



PAYNES FIND GOLD LIMITED

**ABN 45 141 450 624**

## **Interim Financial Report**

**For the Half Year Ended 31 December 2015**

# Corporate Directory

## DIRECTORS

Paul Lloyd	Non-Executive Chairman
Malcolm Day	Non-Executive Director
David Holden	Non-Executive Director

## COMPANY SECRETARY

Paul Lloyd

## REGISTERED OFFICE

Ground Floor, Suite 1  
437 Roberts Road  
SUBIACO, WA, 6008

## PRINCIPAL PLACE OF BUSINESS

Ground Floor, Suite 1  
437 Roberts Road  
SUBIACO, WA, 6008  
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Fax: + 61 (8) 9381 1122

## CONTACT DETAILS

Website: [www.paynesfindgold.com](http://www.paynesfindgold.com)  
Email: [info@paynesfindgold.com](mailto:info@paynesfindgold.com)

## SOLICITORS TO THE COMPANY

Steinepreis Paganin  
Level 4, The Read Building  
16 Milligan Street  
PERTH WA 6000

## AUDITORS

HLB Mann Judd  
Level 4, 130 Stirling Street  
PERTH WA 6000

## STOCK EXCHANGE

Australian Securities Exchange  
Level 40, Central Park  
152-158 St George's Terrace  
PERTH WA 6000

ASX Code: **PNE**

## SHARE REGISTRY

Advanced Share Registry Ltd  
110 Stirling Highway  
NEDLANDS WA 6009  
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# Directors' Report

Your directors submit the financial report of Paynes Find Gold Limited ("Company" or "PNE") for the half year ended 31 December 2015.

## DIRECTORS

The names of the Directors who held office during or since the end of the half year:

Paul Lloyd	Non-Executive Chairman
Malcolm Day	Non-Executive Director
David Holden	Non-Executive Director

## RESULTS

### Financial Performance

The operating loss after tax for the half year was \$161,662 (31 December 2014: \$285,705).

### Financial Position

The net assets of the Company have increased by \$124,229 in the 6 month reporting period, from \$41,493 at 30 June 2015 to \$165,722 as at 31 December 2015. The increase is predominately related to the raising of \$289,471 in share capital through a Rights Issue shortfall placement during the period.

## REVIEW OF OPERATIONS

During the period, the Directors have reviewed a number of projects with the aim of building shareholder wealth in the medium to long term. The Company was not able to source an appropriate transaction that the Directors considered would be positive for shareholder wealth. The Directors continue to review acquisition opportunities.

Exploration activities on the Paynes Find Gold project during the half year were restricted to minimum amounts to maintain the landholdings due to the difficulty with raising funds in a continuing depressed capital market for gold exploration companies.

### Corporate

To meet all ongoing exploration and administrative commitments, the Company will be recapitalised via a rights issue to all shareholders on an equal basis. The rights issue prospectus was lodged with ASIC on 28 January 2016 and provided existing shareholders with the right to take up 1 additional share for every 1 share held at an issue price of \$0.04. The rights issue if fully subscribed will raise a total of \$1,176,716 before costs and result in the issue of an additional 29,417,900 fully paid ordinary shares.

The rights issue closed on 18 February 2016 with a total raised of \$84,743 before issue costs. This represented a take-up of 7.2% and 2,118,563 shares were issued. The Directors have 3 months from the closing date to place the rights issue shortfall to raise additional capital of \$1,091,973 (27,299,337 shares at \$0.04).

The Directors have resolved to continue the practice of impairing the full value of the exploration expenditure as at 31 December 2015 associated with the Paynes Find Gold project. A review of the project has been completed and the Directors are seeking parties to joint venture the project or make an offer for outright purchase.

## AFTER BALANCE DATE EVENTS

On 28 January 2016 the Directors lodged a prospectus with ASIC to raise a total of \$1,176,716 via a rights issue entitlement to all shareholders. See details above.

No other matters or circumstances have arisen between the end of the reporting period and the date of this report which significantly affects or may significantly affect the state of affairs or results of the operations of the Company, in future periods.

