

# **Tychean Resources Limited**

## **Interim Financial Report**

**For The Half Year Ended 31 December 2016**

To be read in conjunction with the 30 June 2016 Annual Report

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## **Directors' Report For the Half Year Ended 31 December 2016**

Your directors present their report on the consolidated entity consisting of Tychean Resources Limited 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 Tychean Resources Limited at any time during the half year and up to the date of this report:

Robert Michael Kennedy (Non-Executive Chairman)  
Ewan Vickery (Non-Executive Director)  
Kevin John Anson Wills (Non-Executive Director)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Review of operations and financial results**

#### **Spargoville Gold Project**

- Maximus Resources (**ASX:MXR**) moved to 100% ownership of the Spargoville operations after issuing Tychean remaining \$50,000 worth of MXR shares, as per the second Sale and Purchase Agreement
- Completion of this final stage moves MXR's ownership to 100% with no residual payments or royalties owed to Tychean

#### **Tanami Joint Venture**

- On the 19<sup>th</sup> December, project partner Ramelius Resources (**ASX: RMS**) announced completion of their maiden Aircore drilling program, totalling 5,780m at the Highland Rocks tenements
- Encouraging low order gold anomalism was returned (significant given the broad 800m x 100m spacing between drill holes) with a best anomalous gold response to date of 3m (composite sampling) at 307ppbAu from the Haggis prospect
- Results awaited from Ramelius' drill testing to the East of this anomaly
- It is anticipated the balance of the Tanami ELA's will be granted ahead of the start of the 2017 field season in April

#### **Corporate**

- On 16th December 2016, Tychean completed a Share Purchase Plan to sophisticated and professional investors totaling \$352,500 for working capital and due diligence on new opportunities.

## **Directors' Report For the Half Year Ended 31 December 2016**

### **Subsequent Events**

Except for the below, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

On the 25 January 2017, the Company signed a binding Heads of Agreement to acquire 74% of Blom Cutting Works and Ernest Blom Diamonds CC (together 'Blom Diamonds') under the following terms and conditions:

1. 68,450,000 Tychean shares to be issued to Blom Diamonds following transaction completion
2. Performance shares in the capital of Tychean convert upon the satisfaction of the specific milestones
3. Conversion of performance shares will be subject to a minimum threshold conversion of 50% meaning that performance shares will be issued on a pro-rata basis according to actual EBITDA as a % of each EBITDA milestone should actual EBITDA be at least 50% of the milestone. For example, if actual EBITDA for the financial year ending 30 June 2018 is 80% of the milestone, 80% of the performance shares will be converted into ordinary shares
4. Any shortfall in the conversion of performance shares can be carried forward to the next financial year and converted into ordinary shares on a pro-rata basis should the actual EBITDA for that financial year exceed the milestone EBITDA
5. The transaction is subject to conditions such as both parties having the right to complete due diligence within 60 days, Tychean shareholder approval and satisfaction of all legal and regulatory requirements.

### **Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2016 has been received and can be found on page 5 of the financial report.

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



**Robert Michael Kennedy**  
Non-Executive Chairman

Dated this 7<sup>th</sup> Day of March 2017



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## **AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF TYCHEAN RESOURCES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Tychean Resources Limited for the half-year ended 31 December 2016, I declare that, 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.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

J.L. Humphrey  
Partner – Audit & Assurance

Adelaide, 7 March 2017

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**Statement of Profit or Loss and Other Comprehensive Income  
For The Half Year Ended 31 December 2016**

