VANGO MINING LTD

# Half Year Financial Report

## 31 December 2015

ABN 68 108 737 711

**VANGO MINING LIMITED**
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**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**


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| | |
|---|---|
| Directors | Bruce McInnes (Executive Chairman)<br>Shengqiang (Sean) Zhou (Non-Executive Director)<br>Zhenzhu Zhang (Non-Executive Director) |
| Company Secretary | Mark Camilleri (appointed 7th December 2015) |
| Registered Office | Suite 2, Level 5<br>71 Macquarie Street<br>Sydney NSW 2000 |
| Principal place of business | Suite 2, Level 5<br>71 Macquarie Street<br>Sydney NSW 2000 |
| Share Register | Boardroom Limited<br>Level 7<br>207 Kent Street<br>Sydney NSW 2000<br><br>Telephone: +61 2 9251 6812<br>Facsimile: +61 2 9279 0664 |
| Auditor | Ernst & Young<br>Ernst & Young Centre<br>680 George Street<br>Sydney NSW 2000 |
| Solicitors | Addisons<br>Level 12, 60 Carrington street<br>Sydney NSW 2000 |
| Stock exchange listing | Australian Securities Exchange<br>ASX Code: VAN |
| Website | www.vangomining.com.au |

Your directors present their report on the consolidated entity consisting of Vango Mining Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

**Directors**

The names of the Company's Directors in office during the Period and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Bruce McInnes (Executive Chairman)
Shengqiang (Sean) Zhou (Non-Executive Director)
Zhenzhu Zhang (Non-Executive Director)

**Principle Activities**

The consolidated entity is presently focusing on gold exploration through its Farm-in and Joint Venture Agreement with Dampier Gold Ltd on the Plutonic Dome Gold Project in Western Australia. The consolidated entity's long term goal is to become a gold producer.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to $650,560 (31 December 2014: $1,421,723).

Revenues were comparable to the prior half-year period. There were no share-based payments during the half year (31 December 2014: $287,036). The equity accounted loss from the SARCO joint venture during the half year was estimated to be $100,000 (31 December 2014: $127,899). Directors fees also fell significantly to $34,090 (31 December 2014: $336,655).

**Plutonic Dome Gold Project**

Since 19 November 2013, the Project has been the subject of a joint venture with Dampier.
Vango has been progressively sole funding exploration and all other expenditures in order to earn an interest in the Project, which was previously 100% owned by Dampier.

The Project, located in the gold bearing greenstone belt in central Western Australia which covers 412 sqkm which consists of approximately sixty-four (64) mineral tenements.

On 19 January 2016, Vango executed a binding Heads of Agreement for the purchase from Dampier of 100% of Dampier Plutonic Pty Ltd which is the owner of the Project.

The Heads of Agreement excludes six (6) tenements which are to be separately sold to Northern Star Resources Limited (ASX: NST) for a nominal consideration and subject to finalising final terms.

Each party has agreed to use its best endeavours and act in good faith to finalise and enter into a sale and purchase agreement within ninety (90) days following the date of the Heads of Agreement.

The completion of the purchase of the Project will give Vango an unencumbered asset with enhanced attractiveness to financiers and investors to enable the commencement of mining of its 100% owned Plutonic Gold Project as soon as practical.

**Suplejack**

The Company had previously signed an option agreement with ABM Resources NL ("ABM") for an option to farm-in to the Suplejack Project in the Northern Tanami district of the Northern Territory ("Option Agreement") with the payment of a $100,000 non-refundable option fee (See ASX Announcement dated 29 September 2014).

During the half year the Company executed a tenement purchase agreement with ABM for the sale of Vango's interest in the Suplejack Project. The consideration for the sale was a non-refundable option fee of $30,000 on the date of signing the agreement 29th September 2015 and a further $10,000 on settlement (which has subsequently been paid 12th February 2016).

**Sarco**

SARCO is a 226mt bauxite resource comprised of two tenements on the Bolaven Plateau, located in southern Laos. Total accessible tenure holding is 487km2 across two tenements. The project is a joint venture arrangement between VAN (49%) and China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd (NFC) (51%).

