.

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 27 and forms part of the directors' report for the half year ended 31 December 2017.

This report is signed in accordance with a resolution of Board of Directors.

Stephen Dobson
Executive Chairman
Dated this 16th day of March 2018

# DIRECTOR'S DECLARATION

In the opinion of the Directors:

a. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   I. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and the 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; and

b. Subject to the matters disclosed at note 1(d), 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.

**Stephen Dobson**

Executive Chairman

Dated this 16th day of March 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2017

| | Half-year ended 31 Dec 2017 A$ | Half-year ended 31 Dec 2016 A$ |
|---|---|---|
| Interest revenue | 1,862 | 610 |
| Administration expenses | (204,147) | (153,306) |
| Corporate expenses | (370,030) | (481,424) |
| Foreign currency exchange gain | (250) | 15,390 |
| **Loss before income tax** | **(572,565)** | **(618,730)** |
| Income tax benefit | - | - |
| **Total loss for the period** | **(572,565)** | **(618,730)** |
| | | |
| **Other comprehensive income** | | |
| *Items which may be subsequently reclassified to profit or loss* | | |
| Foreign currency translation | (178,888) | 334,517 |
| **Other comprehensive income for the period** | (178,888) | 334,517 |
| **Total comprehensive loss for the period** | **(751,453)** | **(284,213)** |
| | | |
| **Net loss for the period is attributable to:** | | |
| Owners of Rift Valley Resources Limited | **(572,565)** | **(618,730)** |
| **Total comprehensive loss is attributable to:** | | |
| Owners of Rift Valley Resources Limited | **(751,453)** | **(284,213)** |
| | | |
| **Loss per share attributable to owners of Rift Valley Resources Limited:** | | |
| Basic (cents per share) | (0.08) | (0.10) |
| Diluted (cents per share) | (0.08) | (0.10) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

| | Note | 31 December 2017 A$ | 30 June 2017 A$ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 942,021 | 1,848,248 |
| Trade and other receivables | | 9,372 | 9,372 |
| Other current assets | | 137,129 | 80,375 |
| Assets held for sale | 5 | 5,188,897 | - |
| Available-for-sale financial assets | | 156 | 156 |
| **TOTAL CURRENT ASSETS** | | 6,277,575 | 1,938,151 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 66,149 | 66,394 |
| Exploration and evaluation expenditure | 6 | 4,829,491 | 8,800,077 |
| **TOTAL NON-CURRENT ASSETS** | | 4,895,640 | 8,866,471 |
| **TOTAL ASSETS** | | **11,173,215** | **10,804,622** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 339,771 | 341,901 |
| Liabilities associated with held for sale assets | 5 | 54,799 | - |
| **TOTAL CURRENT LIABILITIES** | | 394,570 | 341,901 |
| **TOTAL LIABILITIES** | | **394,570** | **341,901** |
| **NET ASSETS** | | **10,778,645** | **10,462,721** |
| **EQUITY** | | | |
| Issued capital | 4 | 40,744,649 | 39,734,149 |
| Reserves | 7 | 3,896,664 | 4,018,675 |
| Accumulated losses | 8 | (33,862,668) | (33,290,103) |
| **TOTAL EQUITY** | | **10,778,645** | **10,462,721** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2017

| | Fully paid ordinary shares | Accumulated Losses | Foreign Currency Reserve | Share Option Reserve | Total |
|---|---|---|---|---|---|
| | A$ | A$ | A$ | A$ | A$ |
| **Balance at 1 July 2016** | **36,444,284** | **(24,097,504)** | **1,305,567** | **2,790,205** | **16,442,522** |
| Loss for the year | - | (618,730) | - | - | (618,730) |
| Other comprehensive income | - | - | 334,517 | - | 344,517 |
| Total comprehensive income for the year | - | (618,730) | 334,517 | - | (284,213) |
| Issue of shares | 800,000 | - | - | - | 800,000 |
| Share based payments | - | - | - | 128,500 | 128,500 |
| **Balance at 31 December 2016** | **37,244,284** | **(24,716,234)** | **1,640,084** | **2,918,705** | **17,086,842** |
| | | | | | |
| **Balance at 1 July 2017** | **39,734,149** | **(33,290,103)** | **973,890** | **3,044,785** | **10,462,721** |
| Loss for the year | - | (572,565) | - | - | (572,565) |
| Other comprehensive income | - | - | (178,888) | - | (178,888) |
| Total comprehensive income for the year | - | (572,565) | (178,888) | - | (751,451) |
| Issue of shares | 1,010,500 | - | - | - | 1,010,500 |
| Share based payments | - | - | - | 56,875 | 56,875 |
| **Balance at 31 December 2017** | **40,744,649** | **(33,862,668)** | **795,002** | **3,101,662** | **10,778,645** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2017