	<b>Consolidated</b>	
	<b>Dec-16</b>	<b>Dec-15</b>
	<b>\$</b>	<b>\$</b>
Other income	1,640	13,840
Administration expenses	(235,129)	(198,896)
Impairment of exploration expenditure	(2,025)	(2,974,323)
<b>Loss before income tax</b>	<b>(235,514)</b>	<b>(3,159,379)</b>
Income tax expense	(6,740)	47,294
<b>Loss from continuing operations</b>	<b>(242,254)</b>	<b>(3,112,085)</b>
<b>Loss for the half year</b>	<b>(242,254)</b>	<b>(3,112,085)</b>
<b>Other comprehensive income, net of income tax</b>	<b>-</b>	<b>-</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>	<b>-</b>	<b>-</b>
<b>Items that will be reclassified to profit or loss</b>	<b>25,000</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>	<b>(217,254)</b>	<b>(3,112,085)</b>
Loss attributable to:		
Members of the parent entity	(217,254)	(3,112,085)
Total comprehensive loss attributable to:		
Members of the parent entity	(217,254)	(3,112,085)
<b>Earnings per share</b>	<b>Cents</b>	<b>Cents</b>
From continuing and discontinued operations:		
Basic earnings per share (cents)	(0.06)	(1.25)
Diluted earnings per share (cents)	(0.06)	(1.25)

Tychean Resources Limited

**Statement of Financial Position  
As At 31 December 2016**

		<b>Consolidated</b>	
	<b>Note</b>	<b>Dec-16</b>	<b>Jun-16</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		396,893	288,331
Trade and other receivables		3,390	53,040
Investments	3	75,000	-
Other assets		10,246	4,601
<b>TOTAL CURRENT ASSETS</b>		<b>485,529</b>	<b>345,972</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		5,128	6,303
Exploration, evaluation and development assets	6	252,521	252,521
<b>TOTAL NON-CURRENT ASSETS</b>		<b>257,649</b>	<b>258,824</b>
<b>TOTAL ASSETS</b>		<b>743,178</b>	<b>604,796</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		160,885	142,023
<b>TOTAL CURRENT LIABILITIES</b>		<b>160,885</b>	<b>142,023</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>		<b>160,885</b>	<b>142,023</b>
<b>NET ASSETS</b>		<b>582,293</b>	<b>462,773</b>
<b>EQUITY</b>			
Issued capital	2	37,661,627	37,324,853
Reserves		25,000	-
Accumulated Losses		(37,104,334)	(36,862,080)
<b>TOTAL EQUITY</b>		<b>582,293</b>	<b>462,773</b>

**Statement of Changes in Equity  
For the Half Year Ended 31 December 2016**

Dec-16	Note	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>Balance at 1 July 2016</b>		37,324,853	(36,862,080)	-	462,773
<b>Comprehensive loss</b>					
Loss for period		-	(242,254)	-	(242,254)
Other comprehensive income		-	-	25,000	25,000
<b>Total comprehensive loss for the period</b>		-	(242,254)	25,000	(217,254)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Transaction costs		(22,466)	-	-	(22,466)
Tax effect on transactions costs		6,740	-	-	6,740
Shares issued during the year		352,500	-	-	352,500
<b>Total transactions with owners and other transfers</b>		336,774	-	-	336,774
<b>Balance at 31 December 2016</b>		37,661,627	(37,104,334)	25,000	582,293
<b>Dec-15</b>					
Dec-15	Note	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
<b>Balance at 1 July 2015</b>		37,042,054	(34,268,395)	1,083,478	3,857,137
<b>Comprehensive loss</b>					
Loss for period		-	(3,112,085)	-	(3,112,085)
<b>Total comprehensive loss for the period</b>		-	(3,112,085)	-	(3,112,085)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Transaction costs		(3,947)	-	-	(3,947)
Tax effect on transactions costs		1,184	-	-	1,184
Shares issued during the year		285,362	-	-	285,362
<b>Total transactions with owners and other transfers</b>		282,599	-	-	282,599
<b>Balance at 31 December 2015</b>		37,324,653	(37,380,480)	1,083,478	1,027,651