The VAN Board has determined that with the public notification late in 2015 of a signed US$6.8 Billion agreement between the governments of China and Laos for the funding and development of an extensive rail infrastructure between China and Laos that both VAN and NFC have rerated the potential return to shareholders for the continued interest and development in the SARCO project.

The Management of VAN have announce they have terminated negotiations with Southwest Pacific Bauxite (HK) Ltd to extend the term of the call options agreement (dated 5th September 2014).

Both NFC and VAN will continue discussions in the near future to coordinate and develop a strategy for the development of this project.

**Competent persons' statements**

The information in this report that relates to Mineral Resources for Trident, K1, PPP and Cinnamon is based on information compiled and reviewed by Mr Graham de la Mare who is a Member of the Australian Institute of Geoscientists and full-time employee of Runge Pincock Minarco Limited. Mr Graham de la Mare has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2004 JORC Code. Mr de la Mare consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for Marwest, K2, K2SE, K3 and Plutonic Dome Project Exploration Results is based on information compiled and fairly represented by Mr

Jonathan King, consultant geologist, who is a Member of the Australian Institute of Geoscientists and employed by Geonomics Pty Ltd. Mr King has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr King consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

**Corporate**

On 18th September 2015, the Company announced a non-renounceable pro-rata entitlement issue ("Offer") to eligible shareholders on the basis of 0.818 fully paid ordinary shares in Vango ("New Shares") for every 1 ordinary share held in Vango at an issue price of 1 cent per New Share, to raise up to $1.8 million before expenses.

Vango received acceptances under the Rights issue for a total of 78,251,825 New Shares raising a total of $782,518.

Subsequently on 12th January 2016 the Company had received firm acceptances for 75,060,000 of the Shortfall Shares from sophisticated investors, which had raised an additional $750,600, bringing the total funds raised under the Rights Issue to $1,533,118.

**Information on Company Secretary**

The following person/s held the position of Company Secretary during the financial year.

**Mr Mark Camilleri (Appointed 7 December 2015) B.Bus MBA**

Mr Camilleri with over 28 years of experience is a proven Senior Executive with an exemplary track record for the growth of multi-million dollar start-up companies. Experienced in contract and license agreements/negotiations. Mark is a Qualified Accountant: Bachelor of Business - Stuart University and holds an MBA in Finance and Law - University of Technology Sydney.

**Mr Simon Penney (Appointed 1 October 2013, resigned 7 December 2015)**
**B. Com, CA**

Mr Penney is a Chartered Accountant with substantial experience in the auditing and financial reporting of ASX listed and unlisted companies. He is an owner of corporate advisory firm Blue Horse Corporate Pty Ltd, which specialises in the provision of corporate and financial services to public companies.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page

Bruce McInnes
Chairman

15 March 2016

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
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# Auditor's Independence Declaration to the Directors of Vango Mining Limited

As lead auditor for the review of Vango Mining Limited for the half-year ended 31 December 2015, 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 Vango Mining Limited and the entities it controlled during the half year.

Ernst & Young

Scott Jarrett
Partner
Sydney
15 March 2016

| | Note | 31-Dec-15 $ | 31-Dec-14 $ |
|---|---|---|---|
| **Revenue from continuing operations** | 3 | **33,438** | **41,787** |
| Share of losses of associates accounted for using the equity method | | (100,000) | (127,899) |
| **Expenses** | | | |
| Depreciation expense | 4 | (24,849) | (16,127) |
| Impairment of exploration and evaluation assets | 4 | (35,714) | (86,943) |
| Interest expense | 4 | (26,811) | (2,391) |
| Share – based payments | 13 | - | (287,036) |
| Other expenses | 4 | (496,624) | (943,114) |
| **Loss before tax from continuing operations** | | **(650,560)** | **(1,421,723)** |
| Income tax expense | | - | - |
| **Loss for the half-year from continuing operations** | | **(650,560)** | **(1,421,723)** |
| Other comprehensive income for the half-year, net of tax | | **-** | **-** |
| **Total comprehensive loss for the half-year attributable To the ordinary equity holders of Vango Mining Ltd** | | **(650,560)** | **(1,421,723)** |
| | | **Cents** | **Cents** |
| **Loss per share attributable to the ordinary equity holders of the company:** | | | |
| Basic loss per share | | (0.26) | (1.08) |
| Diluted loss per share | | (0.26) | (1.08) |