## Directors' Report (cont'd)

### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 15 and forms part of this Directors' report for the half year ended 31 December 2015.

This report is made in accordance with a resolution of the Board of Directors, and is signed for an on behalf of the directors by:

A handwritten signature in black ink that reads "P Lloyd". The signature is written in a cursive style with a large initial "P" and "L".

**Paul Lloyd**  
**Chairman**

Dated this 9<sup>th</sup> day of March 2016

# Condensed Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2015

	Notes	31 December 2015 \$	31 December 2014 \$
Revenue and other income	3	61,188	5,801
Impairment of exploration expenses		(45,511)	(38,448)
Other expenses	3	(162,017)	(248,812)
Finance costs	3	-	(4,246)
Due diligence expenses		(15,322)	-
<b>Loss before income tax</b>		<b>(161,662)</b>	<b>(285,705)</b>
Income tax expense		-	-
<b>Loss after income tax</b>		<b>(161,662)</b>	<b>(285,705)</b>
Other comprehensive income/(loss)		-	-
<b>Total comprehensive loss for the period</b>		<b>(161,662)</b>	<b>(285,705)</b>
<b>Loss per share (cents per share)</b>	<b>12</b>		
Basic loss per share		(0.64)	(2.08)
Diluted loss per share		(0.64)	(2.08)

The above Condensed Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

## Condensed Statement of Financial Position

As at 31 December 2015

	Notes	31 December 2015 \$	30 June 2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		200,452	267,273
Trade and other receivables		73,916	78,569
Prepayments		6,635	2,766
<b>Total Current Assets</b>		<b>281,003</b>	<b>348,608</b>
<b>Non-Current Assets</b>			
Exploration expenditure	4	-	-
<b>Total Non-Current Assets</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>281,003</b>	<b>348,608</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		115,281	293,376
Borrowings	5	-	13,739
<b>Total Current Liabilities</b>		<b>115,281</b>	<b>307,115</b>
<b>TOTAL LIABILITIES</b>		<b>115,281</b>	<b>307,115</b>
<b>NET ASSETS</b>		<b>165,722</b>	<b>41,493</b>
<b>EQUITY</b>			
Issued capital	6	16,024,713	15,738,822
Option reserve	6	2,280,954	2,280,954
Accumulated losses		(18,139,945)	(17,978,283)
<b>TOTAL EQUITY</b>		<b>165,722</b>	<b>41,493</b>

The above Condensed Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements

## Condensed Statement of Changes in Equity

For the Half Year Ended 31 December 2015

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
<b>Balance at 1 July 2014</b>	<b>15,073,593</b>	<b>(16,991,962)</b>	<b>2,028,954</b>	<b>110,585</b>
Loss for the period	-	(285,705)	-	(285,705)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(285,705)</b>	<b>-</b>	<b>(285,705)</b>
Shares issued during the period	507,876	-	-	507,876
Transaction costs	(27,703)	-	-	(27,703)
<b>Balance at 31 December 2014</b>	<b>15,553,766</b>	<b>(17,277,667)</b>	<b>2,028,954</b>	<b>305,053</b>
<b>Balance at 1 July 2015</b>	<b>15,738,822</b>	<b>(17,978,283)</b>	<b>2,280,954</b>	<b>41,493</b>
Loss for the period	-	(161,662)	-	(161,662)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(161,662)</b>	<b>-</b>	<b>(161,662)</b>
Shares issued during the period	289,471	-	-	289,471
Transaction costs	(3,580)	-	-	(3,580)
<b>Balance at 31 December 2015</b>	<b>16,024,713</b>	<b>(18,139,945)</b>	<b>2,280,954</b>	<b>165,722</b>

