



Anchor Resources Limited

ACN 122 751 419

Interim Financial Report
31 December 2016

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DIRECTORS' REPORT

Your directors submit the Interim Financial Report of the Group for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Jianguang Wang	Non-Executive Chairman
Ian Leslie Price	Executive Director
Vaughan Webber	Non-Executive Director
Ronald Norman (Sam) Lees	Non-Executive Director

Company Secretary/Chief Financial Officer

Guy Robertson

Review and Results of Operations

The results of the operations of the Company and the consolidate entity during the financial half year were as follows:

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax	(466,016)	(539,270)
Other comprehensive income/(expense)	-	-
Comprehensive loss after income tax	(466,016)	(539,270)

Exploration

Anchor continued to explore at its exploration projects in eastern Australia that are prospective for gold, copper, lead, zinc, antimony, tungsten and molybdenum.

The major activities that have been undertaken during the first half of the year have been:

At the **Aspiring/Walsh River project** in Queensland (EPM 19447 & EPM 25958) two programs of geological mapping and rock chip sampling were carried out in the half year.

This exploration has identified two prospective mineral systems warranting detailed follow up work:

- Epithermal style gold-silver mineralization with a 2 km long geological and geochemical footprint has been discovered at the *Fluorspar Group* of workings.

Quartz textures and multi-element geochemistry suggest the current level of exposure is near, or above, the boiling zone in a low sulphidation epithermal system and higher gold and silver values may be present at depth.

- Encouraging gold-base metal granite-related mineralisation has been identified in greisen and a nearby fault at the *Doolan Creek prospect*.

The Fluorspar Group workings and Doolan Creek greisen alteration zone are within EPM 25958 (Walsh River) and located 33 km apart (Figure 1). The prospects are genetically and geochemically different. The Fluorspar Group of workings are considered to be a low sulphidation epithermal gold-silver target while Doolan Creek greisen zone and nearby fault is considered to be a granite-related gold-silver-copper-lead target.

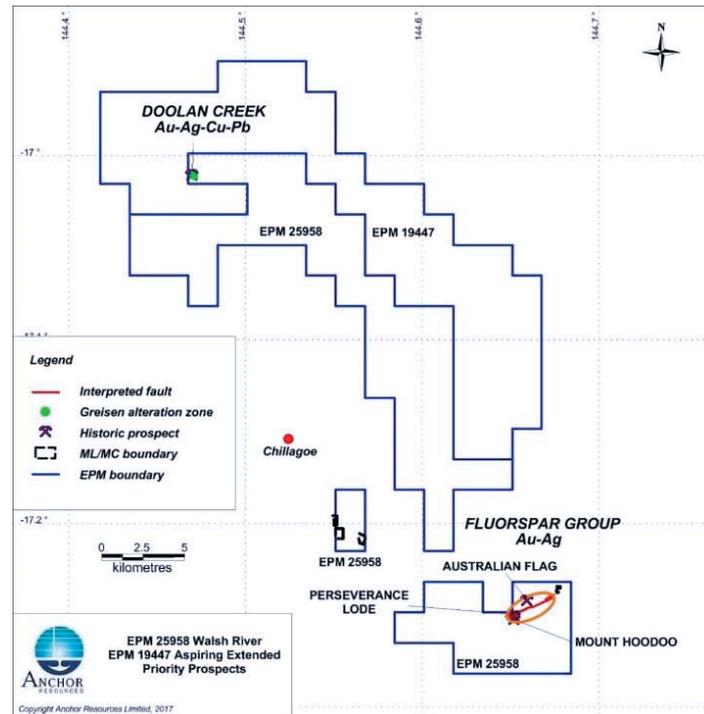


Figure 1: Location of Fluorspar Group of workings and Doolan Creek polymetallic prospect

Follow up detailed mapping, and soil and rock chip sampling to define targets for reverse circulation (RC) drilling will commence in 2017 when both sites become accessible immediately after the current wet season.

At the **Gemini project** (EL 8398) NSW, based on Anchor's compilation of previous explorers' data, the Blue Mountain zinc-lead-copper prospect has been identified as a strong multi-element geochemical signature extending over a strike length of 2,200m defined by previous RAB drilling. The anomalous multi-element Zn-Pb-Cu geochemistry and anomaly footprint, sphalerite-galena-chalcopyrite association seen in drill core, lensoidal geometry of the mineralisation intersected in drilling, and interpreted structural architecture of the Blue Mountain zinc-lead-copper prospect has many similarities to other Cobar-type deposits, including the major producing CSA mine at Cobar.

During the December Quarter a field program of prospect identification and validation of historic data was planned for the Gemini project area however ground access was restricted due to continued high seasonal rainfall. Anchor is currently planning to complete the program in 2017 as soon as more favourable conditions prevail.

The **Bielsdown project** (EL 6388) Land Access Arbitration was completed with the final determination handed down on 29 March 2016. The new Land Access Arrangement will enable Anchor to remediate former drill sites and access for further exploration however, the landowner has not yet provided access to commence the remediation program.