| | Half-year ended 31 Dec 2017 A$ | Half-year ended 31 Dec 2016 A$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | (459,724) | (485,382) |
| **Net cash used in operating activities** | (459,724) | (485,382) |
| | | |
| **Cash flows from investing activities** | | |
| Interest received | 1,862 | 610 |
| Payments for exploration expenditure | (1,459,485) | (1,030,874) |
| **Net cash used in investing activities** | (1,457,623) | (1,030,264) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | 1,010,500 | 800,000 |
| **Net cash provided by financing activities** | 1,010,500 | 800,000 |
| | | |
| **Net decrease in cash and cash equivalents** | (906,847) | (715,646) |
| | | |
| Cash and cash equivalents at the beginning of the period | 1,848,248 | 1,389,239 |
| | | |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 620 | - |
| **Cash and cash equivalents at the end of the period** | 942,021 | 673,593 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) General information

Rift Valley Resources Limited (the Company) is a public Company listed on the Australian Securities Exchange (trading under the code: RVY), incorporated in Australia and operating from Perth. The Company's registered office and its principal place of business is Ground Floor, 10 Outram Street, West Perth WA 6005.

Rift Valley Resources Limited is a gold and mineral exploration company operating in Tanzania and Angola.

The financial statements for Rift Valley Resources Limited and its subsidiaries (the Group) for the half year ended 31 December 2017 were approved and authorised for issue by the Board of Directors on 15 March 2018.

### (b) Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report. It is also recommended that the half-year financial report be considered together with any public announcements made by the Group during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### (c) Basis of preparation

The half-year financial report has been prepared on the basis of historical cost, except for available-for-sale financial assets that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

### (d) Going concern

The half-year financial statements have been prepared on the basis that the consolidated entity is a going concern, which considers the realisation of assets and the settlement of liabilities in the normal course of business activities. As at 31 December 2017 the consolidated entity has a net current asset position of $5,883,009 (30 June 2017: $1,938,151).

At 31 December 2017 the company has commitments of $60,784 (30 June 2017: $118,436) in respect of minimum expenditure required under exploration permits and mineral leases in order to keep the rights of tenure current.

The Group is reliant on being able to raise additional capital.

The Directors are currently reviewing a range of financing options. While financing is expected to be finalised within the short term to allow the Group to perform further exploration during 2018 - 2019, there is no certainty that financing will be completed as anticipated.

The Directors are confident of being able to raise the required capital, but note that financing has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would 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 adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**(e) Summary of significant accounting policies**

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2017. All new and amended accounting standards and interpretations effective 1 July 2017 have been adopted by the Group. The adoption of new standards and amendments from 1 July 2017 has not had a significant impact on the accounting policies of the Group.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

**(f) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controlled from time to time during the year and at balance date.

Subsidiaries are all those entities controlled by the Company. Control exists where the parent entity has the capacity to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. The financial information of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

## 2. OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the manner in which exploration activities are monitored. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

**Description of segments**

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Group operates in mineral exploration in Tanzania and Angola.

**Adjustments and eliminations**

Finance income and expenses, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis. Inter-segment revenues are eliminated on consolidation.

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

**Segment information provided to the Board**

| 31 December 2017 | Tanzania | Angola | Total |
|---|---|---|---|
| | $ | $ | $ |
| Total segment revenue | - | - | - |
| Total segment result | - | - | - |
| Total segment assets | 5,188,897 | 4,829,491 | 10,018,388 |
| Total segment liabilities | (54,799) | - | (54,799) |
| **31 December 2016** | | | |
| Total segment revenue | - | - | - |
| Total segment result | - | - | - |
| Total segment assets | 11,954,558 | 4,605,072 | 16,559,630 |
| Total segment liabilities | (44,162) | (6,326) | (50,488) |
| **30 June 2017** | | | |
| Total segment assets | 5,284,440 | 3,515,637 | 8,800,077 |
| Total segment liabilities | (55,821) | - | (55,821) |

| | 31 Dec 17 | 31 Dec 16 |
|---|---|---|
| | $ | $ |
| **Segment result reconciled to loss before tax as follows:** | | |
| Segment result | | - |
| Interest revenue | 1,862 | 610 |
| Administration expenses | (204,147) | (153,306) |
| Corporate expenses | (370,030) | (481,424) |
| Foreign currency exchange (loss) / gain | (250) | 15,390 |
| **Loss before income tax** | (572,565) | (618,730) |