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

| | Note | 31-Dec-15 $ | 30-Jun-15 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 239,191 | 228,795 |
| Trade and other receivables | | 99,591 | 224,556 |
| Other | | 116,499 | 202,213 |
| **Total current assets** | | **455,281** | **655,564** |
| **Non-current assets** | | | |
| Investment accounted for using the equity method | 5 | 3,144,166 | 3,544,166 |
| Property, plant and equipment | | - | 24,849 |
| Exploration evaluation expenditure | 6 | 4,978,145 | 4,333,311 |
| Other | | - | - |
| **Total non-current assets** | | **8,122,311** | **7,902,326** |
| **Total assets** | | **8,577,592** | **8,557,890** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 898,300 | 987,454 |
| Borrowings | 7 | 174,534 | 150,000 |
| Employee benefits | | 65,059 | 65,059 |
| **Total current liabilities** | | **1,137,893** | **1,202,513** |
| **Non-current liabilities** | | | |
| Provisions | | - | 2,000 |
| **Total non-current liabilities** | | **-** | **2,000** |
| **Total liabilities** | | **1,137,893** | **1,204,513** |
| **Net assets** | | **7,439,699** | **7,353,377** |
| **EQUITY** | | | |
| Issued capital | 8 | 47,014,061 | 46,277,179 |
| Reserves | | 14,067,324 | 14,067,324 |
| Accumulated losses | | (53,641,686) | (52,991,126) |
| **TOTAL EQUITY** | | **7,439,699** | **7,353,377** |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**VANGO MINING LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Issued Capital $ | Reserves $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2014** | **42,054,585** | **13,780,288** | **(50,208,498)** | **5,626,375** |
| Loss after income tax expense for the half-year | - | - | (1,421,723) | (1,421,723) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| **Total comprehensive loss for the half-year** | - | - | (1,421,723) | (1,421,723) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity, net of transaction costs | 3,161,960 | - | - | 3,161,960 |
| Share-based payments | - | 287,036 | - | 287,036 |
| **Balance at 31 December 2014** | **45,216,545** | **14,067,324** | **(51,630,221)** | **7,653,648** |
| **Balance at 1 July 2015** | **46,277,179** | **14,067,324** | **(52,991,126)** | **7,353,377** |
| Loss after income tax expense for the half-year | - | - | (650,560) | (650,560) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| **Total comprehensive loss for the half-year** | - | - | (650,560) | (650,560) |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity, net of transaction costs | 736,882 | - | - | 736,882 |
| Share-based payments | - | - | - | - |
| **Balance at 31 December 2015** | **47,014,061** | **14,067,324** | **(53,641,686)** | **7,439,699** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

| | Note | 31-Dec-15<br>$ | 31-Dec-14<br>$ |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Payment to suppliers and employees | | (301,422) | (1,332,092) |
| Interest received | | 1,658 | 18,839 |
| Interest paid | | (2,277) | (2,391) |
| Rent received | | 16,215 | 19,991 |
| **Net cash flows used in operating activities** | | **(285,826)** | **(1,295,653)** |
| | | | |
| **Cash flows used in investing activities** | | | |
| Payments for property, plant and equipment | | - | (1,493) |
| Payments for exploration and evaluation | | (520,660) | (1,781,467) |
| Option Fee | | 30,000 | - |
| Refund of security deposits | | 50,000 | 4,726 |
| **Net cash flows used in investing activities** | | **(440,660)** | **(1,778,234)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 8 | 782,518 | 3,517,107 |
| Share issue transaction costs | 8 | (45,636) | (355,147) |
| Proceeds/(Repayment) of borrowings | | - | (510,000) |
| **Net cash flows provided by financing activities** | | **736,882** | **2,651,960** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | 10,396 | (421,927) |
| Cash and cash equivalents at the beginning of the half-year | | 228,795 | 814,597 |
| **Cash and cash equivalents at the end of the period** | | **239,191** | **392,670** |

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

## 1. BASIS OF PREPARATION

This general purpose condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Standard IAS 34 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

### (a) Going Concern

This condensed consolidated interim financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net loss after tax for the half-year ended 31 December 2015 of $650,560 (2014: $1,421,723) and experienced net cash outflows from operating activities of $285,826 (2014: $1,295,653). Net current liabilities as at 31 December 2015 was $682,612 (30 June 2015: $546,949).

