VERDANT MINERALS LTD

ABN 33 122 131 622

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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Company Strategy

Verdant Minerals Ltd's strategic intent is to create shareholder value through discovery, development and operation of fertiliser and industrial minerals projects, located in close proximity to existing transport infrastructure, with a primary focus on the Northern Territory of Australia.

Verdant Minerals Ltd has significant resources of both phosphate and potash.

Directors' Report

The Directors present their report together with the consolidated financial statements of Verdant Minerals Ltd, for the half-year ended 31 December 2018 and the independent auditors review report thereon.

Directors

The Directors of the Company at any time during or since the end of the interim period are:

Name:	Status	Period of Directorship
James D Whiteside	Non-Executive Chairman	Since 6 October 2016
Jason A Conroy	Non-Executive Director	Since 7 August 2017
Robert J Cooper	Non-Executive Director	Since 1 July 2016
Christopher N Tziolis	Managing Director	Since 6 June 2013

Review of Operations

Overview

The Company's focus remained on evaluation of it's key projects with the primary objective of finalising the native title approvals and using the feasibility study and environmental approvals in support of the subsequent development of the global scale Ammaroo phosphate project. The Company is maintaining the tenements of the portfolio of sulphate of potash projects and participating in development of a processing Joint Venture.

Health, Safety, Environment and Community

During the six months ended 31 December 2018, 3362 hours of field work was conducted and there were no LTI's recorded. There were no reportable environmental or safety incidents during the half year.

Operating Result

The Group's loss after tax for the half year ended 31 December 2018 was $9,227,378 (2017 loss $1,457,903) after impairment and write down of $8,289,162 in exploration costs. At 31 December 2018 the directors reviewed the carrying value of exploration and evaluation assets and as a result the Group has recognised $8,289,162 of impairment in relation to its projects. The impairment of exploration and evaluation assets was based on an assessment of tenements by the company to reflect expected recovery of value from the prospective development opportunities associated with the tenements. Where the chance of recovery was low tenements were written down to zero value. Corporate costs of $994,000 (2017 $1,058,000) decreased marginally compared to the prior comparative half year. Exploration and evaluation (including studies) expenditure for the half year was $782,918 (2017 $2,801,600).

Phosphate

- The Feasibility Study (FS) was completed in May 2018 and the Environmental Approvals Process was finalised in October 2018 for the Ammaroo Phosphate Project.
- The Native Title Agreement was negotiated with the Traditional Owners in November 2018 and finalisation of the Agreement requires sign-off by the Land Council and Verdant Board.

Potash

- Consolidated Potash Corporation (CPC) continued technical evaluation of processing salt brines to produce sulphate of potash (SOP).
- The work and Joint Venture Agreement is based on the staged commercialisation of aMES™ - a novel mineral processing technology developed for production of valuable minerals from salt lake brines.
- The results of stage 1 were announced to the ASX on 7 February 2019 sufficient to earn a 15% interest in the Karinga Lakes Joint Venture.

Silica (High Purity Quartz (HPQ))

- Tenements maintained and desk-top technical evaluations of prospects were conducted.

Other

The Quarterly Activities Report for the period ended 31 December 2018 was released to the ASX on the 31st January 2019 and can be referred for further information and discussion on the Group’s projects.

Auditor’s Independence Declaration

The auditor’s independence declaration in relation to the review of the half-year financial report is set out on page 5 and forms part of this Directors’ Report for the six months ended 31 December 2018.

Rounding Off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financials/Director’s Reports) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the consolidated interim financial statements and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to Section 306 (3) of the *Corporations Act* 2001.