| | 31 Dec 17 | 30 June 17 |
|---|---|---|
| | $ | $ |
| **Segment assets reconciles to total assets as follows:** | | |
| Segment assets | 10,018,388 | 8,800,077 |
| Other current assets | 1,088,277 | 1,937,995 |
| Property, plant and equipment | 66,394 | 66,394 |
| Corporate assets | 156 | 156 |
| **Total assets** | 11,173,215 | 10,804,622 |
| | | |
| **Segment liabilities reconciles to total liabilities as follows:** | | |
| Segment liabilities | (54,799) | (55,821) |
| Current liabilities | (339,767) | (286,080) |
| **Total liabilities** | (394,566) | (341,901) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

## 3. DIVIDENDS

There were no dividends paid or proposed during the half-year.

## 4. ISSUED CAPITAL

| | 31 Dec 17 No. Shares | 31 Dec 17 $ | 30 June 17 No. Shares | 30 June 17 $ |
|---|---|---|---|---|
| Balance at the beginning of the period | 738,778,046 | 39,734,149 | 592,978,280 | 36,444,284 |
| Share Placement | - | - | 40,000,000 | 800,000 |
| Rights Issue | - | - | 90,568,325 | 2,264,308 |
| Shares issued on vesting of performance rights | - | - | 1,850,000 | - |
| Share Placement | - | - | 13,381,441 | 334,436 |
| Share issue costs | - | - | - | (108,879) |
| Shares to be issued | - | 1,010,500* | | |
| Balance at the end of the period | **738,778,046** | **40,744,649** | **738,778,046** | **39,734,149** |

*subsequent to period end, 33,683,333 shares were issued from the funds received before 31 December 2017.

## 5. ASSETS HELD FOR SALE

In July 2017, legislation was passed by the Tanzanian Parliament which amended the legal framework governing the resources sector in Tanzania. On 31 October 2017, the Company provided an update on the negotiations on the divestment of the Tanzanian Assets.

At 31 December 2017, the Tanzanian assets are classified as held for sale.

The Major classes of assets and liabilities for Tanzania classified as held for sale as at 31 December 2017 are as follows:

| | 31 Dec 2017 $ |
|---|---|
| **Assets** | |
| Exploration and valuation assets | 5,188,897 |
| Assets held for sale | 5,188,897 |
| **Liabilities** | |
| Trade and other payables | 54,799 |
| Net assets directly associated with disposal group | 5,134,098 |

Refer to note 10 for the details regarding the project sale

## 6. EXPLORATION AND EVALUATION EXPENDITURE

| | 31 Dec 2017 | 30 June 2017 |
|---|---|---|
| | $ | $ |
| Balance at beginning of the period | 8,800,077 | 15,203,174 |
| Additions | 1,297,872 | 1,760,442 |
| Impairment | - | (7,797,899) |
| Transfer to held for sale | (5,284,440) | - |
| Foreign exchange movement | (15,982) | (365,640) |
| Balance at the end of the period | 4,829,491 | 8,800,077 |

## 7. RESERVES

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **Share Option Reserve** | | |
| Balance at 1 July | 3,044,785 | 2,790,205 |
| Option expense | 56,875 | 128,500 |
| Balance at 31 December | **3,101,662** | **2,918,705** |

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **Foreign Currency Translation Reserve** | | |
| Balance at the beginning of the period | 973,890 | 1,305,567 |
| Effect of foreign currency exchange differences | (178,888) | 334,517 |
| Balance at the end of the period | **795,002** | **1,640,084** |

## 8. ACCUMULATED LOSSES

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Balance at 1 July | (33,290,103) | (24,097,504) |
| Net loss for the period | (572,565) | (618,730) |
| Balance at 31 December | **(33,862,668)** | **(24,716,234)** |

## 9. FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on the discounted cash flow analysis; and

(iii) the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of the available for sale asset is derived from quoted market prices in an active market, and as such is classified as Level 1 in the fair value hierarchy. The were no Level 2 or Level 3 instruments at 31 December 2017, nor were there any transfers between levels during the period.

## 10. SUBSEQUENT EVENTS

On 13 March 2018, the Company provided an update regarding the divestment of the company's Tanzanian gold exploration assets.