The ability of the Company to continue as a going concern is dependent on the Company being able to raise additional funds as required to fund ongoing exploration commitments and for working capital. While the Directors are currently considering a range of measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future cash flows.

On 12th January 2016 the Company had received firm acceptances for 75,060,000 of the Shortfall Shares from Rights Issue offer on 18 September 2015, which had raised an additional $750,600.

The Directors have a reasonable expectation, after making enquiries and considering the uncertainties described above, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial report. However should the Company be unsuccessful in undertaking additional raisings there is a material uncertainty whether the Company will be able to continue as a going concern. No adjustments have been made relating to the recoverability of assets and classification of liabilities that might be necessary should the Company not continue as a going concern.

### (b) Farm-in and Farm-out Arrangements

The Company as part of its operations has entered into farm-in and farm-out arrangements. In respect to these transactions the Company adopts the following policies:

When the Company is acting as the farmee its expenditure is recognised under the arrangement in respect of its own interest and that retained by the farmor, as and when the costs are incurred.

**1 . BASIS OF PREPARATION (Continued)**

The farmee accounts for its expenditures under a farm-in arrangement in the same way as directly incurred E&E expenditure.

For the arranagements of which the Company is the farmor it accounts for the farm-out arrangement as follows:

- The farmor does not record any expenditure made by the farmee on its behalf
- The farmor does not recognise a gain or loss on the farm-out arrangement but rather, redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained
- Any cash consideration received is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

**(c) New / revised accounting standards and interpretations adopted**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2015, except for the adoption of the following new standards and interpretations effective as of 1 July 2015:

- AASB 2014-7 Financial instruments
- AASB 2014 -8 Financial instruments
- AASB 2015-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The adoption of these amendments did not have any material impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**2. OPERATING SEGMENTS**

*Identification of reportable operating segments*

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. As of the date of this report the consolidated entity operates entirely in the industry of exploration of minerals in Australia and Laos. The operating segments are identified based on the location of the exploration tenements.

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 type of product and service. The consolidated entity has determined that the reportable operating segments are based on geographical locations as this is the source of the consolidated entity's major assets which are in Australia and Laos.

## 2. OPERATING SEGMENTS (Continued)

*Corporate office activities*
Corporate office activities are not allocated to operating segments and form part of the reconciliation to net profit/(loss) after tax.

| **Half-year ended 31 December 2015** | **Australia** $ | **Laos** $ | **Intersegment Eliminations Unallocated** $ | **Total** $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Interest and rental revenue | - | - | 33,438 | 33,438 |
| **Total Revenue** | - | - | 33,438 | 33,438 |
| | | | | |
| Depreciation | (24,849) | - | - | (24,849) |
| Impairment | (35,714) | - | - | (35,714) |
| Share of loss of joint venture entity | - | - | (100,000) | (100,000) |
| Corporate operating costs | - | - | (523,435) | (523,435) |
| **Loss after income tax expense** | (60,563) | - | (589,997) | (650,560) |
| | | | | |
| **Half-year ended 31 December 2014** | | | | |
| **Revenue** | | | | |
| Interest and rental revenue | - | - | 41,787 | 41,787 |
| **Total Revenue** | - | - | 41,787 | 41,787 |
| | | | | |
| Depreciation | (16,127) | - | - | (16,127) |
| Impairment | (86,943) | - | - | (86,943) |
| Share of loss of joint venture entity | - | - | (127,899) | (127,899) |
| Share based payments | | | (287,036) | (287,036) |
| Corporate operating costs | - | - | (945,505) | (945,505) |
| **Loss after income tax expense** | (103,070) | - | (1,318,653) | (1,421,723) |
| | | | | |
| **Total segment assets** | | | | |
| 31 December 2015 | 4,978,145 | 3,144,166 | 455,281 | 8,577,592 |
| 30 June 2015 | 4,405,373 | 3,544,166 | 608,351 | 8,557,890 |
| | | | | |
| **Total segment liabilities** | | | | |
| 31 December 2015 | 135,085 | 140,000 | 862,808 | 1,137,893 |
| 30 June 2015 | 145,826 | 140,000 | 918,687 | 1,204,513 |