James Whiteside   BAgSc, Grad Dip Bus Admin, GAICD
Chairman

Dated: Darwin 15th March 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Verdant Minerals Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Verdant Minerals Ltd for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

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

KPMG

KPMG

Jeff Frazer
Partner

Brisbane

15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-Year Ended 31 Dec 2018 $'000	Half-Year Ended 31 Dec 2017 $'000
Continuing operations			
Other Income		**60**	**61**
Depreciation		**(4)**	**(5)**
Employee benefits expense		**(404)**	**(499)**
Exploration and evaluation assets impairment	**6.**	**(8,289)**	**(456)**
Listing & Registry costs		**(60)**	**(56)**
Other expenses	**4.**	**(530)**	**(503)**
Loss before income tax expense		**(9,227)**	**(1,458)**
Income tax benefit		**-**	**-**
Net loss for the half year		**(9,227)**	**(1,458)**
Other comprehensive income for the half year		**-**	**-**
Total comprehensive income (loss) for the period attributable to owners of Verdant Minerals Ltd		**(9,227)**	**(1,458)**
Earnings per share:		*Cents*	*Cents*
Basic earnings per share		(0.84)	(0.15)
Diluted earnings per share		(0.84)	(0.15)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	30 Jun 2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	5.	703	2,490
Trade and other receivables		35	71
Other		4	6
Total Current Assets		742	2,567
Non-Current Assets			
Exploration and evaluation assets	6.	39,599	47,105
Property, plant and equipment		502	553
Other – Security Deposits		190	210
Total Non-Current Assets		40,291	47,868
TOTAL ASSETS		41,033	50,435
LIABILITIES			
Current Liabilities			
Trade and other payables		168	342
Short-term provisions	7.	112	113
Total Current Liabilities		280	455
TOTAL LIABILITIES		280	455
NET ASSETS		40,753	49,980
EQUITY			
Contributed equity	8.	86,732	86,732
Share-based payments reserve		1,730	1,730
Accumulated losses		(47,709)	(38,482)
TOTAL EQUITY		40,753	49,980

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total Equity
	$'000	$'000	$'000	$'000
Balance at 1 July, 2017	**83,976**	**1,712**	**(35,767)**	**49,921**
Loss for the half year	-	-	(1,458)	(1,458)
Total comprehensive Loss for the period	**-**	**-**	**(1,458)**	**(1,458)**
Transactions with owners of the Company, recognised directly in equity				
Issue of ordinary shares	800	-		800
Issue of employee share options	-	18	-	18
Balance at 31 December 2017	**84,776**	**1,730**	**(37,225)**	**49,281**
Balance at 1 July, 2018	**86,732**	**1,730**	**(38,482)**	**49,980**
Loss for the half year	-	-	(9,227)	(9,227)
Total comprehensive Loss for the period	**-**	**-**	**(9,227)**	**(9,227)**
Transactions with owners of the Company, recognised directly in equity				
Issue of ordinary shares	-	-	-	-
Issue of employee share options	-	-	-	-
Balance at 31 December 2018	**86,732**	**1,730**	**(47,709)**	**40,753**

The statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-Year Ended 31 Dec 2018 $'000	Half-Year Ended 31 Dec 2017 $'000
Cash flow from operating activities			
Interest received		14	61
Payments to suppliers, employees and others		(1,086)	(1,104)
Net cash flows from operating activities		**(1,072)**	**(1,043)**
Cash flows from investing activities			
Purchase of non-current assets		(2)	(2)
Proceeds from sale of non-current assets		66	711
Payments for exploration and evaluation assets		(754)	(2,765)
Recovery (Payment) from / to secured term deposits		20	55
Net cash flows from investing activities		**(670)**	**(2,001)**
Cash flows from financing activities			
Proceeds from share issues net of issue costs		-	-
Payments for capital raising		(45)	-
Net cash flows from financing activities		**(45)**	**-**
Net (decrease) in cash and cash equivalents		**(1,787)**	**(3,044)**
Cash and cash equivalents at the beginning of the half year		2,490	6,540
Cash and cash equivalents at end of the half year		**703**	**3,496**

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: Reporting entity

Verdant Minerals Ltd ("the Company") is a for profit company domiciled in Australia. The Group comprises the Company and its subsidiaries together referred to as the "Group". The Group is entirely involved in the exploration for and development of mineral resources in Australia.