**Tychean Resources Limited**

**Statement of Cash Flows  
For the Half Year Ended 31 December 2016**

	<b>Consolidated</b>	
	<b>Dec-16</b>	<b>Dec-15</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	-	12,810
Payments to suppliers and employees	(222,344)	(483,197)
Research and development tax received	-	48,478
Interest received	1,640	530
Net cash used in operating activities	(220,704)	(421,379)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipt from sale of interest in exploration assets	-	200,000
Purchase of property, plant and equipment	-	500
Payments for exploration assets	(2,399)	(97,065)
Net cash provided/(used in) by investing activities	(2,399)	103,435
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of shares	352,500	286,546
Payments for capital raising costs	(20,835)	(3,947)
Net cash provided by financing activities	331,665	282,599
Net increase in cash and cash equivalents held	108,562	(35,345)
Cash and cash equivalents at beginning of half year	288,331	102,522
Cash and cash equivalents at end of the half year	396,893	67,177

## Notes to the Financial Statements For the Half Year Ended 31 December 2016

### 1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2016 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Tychean Resources Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

#### a) Key estimates

The preparation of the consolidated financial statements requires management to make estimates and judgments. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (i) Estimated impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

##### (ii) Exploration and evaluation

The Group policy for exploration and evaluation is discussed in note 1 (s) of the June 2016 Annual Report. The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the statement of profit or loss. The related carrying amounts are disclosed in note 5.

### 2 Issued Capital

	Consolidated	
	Dec-16	Jun-16
	\$	\$
<b>(a) Share capital</b>	37,661,627	37,324,853
(June 2016: 284,413,766) fully paid ordinary shares		

## Notes to the Financial Statements

For the Half Year Ended 31 December 2016

### 2 Issued Capital - continued

#### (b) Movements in ordinary share capital

Date	Details	No.	Issue Price (\$)	\$
01/07/2016	Opening Balance	284,413,766	-	37,324,853
15/12/2016	Share Purchase Plan	50,357,155	0.007	352,500
	Less: transaction costs arising on share issue (net of tax effect)			(15,726)
31/12/2016	Closing Balance	<u>334,770,921</u>		<u>37,661,627</u>

#### (c) Performance Rights

Nil

### 3 Investments

	Consolidated	
	Dec-16	Jun-16
	\$	\$
Investments	75,000	-
Total	<u>75,000</u>	<u>-</u>

The company holds 25,000,000 shares in Maximus Resources Limited (ASX: MXR). The market price as at 31 December 2016 was \$0.003 per share.

### 4 Operating Segments

#### a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of geographical area of interest as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- geographical and geological styles, and;
- any external regulatory requirements.

#### Basis of accounting for purposes of reporting by operating segments

Unless stated below, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

**Notes to the Financial Statements  
For the Half Year Ended 31 December 2016**

**4 Operating Segments continued**

**b) Segment Assets**

	Suplejack		Spargoville		Valley Floor		Total	
	Dec-16 \$	Jun-16 \$	Dec-16 \$	Jun-16 \$	Dec-16 \$	Jun-16 \$	Dec-16 \$	Jun-16 \$
<b>Segment assets</b>	252,521	252,521	-	-	-	-	252,521	252,521
- Acquisitions of tenements	-	-	-	-	-	-	-	-
- Tenements disposal	-	-		(450,000)	-	-		(450,000)
- Capital Expenditure	-	1,477	1,809	104,931	216	5,878	2,025	112,286
- Capital Expenditure Impaired	-	-	(1,809)	(2,988,994)	(216)	(516,989)	(2,025)	(3,505,983)
<b>Total Movement</b>	-	1,477	-	(3,334,063)	-	(511,111)	-	(3,843,697)

Segment assets	252,521	252,521
Unallocated assets	490,657	352,275
<b>Total assets</b>	<b>743,178</b>	<b>604,796</b>
Segment liabilities		-
Unallocated liabilities	160,885	142,023
<b>Total liabilities</b>	<b>160,885</b>	<b>142,023</b>



## Notes to the Financial Statements For the Half Year Ended 31 December 2016

### 5 Subsidiaries

The consolidated financial statements include the financial statements of Tychean Resources Ltd and the following subsidiaries:

Name of subsidiary	% ownership interest Dec-16	% ownership interest Jun-16
Tychean Tanami Pty Ltd (previously ERO Metals Pty Ltd)	100.0	100.0
Valley Floor Resources Pty Ltd	100.0	100.0

### 6 Exploration & Evaluation Expenditure

	Consolidated	
	Dec-16 \$	Jun-16 \$
<b>Exploration and evaluation expenditure</b>		
Exploration assets at cost	252,521	252,521
<b>Reconciliation</b>		
Balance at beginning of financial year	252,521	4,096,218
Acquisition costs		
Tenements disposal	-	(450,000)
Expenditure incurred	2,025	112,286
Exploration expenditure impairment	(2,025)	(3,505,983)
<b>Total exploration and evaluation expenditure</b>	<u>252,521</u>	<u>252,521</u>

### 7 Events Occurring After the Reporting Date

Except for the below, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

On the 25 January 2017, the Company signed a binding Heads of Agreement to acquire 74% of Blom Cutting Works and Ernest Blom Diamonds CC (together 'Blom Diamonds') under the following terms and conditions:

- a. 68,450,000 Tychean shares to be issued to Blom Diamonds following transaction completion
- b. Performance shares in the capital of Tychean convert upon the satisfaction of the specific milestones
- c. Conversion of performance shares will be subject to a minimum threshold conversion of 50% meaning that performance shares will be issued on a pro-rata basis according to actual EBITDA as a % of each EBITDA milestone should actual EBITDA be at least 50% of the milestone. For example, if actual EBITDA for the financial year ending 30 June 2018 is 80% of the milestone, 80% of the performance shares will be converted into ordinary shares
- d. Any shortfall in the conversion of performance shares can be carried forward to the next financial year and converted into ordinary shares on a pro-rata basis should the actual EBITDA for that financial year exceed the milestone EBITDA
- e. The transaction is subject to conditions such as both parties having the right to complete due diligence within 60 days, Tychean shareholder approval and satisfaction of all legal and regulatory requirements.

## Notes to the Financial Statements For the Half Year Ended 31 December 2016

### 8 Going Concern

The financial report has been prepared on the basis of going concern.

The cash flow projections of the Group indicate that it will require positive cash flows from additional capital for continued operations. The Group incurred a loss of \$217,254 for the half year and a net cash outflow from operating and investing activities of \$223,103.

The Group is currently meeting minimum cash commitments and the Group is actively seeking new opportunities.

The Group's ability to continue as a going concern is contingent on obtaining additional capital. If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

### 9 Company Details

The registered office and principal place of business of the company is:

Tychean Resources Limited  
Level 3  
100 Pirie Street  
Adelaide SA 5000

## Tychean Resources Limited

### Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) give 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.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, consisting of a stylized 'R' and 'K' followed by a large loop.

**Robert Michael Kennedy**  
Non-executive Chairman

Dated this 7<sup>th</sup> day of March 2017



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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TYCHEAN RESOURCES LIMITED**

We have reviewed the accompanying half-year financial report of Tychean Resources Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

### **Directors’ responsibility for the half-year financial report**

The directors of Tychean Resources Limited 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 controls 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 consolidated 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 the Tychean Resources Limited consolidated entity’s 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 Tychean Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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 complied with the independence requirements of the Corporations Act 2001.

### **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 Tychean Resources Limited is not in accordance with the Corporations Act 2001, including:

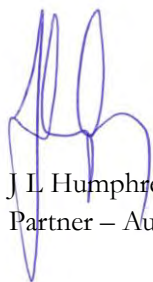
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

We draw attention to Note 8 to the financial statements which indicate a net loss of \$242,254 and incurred a net cash outflow of \$223,103 from operating and investing activities during the half year ended 31 December 2016. These conditions, along with other matters identified in Note 8, 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. Our opinion is not modified in relation to this matter.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J. I. Humphrey\*  
Partner – Audit & Assurance

Adelaide, 7 March 2017