## 3. REVENUE

| | **31-Dec-15** $ | **31-Dec-14** $ |
|---|---|---|
| Interest | 1,658 | 18,839 |
| Rent | 31,780 | 22,948 |
| Revenue | 33,438 | 41,787 |

## 4. EXPENSES

| | 31-Dec-15 $ | 31-Dec-14 $ |
|---|---|---|
| The loss before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Plant and equipment | 24,849 | 16,127 |
| *Impairment* | | |
| Exploration and evaluation | 35,714 | 86,943 |
| Interest | 26,811 | 2,391 |
| *Other expenses* | | |
| Accounting and audit | 19,840 | 28,404 |
| Consulting fees | 64,664 | 135,565 |
| Corporate costs | 22,496 | 65,604 |
| Directors' fees and remuneration | 34,090 | 336,655 |
| Employee costs | 164,186 | 76,952 |
| Legal fees | 5,537 | 34,084 |
| Operating leases | 100,872 | 94,316 |
| Travel | 28,546 | 80,858 |
| Other expenses | 56,393 | 90,676 |
| | 496,624 | 943,114 |

## 5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | 31-Dec-15 $ | 30-Jun-15 $ |
|---|---|---|
| Interest in joint venture entity | 3,144,166 | 3,544,166 |

The consolidated entity has a 49% interest in the joint venture entity Sino Australian Resources (Laos) Co. Ltd (“SARCO”) which is incorporated in Laos PDR and is involved in the exploration of bauxite resources in Bolaven Plateau in Laos.

## 5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

In September 2014 the Company entered into an option agreement for the sale of the Company's interest in SARCO with Southwest Pacific Bauxite (HK) Limited ("Southwest"), a specialised bauxite company. The terms were:

1. Southwest had 12 months exclusivity from the time of entering into the Option to exercise the Option and to complete the transaction, in return for an option fee payment to the Company of $300,000 ("Option Fee"), payable upon signing the Option. If the Option had been exercised, the purchase price of the Company's SARCO interest would have been $2 million in cash plus Southwest shares with a value of $3 million (or a further $3 million cash payment at Southwest's election). The Option Fee would be treated as part payment of the sale price.
2. If Southwest exercised the Option before the end of the exclusivity period, the parties are bound by a conditional share agreement ("SPA").
3. The Company must refund the Option fee if: (i) one of the characteristics of the Project's assets disappears or is so materially altered that it substantially alters the economic or commercial value of the transaction; or (ii) any rights of pre-emption are exercised over the Company's equity in SARCO or over any of the Project's assets by way of a change of control provision or otherwise;

During the half year ended 31 December 2015 the option expired and the $300,000 option fee has been credited to the investment in SARCO.The share of the joint venture loss after income tax for the half-year was estimated to be $100,000 (2014:$127,889).

## 6. DEFERRED EXPLORATION AND EVALUATION

| | 31-Dec-15<br>$ | 30-Jun-15<br>$ |
|---|---|---|
| Exploration and evaluation | 4,978,145 | 4,333,311 |

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

## 6. DEFERRED EXPLORATION AND EVALUATION (Continued)

| | Exploration & evaluation $ | Total $ |
|---|---|---|
| Balance at 1 July 2015 | 4,333,311 | 4,333,311 |
| Expenditure during the half-year | 680,548 | 680,548 |
| Impairments | (35,714) | (35,714) |
| Balance at 31 December 2015 | 4,978,145 | 4,978,145 |

Since 30 June 2015, the Company executed a tenement purchase agreement with ABM Resources NL for the sale of Vango's interest in the Suplejack tenement. The consideration for the sale was a non-refundable option fee of $30,000 on the date of signing the agreement and a further $10,000 on settlement date. In light of the sale agreement with ABM Resources NL the Company has impaired the asset to its fair value. The sale was finalised subsequent to year end.

The remaining amount of Deferred Exploration and Evaluation is totally related to the Company's interest in the Plutonic Dome Gold Project. The Company is committed to future development of the Plutonic Dome Gold Project. On 19 January 2016, the Company executed a binding Heads of Agreement for the purchase from Dampier Gold Limited of 100% of Dampier Plutonic Pty Ltd which is the owner of the Project.

