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HALF-YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Highlights

Thursday's Gossan Copper-Gold Prospect (Stavelly Project, western Victoria)

- RC drilling results including:
 - 24 metres at 0.64% copper and 1.2 g/t gold
 - 64 metres at 0.40% copper and 0.19 g/t gold
 - 29 metres at 0.53% copper and 0.30 g/t gold to end of hole (EoH), including
 - 4 metres at 1.39% copper, 0.5 g/t gold and 55 g/t silver
 - 43 metres at 0.55% copper and 0.11 g/t gold
 - 28 metres at 0.59% copper and 0.19 g/t gold
 - 8 metres at 0.74% copper and 0.17 g/t gold
 - 25 metres at 0.30% copper and 0.29 g/t gold to EoH including
 - 3 metres at 1.24% copper and 1.31 g/t gold
- Follow-up diamond drill 'tails' and diamond drill results including:
 - 124 metres at 0.31% copper and 0.12 g/t gold, and
 - 53 metres at 0.37% copper and 0.15 g/t gold, including
 - 23 metres at 0.57% copper and 0.20 g/t gold
 - 85 metres at 0.35% copper and 0.18 g/t gold, including
 - 35 metres at 0.44% copper and 0.28 g/t gold
- Outstanding high-grade assay results received for the sulphide-rich intervals of massive to semi-massive to networked pyrite-chalcopyrite-bornite-chalcocite late porphyry 'D' veins encountered in recently drilled 'sighter' hole SMD015:
 - 9 metres at 2.62% copper and 0.28 g/t gold, including
 - 4 metres at 5.41% copper and 0.35 g/t gold, including
 - 1 metre at 14.75% copper and 0.33 g/t gold
 - 4 metres at 5.85% copper and 0.27 g/t gold, including
 - 1 metre at 10.75% copper and 0.60 g/t gold
- 'Sighter' drill-hole SMD015 has intersected ~100m of magnetite-rich 'M' veins, considered to be part of the proximal hydrothermal alteration of near-by copper-gold porphyry mineralisation.
- Diamond drill hole SMD013 returned a very broad interval of 283 metres at 0.16% copper from 26 metres.

Ravenswood Project (North Queensland)

- Rock-chip results of up to 68 g/t gold and 18.3% copper highlight the significant discovery potential within Stavelly's large and under-explored tenement holding adjacent to the Ravenswood Gold Mine.

Major Achievements

- The recent RC/ diamond drilling to target the near-surface expression of the sulphide-rich 'D' veins in structures 'leaking from a porphyry intrusion at depth' at Thursday's Gossan was highly successful and returned numerous wide intervals of copper gold mineralisation confirming Stavely Minerals' mineralisation model.
- Regional exploration programmes at the Ravenswood Project in north Queensland have identified epithermal and intrusive-related gold mineralisation opportunities.
- Subsequent to the half-year ended 31 December 2017:
 - Stavely Minerals' entered into an Earn-in and Joint Venture Agreement with Black Range Metals Pty Ltd (a wholly-owned subsidiary of Navarre Minerals Limited) for EL5425, augmenting the Company's already dominant tenure position in the Stavely alkalic-gold porphyry belt.
 - The Company raised \$6.8M through a share placement and a further \$2.0M from a Share Purchase Plan before costs. The funds raised through the combined Share Placement and SPP are being used to accelerate drilling programmes in western Victoria testing a suite of porphyry copper-gold targets, including the advanced exploration at the Thursday's Gossan prospect and follow-up exploration programmes in Queensland.

Outlook

Stavely Minerals is now very well-funded to pursue an accelerated drilling campaign targeting a range of advanced to early-stage porphyry copper-gold, VMS copper-gold and gold discovery opportunities. The outlook for exploration success within Stavely Minerals' portfolio of 100% owned and Earn-in and Joint Venture properties has never been better. With the recent upturn in metals markets, the outlook for Stavely Minerals' key metals copper and gold and the equity market's appetite for new discoveries means that discoveries are being well rewarded. Needless to say, Stavely Minerals' Board and Management are very excited about our prospects in the next half-year period.