NOTE 2: Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements for the six month period ended 31 December 2018 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting, the equivalent of the International Accounting Standard IAS34: Interim Financial Reporting.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2018. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2018.

These consolidated interim financial statements were approved by the Board of Directors on 15 March 2019.

The company is of a kind referred to in ASIC Corporations (Rounding in Financials/Director's Reports) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(b) Going Concern

The consolidated interim financial statements for the six month period ended 31 December 2018 have been prepared on a going concern basis, which contemplates continuity of business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The Group had cash and cash equivalents of $703,000 at 31 December 2018, and generated a loss after tax of $9,227,000, and had net cash outflows from operations of $1,072,000 and cash outflows in relation to exploration and evaluation of $754,000 for the half year ended 31 December 2018.

On 11 March 2019 the Group announced it had entered into a Scheme Implementation Agreement ("SIA") with CD Capital Resources Fund III LP (CD Capital), where if implemented CD Capital will take a 67% ownership interest in the Group via a scheme of arrangement ("Scheme"). On the same date, and in conjunction with the Scheme, CD Capital and the Group have entered into a loan agreement for cash advances totalling $800,000 for the purpose of funding the transaction costs of the Scheme and operational costs through to the Scheme implementation date. The loan will bear interest at 6% per annum and will be advanced in three tranches with the first tranche of $300,000 paid on 13 March 2019, with the second and third tranches of $300,000 and $200,000 advanced in April 2019 and May 2019 respectively. Additionally, if the SIA is implemented, CD Capital and Washington H Soul Pattinson and Company Limited will proportionally contribute a total of approximately $14m to meet future funding requirements of the Group. If the Scheme is not implemented the $800,000 advance will be payable by November 2019.

Key conditions to which the Scheme is subject to include– shareholder approval, no material adverse change occurring between the date of the SIA and the second court hearing, court approval, ASX and ASIC approval, FIRB approval and a conclusion from an Independent Expert stating that the Scheme is fair and reasonable to, and in the best interest of the shareholders of the Company.

If the Scheme is not implemented, the Group will require additional funding to repay the $800,000 advance to CD Capital and to fund its ongoing operational and exploration activities. In this circumstance, the Directors anticipate the Group will be able to raise additional equity from shareholders, noting that the Group has a strong history of securing such funding.

NOTE 2: Basis of preparation (continued)

For the reasons stated above the Directors are confident in the ability of the Group to continue as a going concern, and accordingly have prepared the interim financial statements on a going concern basis.

Directors have prepared cash flow forecasts under the following scenarios:

- the implementation of the Scheme; or
- the Scheme not being implemented, requiring the Group to raise alternative funding at short notice.

The ability of the Group to continue as a going concern is dependent on either the implementation of the Scheme or if the Scheme is not implemented, the Group's ability to raise additional funding at short notice. Accordingly these matters represent a material uncertainty in relation to whether the Group will be able to continue as a going concern.
If the Group cannot continue as a going concern it may be required to realise its assets at amounts different to their carrying amounts in the interim statement of financial position and settle liabilities other than in the ordinary course of business.

(c) Judgements and estimates

In preparing these interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements 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 statements as at and for the year ended 30 June 2018.

NOTE 3: Significant accounting policies

The accounting policies applied by the Group in the consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2018.

In the half year ended 31 December 2018, the Group has reviewed the revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018 being AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. It has been determined by the Group that there is no material impact of the new and revised Standards and Interpretations on its business with no impact on disclosure.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2018. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on its business and, therefore, no change is anticipated to the Group's accounting policies in subsequent periods except for the recognition of current operating leases on balance sheet.