## 7. BORROWINGS

| | 31-Dec-15 $ | 30-Jun-15 $ |
|---|---|---|
| Convertible notes | 174,534 | 150,000 |

On 15 June 2015 the Company issued 150,000 convertible notes at a face value of $1 per note. The notes have a term of 2 years from the date of issue and carry an interest rate of 30% pa payable on 28 November 2016 and on the maturity date. Noteholders can convert the notes to ordinary shares at any time during the term of the notes.

Notes are converted to ordinary shares at the rate of $0.02 per share applied to the redemption value of the notes being converted. The redemption value includes the face value of the notes plus any outstanding interest. On the maturity date the company must redeem the notes for the redemption value.

## 8. ISSUED CAPITAL

| | 31-Dec-15 Shares | 30-Jun-15 Shares | 31-Dec-15 $ | 30-Jun-15 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 298,224,319 | 219,972,414 | 47,014,061 | 46,277,179 |

*Movements in ordinary share capital*

| Details | Date | No. of shares | Issue Price | $ |
|---|---|---|---|---|
| Balance | 1 Jul 2015 | 219,972,494 | | 46,277,179 |
| Issue of shares - rights issue | 16 Oct 2015 | 78,251,825 | $0.01 | 782,518 |
| Share issue transaction costs | | - | | (45,636) |
| Balance | 31 Dec 2015 | 298,224,319 | | 47,014,061 |

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## 9. DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## 10. CONTINGENT LIABILITIES

This note provides details of the consolidated entity's contingent liabilities, based on the probability that payment is considered unlikely, along with details of contingent liabilities which our directors consider should be disclosed.

Under the name Sino Australian Resources (Laos) Co., Ltd (SARCO), the project is a joint venture between Vango Mining Limited (49%) and China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd (NFC) (51%). Until 30 September 2009, Vango solely funded all exploration activities conducted by SARCO in Laos and since 1 October 2010 NFC has been funding ongoing exploration activities.

In accordance with the Joint Venture agreement, at the time NFC's contribution has reached the level of Vango's initial contribution, both Vango and NFC are obliged to contribute their respective share of funding requirements for any further activity.

## 10. CONTINGENT LIABILITIES (Continued)

In 2012 an audit was performed by NFC in relation to Vango's contribution to the expenditures incurred by the SARCO JV from inception to 30 September 2009. At the conclusion of this audit NFC challenged a total of $1.1 million in expenditure that is currently included as part of the total Vango contribution recorded by the Group, although a formal claim has not been made by NFC.

Vango has the contractual right to audit the NFC contributions. At this time, such an audit has not been undertaken, although any findings from such an audit may constitute a future claim by Vango on NFC.

At 31 December 2015 the Group is working amicably with NFC to resolve this disputed amount.

As exploration activities have effectively ceased, Vango have not made any further contributions to the SARCO JV. NFC has continued to incur costs at the project, mainly salaries and wages for on-site NFC employees. Vango believes it should not be liable for these expenses. These additional unaudited contributions by NFC to the SARCO JV have since increased Vango's contingent liability by $928,000.

## 11. COMMITMENTS

Commitments remain unchanged since 30 June 2015.

## 12. FINANCIAL INSTRUMENTS

**Net Fair Values**

*Fair value estimation*

The fair values of financial assets and financial liabilities materially approximate the net carrying amount as the financial assets and financial liabilities are short-term instruments. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other payables and the option fee are short-term instruments in nature whose carrying value materially approximate the fair value. Trade and other payables exclude amounts provided for or relating to annual leave which is not considered a financial instrument.

## 13. SHARE-BASED PAYMENTS

During the half year ended 31 December 2015 there was no issues in regards to the Vango Mining Limited Employee Loan Share Plan ("Share Plan").

**13. SHARE-BASED PAYMENTS (Continued)**

**Half-year ended 31 December 2014 share-based payments**

*Share Plan*

At the Annual General Meeting of shareholders, held 28 November 2014, shareholders approved the issue of shares to directors under the Vango Mining Employee Loan Share Plan ("Share Plan").