The **Blicks project** (EL 6455 & EL 8100) is located in the Southern New England Orogen in northeast New South Wales, 90km northeast of the major regional centre of Armidale. The project's main prospects are the Tyringham prospect (Intrusion-related gold systems), Tuting prospect (Granite-related molybdenum-tungsten), Liberty prospect (Granite-related copper-molybdenum) and Mulligan-Forster prospect (Orogenic quartz-gold veins). Compilation of all data was undertaken following completion of the most recent field work with a technical review planned in early 2017 of results to date to guide future exploration.

Further details of the Company's exploration results have been published in its Quarterly Reports and which are available at its website www.anchorresources.com.au.

Corporate

In December 2016 Mr Ian Price was appointed Executive Director and Mr Jianguang Wang became Non-executive Chairman.

Subsequent Events.

The directors are not aware of any significant changes in the state of affairs of the Company occurring since the end of the half-year.

Auditor's Independence Declaration

The independent declaration of the auditor is on page 6 and forms part of this report.

Signed at Sydney this 9th day of March 2017 in accordance with a resolution of directors

On Behalf of the board



Jianguang Wang

Chairman 9th March 2017

Competent Person's Statement

The information relating to the Exploration Results and geological interpretation for the Blinks project, Bielsdown project, Birdwood project, Gemini project and Aspiring/Walsh River project is based on information compiled by Mr Graeme Rabone, MAppSc, FAIG. Mr Rabone is Exploration Manager for Anchor Resources Limited and provides consulting services to Anchor Resources Limited through Graeme Rabone & Associates Pty Ltd. Mr Rabone has sufficient experience relevant to the assessment and of these styles of mineralisation to qualify as a Competent Person as defined by the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012)". Mr Rabone consents to the inclusion of the information in the report in the form and context in which it appears.

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Anchor Resources Limited and Controlled Entities

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

- a. no contraventions of the auditor independence requirements as set out in 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.

BDJ Partners
Chartered Accountants



.....
Gregory W Cliffe
Partner

1 March 2017

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

		Consolidated	
	Notes	31 December 2016 \$	31 December 2015 \$
Continuing operations			
Interest income		9,293	7,697
Administration expenses		(142,205)	(130,167)
Corporate expenses		(37,133)	(42,413)
Depreciation		(21,773)	(23,248)
Employee benefits expense		(110,614)	(194,982)
Exploration expenditure written off		(4,786)	(6,364)
Finance costs		(118,442)	(111,980)
Investor and public relations expenses		(9,595)	(6,984)
Project development expenses		(10,217)	(17,955)
Other expenses		(20,544)	(12,874)
Loss before income tax benefit	2	(466,016)	(539,270)
Income tax benefit		-	-
Net loss for the period		(466,016)	(539,270)
Other comprehensive income, net of income tax		-	-
Total comprehensive loss for the period		(466,016)	(539,270)
Basic and undiluted loss per share (cents per share)		0.89	1.03

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

		Consolidated	
	Note	31 December 2016	30 June 2016
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		1,002,682	811,098
Trade and other receivables		41,633	30,390
Other current assets		-	26,745
Total Current Assets		1,044,315	868,233
Non-Current Assets			
Tenement security deposits		130,000	130,000
Property, plant and equipment		102,747	123,029
Deferred exploration and evaluation expenditure	3	9,668,204	9,281,517
Total Non-Current Assets		9,900,951	9,534,546
Total Assets		10,945,266	10,402,779
Liabilities			
Current Liabilities			
Trade and other payables		97,245	103,184
Total Current Liabilities		97,245	103,184
Non-Current Liabilities			
Loans		13,049,985	12,031,543
Provisions		10,101	14,101
Total Non-Current Liabilities		13,060,086	12,045,644
Total Liabilities		13,157,331	12,148,828
Net Assets		(2,212,065)	(1,746,049)
Equity			
Issued capital	4	7,915,883	7,915,883
Reserve	5	-	202,951
Accumulated losses		(10,127,948)	(9,864,883)
Total Equity		(2,212,065)	(1,746,049)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

Consolidated

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2016	7,915,883	(9,864,883)	202,951	(1,746,049)
Loss for the period	-	(466,016)	-	(466,016)
Total comprehensive loss for the period	-	(466,016)	-	(466,016)
Expiry of options	-	202,951	(202,951)	-
Balance at 31 December 2016	7,915,883	(10,127,948)	-	(2,212,065)

Consolidated

	Issued Capital	Accumulated Losses	Reserves	Total
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2015	7,915,883	(8,325,539)	202,951	(206,705)
Loss for the period	-	(539,270)	-	(539,270)
Total comprehensive loss for the period	-	(539,270)	-	(539,270)
Balance at 31 December 2015	7,915,883	(8,864,809)	202,951	(745,975)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Consolidated	
	31 December 2016	31 December 2015
	\$	\$
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(324,463)	(311,308)
Interest received	12,634	7,697
Net cash (used in) operating activities	(311,829)	(303,611)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,491)	(1,585)
Payments for exploration and evaluation expenditure	(395,096)	(400,811)
Payments for tenement security deposits	-	(12,500)
Net cash (used in) investing activities	(396,587)	(414,896)
Cash flows from financing activities		
Proceeds from borrowings	900,000	750,000
Net cash provided by financing activities	900,000	750,000
Net increase/(decrease) in cash held	191,584	31,493
Cash and cash equivalents at the beginning of the period	811,098	447,349
Cash and cash equivalents at the end of the period	1,002,682	478,842

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Anchor Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of new and revised accounting standards

In the half year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued not yet adopted that are relevant to the Company and effective for half-year reporting periods beginning on or after 1 January 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the company's accounting policies and the key estimates of uncertainty were consistent with those applied for the year ended 30 June 2016.