**Kitongo Gold Project - Sale agreement executed**

The company has executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US$550,000. The purchaser has deposited a non-refundable US$50,000 commitment fee as per the agreement.
The company is working with the purchaser to satisfy the remaining conditions of the sale as follows:

- Work together on all issues related to relinquishing any part of the licences grounds to the Artisanal Miners or for any other purposes
- Sign an agreement with the illegal miners
- Provide the buyer with all geological and geophysical data

To date the abovementioned conditions are well advanced and the company is confident that all conditions will be satisfied to enable completion.

**Canuck Prospecting Licence – Mineral prospecting rights agreement executed**

A Mineral Prospecting rights agreement has been executed by Rift and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser has agreed to purchase the licence for a total consideration of US$250,000 subject to the transfer of the prospecting licence to the purchaser.

The purchaser has transferred into Rift's bank account US$100,000 cash deposit. The remaining US$150,000 will be transferred upon the transfer of the licence.

The cash deposit is refundable should the transfer of the prospecting license not proceed. The transfer documentation and lodgement process is currently underway.

**Miyabi Gold Project - Update**

Rift has recently received a proposal to enter into a "non-binding" and "non-exclusive" option agreement for the acquisition of the company's 100% interests in the Miyabi Gold Project. The board is currently considering the proposal.

The directors are not aware of any other matters or circumstances not otherwise dealt with in the report or financial statements that have significantly, or may significantly affect the operations of the Group, the results of the operations of the Group, or the state of affairs of the Group in subsequent financial years.

## 11. COMMITMENTS FOR EXPENDITURE

The consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the consolidated entity.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

| | 31 Dec 17<br>$ | 30 June 2017<br>$ |
|---|---|---|
| No longer than 1 year | 60,784 | 66,592 |
| Longer than 1 year and not longer than 5 years | - | 51,844 |
| Longer than 5 years | | - |
| Total | 60,784 | 118,436 |

Pursuant to the agreement for the acquisition of the Kitongo Gold Project the Company will be required to pay an amount of $750,000 to the vendor on the commencement of production.

**Share-based Payments**

During the half year the following performance rights were issued.

| Director / KMP | Number of Rights | Vesting Conditions | Grant date | Expiry date | Vesting date |
|---|---|---|---|---|---|
| David Hammond | 2,500,000 | at a delivered Pre Feasibility Study | 14 November 2017 | 14 November 2019 | Upon vesting conditions being met |
| David Hammond | 2,500,000 | at a delivered Bankable Feasibility Study | 14 November 2017 | 14 November 2019 | Upon vesting conditions being met |

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.
The following table lists the inputs to the models for the half year ended 31 December 2017:

| | | Performance Rights |
|---|---|---|
| | Director | Director |
| Grant date | 14 November 2019 | 14 November 2019 |
| Number of performance rights | 2,500,000 | 2,500,000 |
| Share price | 3.0 cents | 3.0 cents |
| Exercise price | 0 cents | 0 cents |
| Weighted average fair value | 3.0 cents | 3.0 cents |
| Total amount | $75,000 | $75,000 |
| Expensed to 31 December 2017 | $4,688 | $4,688 |

***Options***

| Name | Share options Number | Exercise Price | Grant date fair value | Grant date | Expiry date | Vesting date |
|---|---|---|---|---|---|---|
| David Hammond | 2,500,000 | $0.04 | $0.011 | 14 November 2017 | 14 November 2019 | Vested at date of grant |
| David Hammond | 2,500,000 | $0.06 | $0.008 | 14 November 2017 | 14 November 2019 | Vested at date of grant |

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.
The following table lists the inputs to the models for the half year ended 31 December 2017:

| | Unlisted Options | |
|---|---|---|
| | **Director** | **Director** |
| Grant date | 14 November 2017 | 14 November 2017 |
| Number of options | 2,500,000 | 2,500,000 |
| Share price | 3.0 cents | 3.0 cents |
| Exercise price | 6 cents | 4 cents |
| Weighted average fair value | 0.08 cents | 1.1 cents |
| Total amount | $20,000 | $27,500 |
| Expensed to 31 December 2017 | $20,000 | $27,500 |

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

# Independent auditor's review report to the members of Rift Valley Resources Limited

## Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of Rift Valley Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### Directors' responsibility for the 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, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Darryn Hall
Partner
Perth
16 March 2018

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

# Auditor's Independence Declaration to the Directors of Rift Valley Resources Limited

As lead auditor for the review of Rift Valley Resources Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Rift Valley Resources Limited and the entities it controlled during the financial period.

Ernst & Young

Darryn Hall
Partner
16 March 2018