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Directors

William Plyley (Non-Executive Chairman)
Christopher Cairns (Managing Director)
Jennifer Murphy (Technical Director)
Peter Ironside (Non-Executive Director)

Company Secretary

Amanda Sparks

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Your Directors submit their interim financial report on the consolidated entity consisting of Stavely Minerals Limited (“Stavely”) and the entities it controls at the end of the half-year ended 31 December 2017.

DIRECTORS

The Directors in office at the date of this report and at any time during the half-year are as follows. Directors were in office for the entire period unless otherwise stated.

William Pyley
Christopher Cairns
Jennifer Murphy
Peter Ironside

PRINCIPAL ACTIVITY

The Group’s principal activity was mineral exploration during the half-year. There were no significant changes in the nature of the principal activities during the half-year.

REVIEW AND RESULTS OF OPERATIONS

SUMMARY OF FINANCIAL PERFORMANCE

A summary of key financial indicators for the Group, with prior period comparison, is set out in the following table:

	Six Months Ended 31 December 2017 \$	Six Months Ended 31 December 2016 \$
Cash and cash equivalents held at half-year end	1,088,816	3,642,877
Net profit/(loss) for the half-year after tax	(2,544,716)	(2,128,155)
Basic profit/(loss) per share (cents)	(2.08)	(2.12)
Net cash (used in) operating activities	(1,430,292)	(1,192,384)
Net cash (used in) investing activities	(7,301)	(29,091)
Net cash from financing activities	(12,692)	3,344,186

During the half-year:

- Expenditure on exploration totalled \$1,130,332 (2016 half year \$853,512).
- 1,475,431 ordinary shares (\$207,290) were issued pursuant to the Share Subscription Agreement with Titeline Drilling Pty Ltd and Greenstone Property Pty Ltd as trustee for the Titeline Property Trust.

SUMMARY OF OPERATIONS

Exploration during the half-year at the Company's western Victoria copper gold projects included RC and diamond drilling at the Thursday's Gossan Copper-Gold porphyry prospect and the Fairview Gold Prospect on the Stavely Project (Figure 1). Recent deep diamond drilling at Thursday's Gossan has delivered exciting results indicating proximity to a potentially large-scale copper-gold porphyry. Follow-up drilling at the Fairview Gold prospect to test the new interpretation of the structural controls for gold mineralisation returned encouraging intercepts.

Exploration activities carried out at the Company's Ravenswood Project in north Queensland included reconnaissance field investigations, reconnaissance mapping, rock chip sampling, soil and stream sediment sampling (Figure 2). The surface exploration programmes have resulted in the identification of epithermal and intrusive-related gold mineralisation targets.