Impairment

The Directors assess impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The Directors have considered capitalised exploration expenditure as at 31 December 2016 and are satisfied that no impairment indicators exist. The ultimate recoupment of value is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 discharge of liabilities in the normal course of business

As disclosed in the financial statements, the consolidated entity incurred losses of \$466,016, had net cash outflows from operating activities of \$311,829 and investing activities of \$396,587 for the half year ended 31 December 2016, and had negative net assets as at 31 December 2016 of \$(2,212,065).

These factors indicate significant uncertainty as to whether the Company and consolidated entity will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The consolidated entity has cash at bank at balance date of \$1,002,682;
- The Company has the support of its major shareholder, China Shandong Jinshunda Group Co. Limited (JSD). The Company has a loan of \$12.15 million from JSD and a further undrawn facility of \$850,000 from this entity;
- The Company has the ability to raise new equity;
- The ability of the consolidated entity to further scale back certain parts of their activities that are non-essential so as to conserve cash; and
- The consolidated entity retains the ability, if required, to wholly or in part dispose of interests in mineral exploration and development assets.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and consolidated entity do not continue as going concerns.

NOTE 2: LOSS BEFORE INCOME TAX BENEFIT

Consolidated

Half Year Ended 31 December 2016 \$	Half Year Ended 31 December 2015 \$
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The following expenses are included in employee benefits and are relevant in explaining the financial performance for the half-year:

Employment expenses

Base salary and fees	179,217	226,355
Superannuation	23,275	28,370
Directors fees	65,877	65,877
Termination pays	-	6,403
Payroll tax	7,432	67,600
Leave entitlement expenses	(12,977)	(2,166)
Other employee expenses	(12,181)	(9,293)
Total employment expenses	250,643	383,145
Less amounts capitalized to exploration costs	(140,029)	(188,164)
Total employment expense	110,614	194,982

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

Consolidated

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Half Year Ended 31 December 2016 \$	Year Ended 30 June 2016 \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	9,281,517	9,174,704
Exploration expenditure	391,473	734,038
Write off of exploration expenditure	(4,786)	(627,225)
Total deferred exploration and evaluation expenditure	<u>9,668,204</u>	<u>9,281,517</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 4: ISSUED CAPITAL

	Consolidated	
	Half Year Ended 31 December 2016 \$	Year ended 30 June 2016 \$
<i>Ordinary shares - Issued and fully paid</i>		
Opening balance, 52,535,296 ordinary fully paid shares	8,308,423	8,308,423
Less issue costs	(392,540)	(392,540)
Closing balance, 52,535,296 ordinary fully paid shares	<u>7,915,883</u>	<u>7,915,883</u>

NOTE 5: RESERVES

	Consolidated	
	Half Year Ended 31 December 2016 \$	Year ended 30 June 2016 \$
Opening balance	202,951	202,951
Transferred to accumulated losses on expiry of options ¹	(202,951)	-
	<u>-</u>	<u>202,951</u>

¹1,395,000 unlisted options exercisable at 30.5 cents expired on 20 November 2016.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

NOTE 6: SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one segment being exploration for mineral resources on the eastern seaboard of Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

NOTE 7: DIVIDENDS

The Directors of the Company have not declared an interim dividend.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

No event has occurred subsequent to the end of the period that would have a material effect on the company's financial statements at 31 December 2016.

DIRECTORS' DECLARATION

In the opinion of the Directors of Anchor Resources Limited ('the Group'):

1. The financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



Jianguang Wang
Non-Executive Chairman
9 March 2017

partners

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A N Fraser CA
G W Cliffe CA
B Kolevski CPA (Affiliate ICAA)

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Independent Auditor's Review Report

To the members of Anchor Resources Limited

Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

The directors of Anchor Resources Limited (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 gives a true and fair view and 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company'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 the consolidated entity, 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 the company, 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 Anchor 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*.

Economic Dependence

Without modifying our conclusion, we draw attention to Note 1 "Going concern" which indicates the economic dependence of the company on China Shandong Jinshunda Group Co. Limited (Jinshunda). Due to the continuing financial support of Jinshunda, there is nothing to indicate that the consolidated entity will not be able to pay its debts as and when they fall due.

BDJ Partners
Chartered Accountants



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Gregory W Cliffe
Partner

Dated 9 March 2017