The above Condensed Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements



## Condensed Statement of Cash Flows

For the Half Year Ended 31 December 2015

	31 December 2015 \$	31 December 2014 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(279,768)	(255,290)
Payments for exploration	(58,944)	(38,448)
Interest received	1,322	2,704
Interest paid	-	(4,246)
<b>Net cash (used in) operating activities</b>	<b>(337,390)</b>	<b>(295,280)</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of exploration tenements	-	300,000
Due diligence costs	(15,322)	(112,695)
Sale of non-current assets	-	3,097
<b>Net cash provided by/(used in) investing activities</b>	<b>(15,322)</b>	<b>190,402</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	289,471	507,876
Payment for share issue costs	(3,580)	(27,703)
Repayment of borrowings	-	(250,000)
<b>Net cash provided by financing activities</b>	<b>285,891</b>	<b>230,173</b>
Net increase / (decrease) in cash and cash equivalents	(66,821)	125,295
Cash and cash equivalents at beginning of the half year	267,273	178,423
<b>Cash and cash equivalents at end of the half year</b>	<b>200,452</b>	<b>303,718</b>

The above Condensed Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements

# Notes to the Financial Statements

## For the Half Year Ended 31 December 2015

### Note 1: Basis of Preparation

This general purpose financial report for the half year reporting period ended 31 December 2015 has been 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 the financial report complies with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

This condensed half year financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Paynes Find Gold Limited during the half year.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period.

The half year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. 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 half year financial report, the half year has been treated as a discrete reporting period.

#### Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half year.

#### Significant accounting judgments and key estimates

The preparation of half year financial report requires management to make judgments, 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 half year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015.

#### a) Going Concern

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

The Company has recorded a net loss of \$161,662 and net operating cash outflows of \$337,390 for the half year ended 31 December 2015. The Directors believe the going concern basis is appropriate as the Company lodged a prospectus on 28 January 2016 to raise additional capital to meet exploration expenditure commitments on the Paynes Find Gold Project and to meet working capital commitments, as set out in Note 10.

If the Company is not successful in raising sufficient funds via this prospectus or from other sources, there exists a material uncertainty that may cast significant doubt on its ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half year financial report.

## 2. SEGMENT INFORMATION

The Company operates in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

## Notes to the Financial Statements (continued)

### For the Half Year Ended 31 December 2015

#### 3. LOSS BEFORE INCOME TAX

The following expense items are relevant in explaining the financial performance for the half year:

	31 December 2015 \$	31 December 2014 \$
<b>Revenue and other income</b>		
Interest received	1,319	2,704
Reversal of liability balances	59,869	-
Other	-	3,097
	<u>61,188</u>	<u>5,801</u>
<b>Finance costs</b>		
Interest expense	-	4,246
	-	<u>4,246</u>
<b>Other expenses</b>		
Auditing fees	12,000	10,120
Key management personnel	83,333	80,000
Occupancy costs	657	30,420
Listing fees	17,938	19,396
Share registry fees	7,143	24,118
Legal fees	19,989	40,610
Travel and accommodation	980	24,798
Other expenses	19,977	19,350
	<u>162,017</u>	<u>248,812</u>

#### 4. EXPLORATION EXPENDITURE

	6 months ended 31 December 2015 \$	Year ended 30 June 2015 \$
<b>Tenement acquisition at cost</b>		
Balance as at the start of the period	-	-
Exploration expenditure incurred during period	45,511	-
Impairment of exploration expenditure	(45,511)	-
	<u>-</u>	<u>-</u>

The directors have resolved to continue the practice of impairing the full value of exploration expenditure associated with the Paynes Find Gold project.

#### 5. BORROWINGS

	31 December 2015 \$	30 June 2015 \$
<b>CURRENT</b>		
Unrelated, unsecured, non-interest bearing shareholder loans	-	13,739
	<u>-</u>	<u>13,739</u>

## Notes to the Financial Statements (continued)

### For the Half Year Ended 31 December 2015

6. ISSUED CAPITAL	6 months ended 31 December 2015		Year ended 30 June 2015	
	\$	No.	\$	No.
a) Ordinary shares				
Opening balance	15,738,822	23,628,420	15,073,593	403,150,600
Issue of fully paid shares	289,471	5,789,480	507,876	507,876,500
Share consolidation (1 for 50)	-	-	-	(892,806,618)
Issue of fully paid shares (post consolidation)	-	-	25,000	500,000
Unissued shares:				
Rights issue – June 2015	-	-	245,397	4,907,938
Capital raising costs	(3,580)	-	(113,044)	-
Closing balance	16,024,713	29,417,900	15,738,822	23,628,420