On 19 December 2014, incentive shares were issued to employees, contractors and the directors at $0.20 each. Each participant received a loan from the Company to fund the subscription price for those shares in accordance with the terms and conditions of the Share Plan. The loan will be non-recourse and the repayment term of each loan to the eligible participants is five (5) years. The loans are interest free. The shares are currently under a Company-imposed trading lock until such time as each participant has repaid the loan. A full summary of the Share Plan was set out in the Notice of Meeting dated 24 October 2014.

Accounting Standards require that shares issued under employee incentive share plans in conjunction with non-recourse loans are to be accounted for as options. As a result, the amounts receivable from the eligible participants in relation to these loans have not been recognised in the financial statements.

Shares issued under this Share Plan are recognised as shares issued at nil value (Refer to Note 8 Issued Capital) with a share based payment expense recognised in the Statement of Comprehensive Income based on an estimated fair value using the Black-Scholes option pricing model (see below).

The following table lists the inputs to the model used:

| | |
|---|---|
| Number of shares granted | 12,000,000 |
| Issue Date | 19-Dec-14 |
| Dividend yield | 0% |
| Share price at date of grant | $0.03 |
| Issue price | $0.20 |
| Volatility | 150.73% |
| Risk free interest rate | 2.45% |
| Expiration period | 5 years |
| Expiry date | 19-Dec-19 |
| Black & Scholes valuation | $0.0239 |

Volatility was determined based on the volatility of the share price of the Company for the 5 years prior to issue. The expense recognised under the Share Plan during the half-year ended 31 December 2014 was $287,036.

**13. SHARE-BASED PAYMENTS (Continued)**

Set out below is a summary of the terms and conditions of the shares issued under the Share Plan:

a. Each share entitles the holder to one share in the Company;
b. Shares have been issued at $0.20 each on 19 December 2014;
c. Each Eligible Participant has received a loan from the Company to fund the subscription price for those shares;
d. The Loan Term and the manner for making such payments shall be determined by the Board and set out in the invitation;
e. The Loan Term expires on 19 December 2019;
f. An Eligible Participant may not sell or otherwise deal with a plan Share until the Loan Amount in respect of that plan Share has been repaid;
g. An Eligible Participant must repay the Loan in full prior to expiry of the Loan Term;
h. The Company shall have a lien over the Plan Shares in respect of which the Loan Amount is outstanding and the Company shall be entitled to sell those Plan Shares in accordance with the terms of the Plan;
i. Loans must be made solely to the Eligible Participant and in the name of the Eligible Participant;
j. Loans will be non-recourse and interest free;
k. The Company will not meet any costs in relation to the sale of Plan Shares; and

Any plan Shares issued under the Plan will rank equally in all respects (other than with respect to any restrictions on transfer specified in the plan or otherwise imposed by the Board).

**14. EVENTS AFTER THE REPORTING DATE**

On 19 January 2016 the company entered into a binding heads of agreement with Dampier Gold Limited to acquire Dampier's interest in Dampier Plutonic Pty Ltd the holder of the Plutonic Dome project. Consideration for the acquisition is an up-front payment of $2.2 million with up to an additional $4m subject to aggregate production levels. In addition Dampier will be paid a royalty capped at $2 million. The transaction is subject to Dampier Gold limited shareholder approval and any statutory or other third party approvals in relation to the project tenements.

On 9 March the Company announced that it had terminated negotiations with Southwest Pacific Bauxite (HK) Ltd to extend the term of the call options agreement dated 5 September 2014 which gave Southwest Pacific bauxite the option to acquire the Company's interest in its bauxite project in Laos.

In the Directors' opinion:

(a) The financial statements and notes of Vango Mining Limited for the half-year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standards and the *Corporations Regulations 2001*, and

(b) There are reasonable grounds to believe that Vango Mining Limited 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 Directors.

Bruce McInnes
Chairman

15 March 2016

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To the members of Vango Mining Limited

## Report on the Half year Financial Report

We have reviewed the accompanying half year financial report of Vango Mining Limited, which comprises the statement of financial position as at 31 December 2015, 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 of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

### Directors' Responsibility for the Half year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Vango Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' 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 Vango Mining Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and

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

## Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the consolidated entity will 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 financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

Ernst & Young

Scott Jarrett
Partner
Sydney
15 March 2016