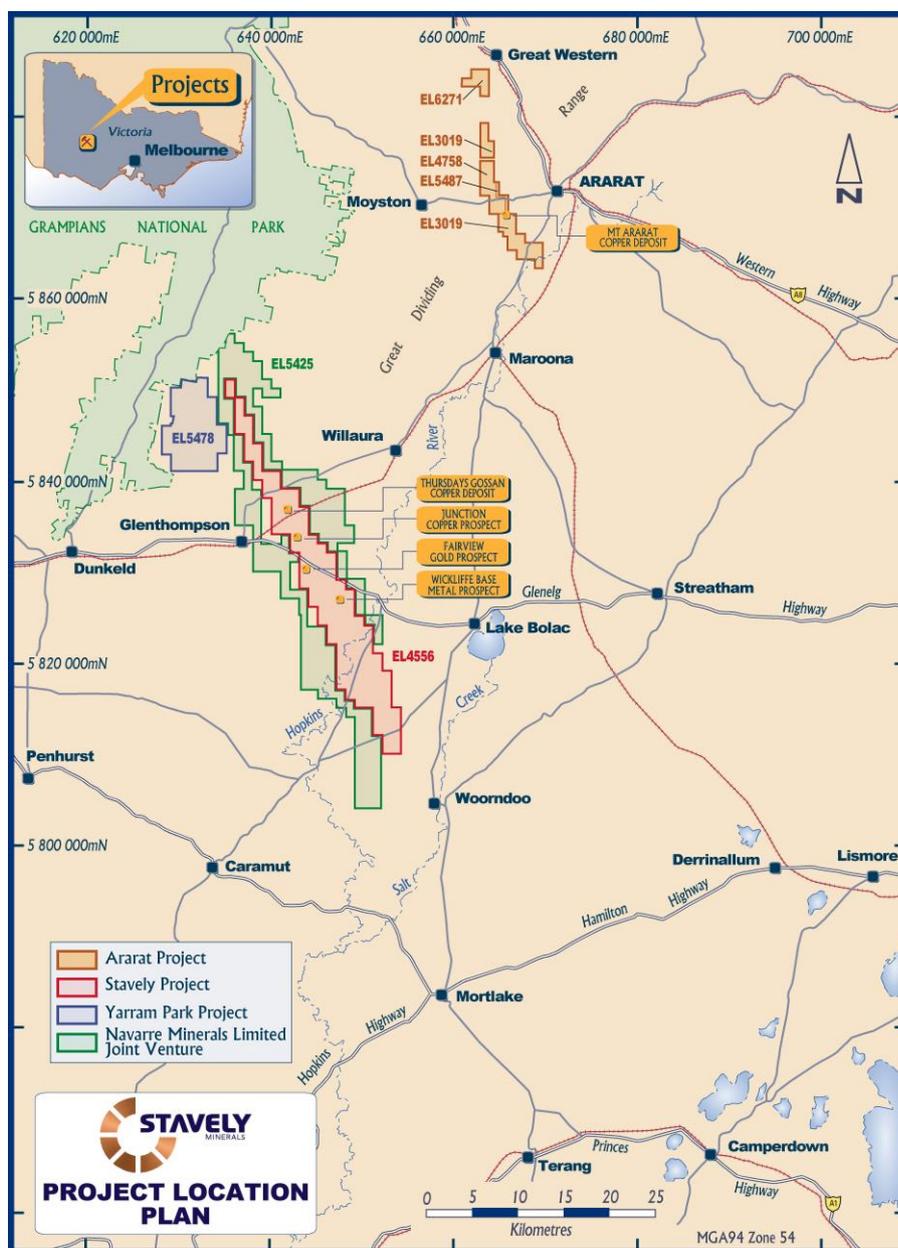


Figure 1. Western Victoria Project location plan.