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

b) Options	6 months ended 31 December 2015		Year ended 30 June 2015	
	\$	No.	\$	No.
Opening balance	2,280,954	14,480,000	2,028,954	264,448,677
Capital reconstruction	-	-	-	(259,271,724)
Issued during the period	-	-	252,000	14,000,000
Options expired	-	-	-	(4,696,953)
Options cancelled	-	(6,000,000)	-	-
Closing balance	2,280,954	8,480,000	2,280,954	14,480,000

The Company has the following options on issue at 31 December 2015:

Date of Expiry	Exercise Price	Number of Options	Status
01/05/2016	\$17.50	480,000	Unlisted
27/02/2020	12.5 cents	8,000,000	Unlisted
		8,480,000	

## 7. SHARE-BASED PAYMENTS

No share-based payment transactions occurred during the half year.

## 8. COMMITMENTS AND CONTINGENCIES

The Company is not aware of any material change in commitments and contingent liabilities from those reported in the annual report for the year ended 30 June 2015.

## 9. RELATED PARTY TRANSACTIONS

Directors' fees were paid or accrued to directors or their related parties as follows during the six months to 31 December 2015:

Paul Lloyd	Non-Executive Chairman	\$60,000
Malcolm Day	Non-Executive Director	\$20,000
David Holden	Non-Executive Director	\$20,000

## **Notes to the Financial Statements (continued)**

### **For the Half Year Ended 31 December 2015**

#### **10. SUBSEQUENT EVENTS**

A rights issue prospectus was lodged with ASIC on 28 January 2016 and provided existing shareholders with the right to take up 1 additional share for every 1 share held at an issue price of \$0.04. The rights issue if fully subscribed will raise a total of \$1,176,716 before costs and result in the issue of an additional 29,417,900 fully paid ordinary shares.

The rights issue closed on 18 February 2016 with a total raised of \$84,743 before issue costs. This represented a take-up of 7.2% and 2,118,563 shares were issued. The Directors have 3 months from the closing date to place the rights issue shortfall to raise additional capital of \$1,091,973 (27,299,337 shares at \$0.04).

No additional matters or circumstances have arisen between the end of the reporting period and the date of this report which significantly affects or may significantly affect the state of affairs or results of the operations of the Company in future periods.

#### **11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, trade and other receivable, trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

#### **12. LOSS PER SHARE**

The loss per share figures disclosed in the Condensed Statement of Profit or Loss and Other Comprehensive Income for both periods have been adjusted for the 1 for 50 reconstruction of the Company's share capital that occurred on 10 February 2015.

## Directors' Declaration

The Directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Company's financial position as at 31 December 2015 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 and is signed for and on behalf of the directors by:

A handwritten signature in black ink that reads "P Lloyd". The signature is written in a cursive, slightly slanted style.

**Paul Lloyd**  
Chairman

Dated this 9<sup>th</sup> day of March 2016

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Paynes Find Gold Limited

### **Report on the Condensed Half Year Financial Report**

We have reviewed the accompanying half year financial report of Paynes Find Gold Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

*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 Paynes Find Gold Limited is not in accordance with the *Corporations Act 2001* including:

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

*Emphasis of Matter*

Without modifying our conclusion, we draw attention to Note 1(a) to the financial report which indicates that the company had lodged a prospectus on 28 January 2016 to raise additional capital to meet exploration expenditure commitments on the Paynes Find Gold Project and to meet working capital commitments. If the company is not successful in raising sufficient funds via this prospectus or from other sources, there exists a material uncertainty that may cast significant doubt on its ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half year financial report.



**HLB Mann Judd**  
**Chartered Accountants**



**L Di Giallonardo**  
**Partner**

**Perth, Western Australia**  
**9 March 2016**



## AUDITOR'S INDEPENDENCE DECLARATION

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

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia  
9 March 2016



**L Di Giallonardo**  
Partner