	Half-Year Ended 31 Dec 2018 $'000	Half-Year Ended 31 Dec 2017 $'000
NOTE 4: OTHER EXPENSES		
Interest	-	104
Other office costs	530	399
	530	**503**

	31 Dec 2018 $'000	30 June 2018 $'000
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	168	1,500
Term deposits	535	990
Total cash and cash equivalents	**703**	**2,490**
NOTE 6: DEFERRED EXPLORATION EXPENDITURE		
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation assets – at cost		
Balance at beginning of period	47,105	43,333
Expenditure cost incurred	783	4,745
Share Issue for Royalty Option	-	800
Net Tenements reserved (sold)	-	(700)
	47,888	**48,178**
Impairment of exploration and evaluation assets	(8,289)	(1,073)
Total deferred exploration expenditure	**39,599**	**47,105**

The ultimate recoupment of the carrying value of Exploration and Evaluation assets is dependent upon the successful development and commercial exploitation or sale of the respective area of interest.

At 31 December 2018, the directors reviewed the carrying value of exploration and evaluation assets and as a result the Group has recognised $8,289,162 of impairment in relation to its projects.

	31 Dec 2018 $'000	30 June 2018 $'000
NOTE 7: SHORT-TERM PROVISIONS		
Employee benefits	112	113
Total short term provisions	**112**	**113**

NOTE 8: ISSUED CAPITAL

	Half-Year Ended 31 December 2018	
Fully Paid Ordinary Shares	**No.**	**$**
Balance at 1 July 2018	1,103,761,492	86,731,565
Shares issued during the period	-	-
Balance as 31 December 2018	**1,103,761,492**	**86,731,565**

Share options

At 31 December 2018, the following options for ordinary shares in Verdant Minerals Ltd were on issue:

	December 2018 Number	June 2018 Number
Employee options	5,300,000	6,850,000
Directors options	19,250,000	22,250,000
Options issued and exercisable at end of period	24,550,000	29,100,000
Corporate Options	146,666,634	146,666,634

NOTE 9: SEGMENT INFORMATION

Business segments

The Group operates in one geographic segment for management reporting, being Australia, and in one business segment, being mineral exploration and evaluation of minerals.

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

On 11 March 2019 the Group announced it had entered into a Scheme Implementation Agreement ('Scheme") with CD Capital Resources Fund III LP (CD Capital) where if successfully implemented CD Capital will take a 67% ownership interest in the Group. On the same date and in conjunction with the Scheme, CD Capital and the Group have entered into a loan agreement for $800,000 over a twelve month period for the purpose of funding the transaction costs of the Scheme and operational costs through to the Scheme implementation date. The Scheme is subject to a number of conditions including - Shareholder approval, no material adverse change occurring between the date of the SIA and the second court hearing, court approval, ASX and ASIC approval, FIRB approval and a conclusion from an Independent Expert stating that the Scheme is fair and reasonable to, and in the best interest of the shareholders of the Company.

Other than the matters detailed above there has not arisen in the period between the end of the half-year and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future periods.

NOTE 11: COMMITMENTS

The Group's commitments relate to property leases and exploration expenditure in relation to tenements.

NOTE 12: CONTINGENCIES

The Group's banks have provided guarantees of $190,000 to certain government bodies as security over the Group's performance of rehabilitation obligations on tenements. The group has indemnified the bank under agreement in relation to these guarantees. The guarantees are backed by secured term deposits amounting to $190,000 at 31 December 2018 (June 2018 $210,000).

DIRECTORS' DECLARATION
For the half-year ended 31 December 2018

In the opinion of the directors:

(a) The consolidated financial statements and notes set out on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

(ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements.

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

James Whiteside

James Whiteside, BAgSc, Grad Dip Bus Admin, GAICD
Chairman

Dated: 15th March 2019.

Independent Auditor's Review Report

To the shareholders of Verdant Minerals Ltd

Report on the Interim Financial Report for the half-year ended 31 December 2018

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Verdant Minerals Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Verdant Minerals Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- 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 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Verdant Minerals Ltd (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(b), "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 2(b), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Verdant Minerals Ltd *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim 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.

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

KPMG

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Jeff Frazer
Partner

Brisbane

15 March 2019