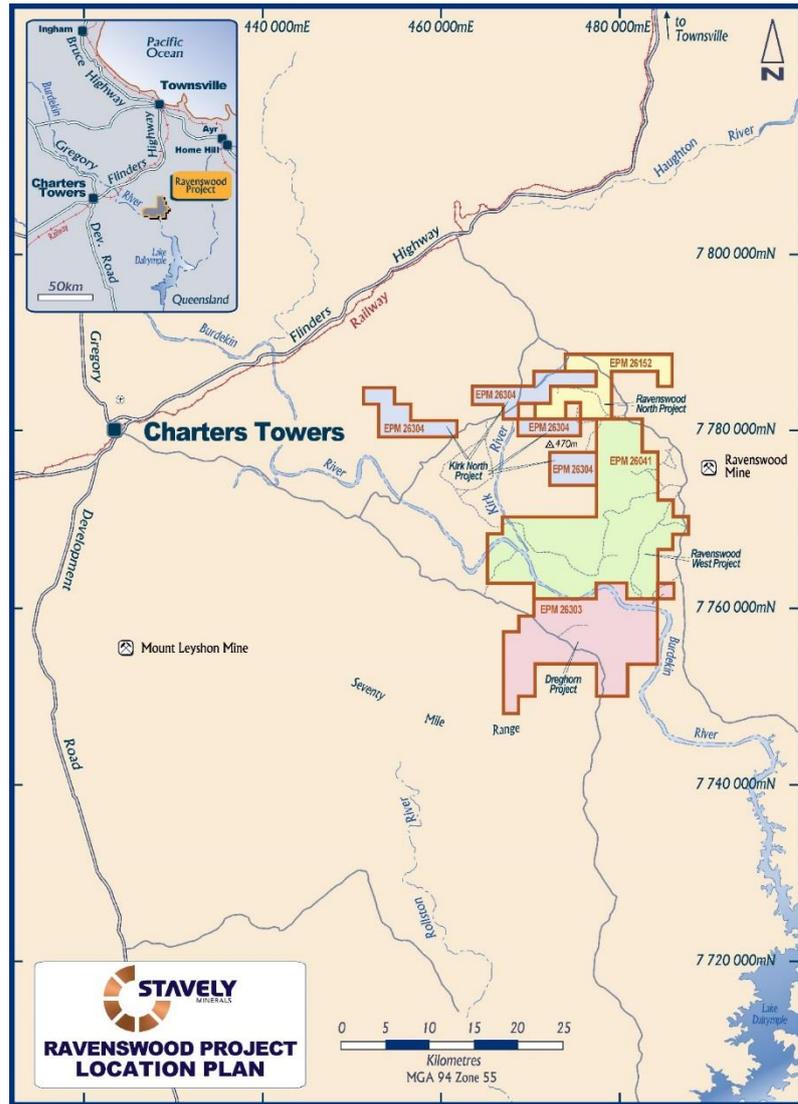


Figure 2. North Queensland Project location plan.

ARARAT PROJECT (EL 4758, EL 3019, EL 5486, EL 5403 & EL 5450)

No on-ground exploration was undertaken on the Ararat Project during the half-year.

STAVELY PROJECT (EL 4556)

During the half-year and subsequent to the half year, three diamond tails and four diamond drill holes were completed at the Thursday's Gossan Copper-Gold Porphyry prospect. During the previous half-year, four sections of five holes each for a total of 20 RC holes were drilled, with two RC holes being completed to planned depth, six being extended to depth with diamond tails and one re-drilled from surface with diamond core. During the current half-year the final three diamond tails (STRC014D, STRC019D and STRC020D) were completed (Figure 3).

This RC/diamond drilling was conducted specifically to target the near-surface expressions of the sulphide-rich 'D' veins in structures 'leaking' from a porphyry intrusion at depth at Thursday's Gossan.

Selected results from this highly successful RC drilling campaign included:

- 24 metres at 0.64% copper and 1.2 g/t gold including
 - 14 metres at 0.82% copper and 1.99 g/t gold including
 - 1 metre at 0.84% copper and 22.2 g/t gold
- 29 metres at 0.53% copper and 0.30 g/t gold to end of hole (EoH), including
 - 4 metres at 1.39% copper, 0.5 g/t gold and 55 g/t silver
- 25 metres at 0.52% copper and 0.37 g/t gold to EoH
- 3 metres at 4.14% copper, 0.36 g/t gold and 59 g/t silver
- 43 metres at 0.55% copper and 0.11 g/t gold
- 28 metres at 0.59% copper and 0.19 g/t gold
- 8 metres at 0.74% copper and 0.17 g/t gold
- 25 metres at 0.30% copper and 0.29 g/t gold to EoH including
 - 3 metres at 1.24% copper and 1.31 g/t gold

Wide intervals of copper-gold mineralisation from the diamond 'tails', included:

- 36 metres at 0.43% copper, 0.20 g/t gold and 7 g/t silver, including
 - 20 metres at 0.65% copper, 0.30 g/t gold and 12 g/t silver, including
 - 1 metre at 5.17% copper, 1.26 g/t gold and 24 g/t silver
- 85 metres at 0.35% copper, 0.18 g/t gold and 3 g/t silver, including
 - 35 metres at 0.44% copper, 0.28 g/t gold and 4 g/t silver
- 53 metres at 0.37% copper, 0.15 g/t gold and 8 g/t silver, including
 - 23 metres at 0.57% copper, 0.20 g/t gold and 12 g/t silver
- 88 metres at 0.22% copper, 0.10 g/t gold and 4 g/t silver, including
 - 3 metres at 0.92% copper, 0.32 g/t gold and 28 g/t silver
- 48 metres at 0.47% copper, 0.15 g/t gold and 2 g/t silver, including
 - 5 metres at 1.89% copper, 0.24 g/t gold and 7 g/t silver
- 27 metres at 0.39% copper, 0.16 g/t gold and 10 g/t silver, including
 - 3 metres at 2.65% copper and 1.17 g/t gold and 68 g/t silver
- 23 metres at 0.35% copper and 0.10 g/t gold (RC pre-collar)
- 9 metres at 0.28% copper and 0.15 g/t gold (RC pre-collar)

Diamond drill hole SMD012, which was cored from surface, returned:

- 124 metres at 0.31% copper, 0.12 g/t gold and 13 g/t silver, including
 - 13 metres at 0.31% copper, 0.35 g/t gold and 18 g/t silver, and including
 - 6 metres at 2.35% copper, 1.05 g/t gold and 48 g/t silver

These intercepts demonstrate that wide intervals of copper-gold mineralisation have now been intersected over a strike extent of more than 400 metres, with the mineralised zone remaining open in all directions – especially at depth. The drill sections are presented in Figures 4 to 7.

The best copper-gold mineralised intercept from 151-152 metres depth in drill hole STRC019D returned 1 metre at 4.02% copper, 1.78 g/t gold and 123 g/t silver – within a 3 metre interval at 2.65% copper, 1.17 g/t gold and 68 g/t silver – and was associated with strong hematite, specular hematite, chalcocite, chalcopyrite and bornite mineralisation, confirming the potential for materially higher gold and copper grades in the target potassic alteration zone.

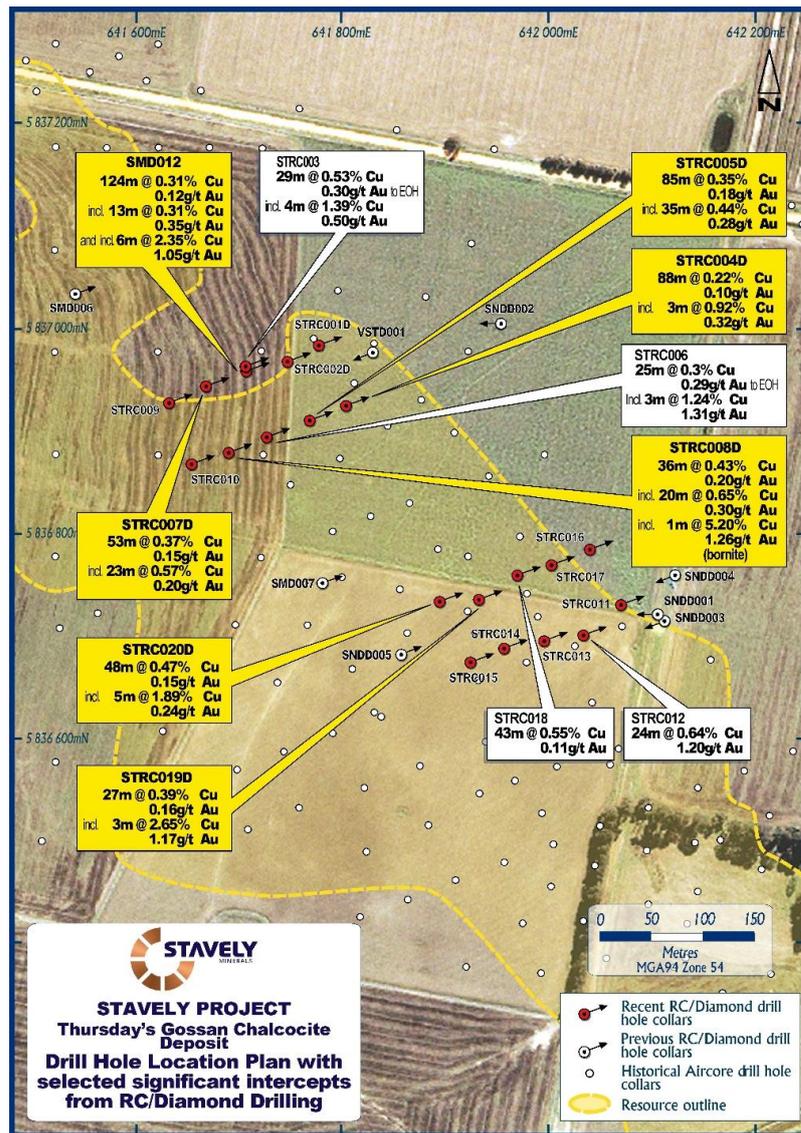


Figure 3. Stavely Project – Thursday’s Gossan prospect drill collar location plan.

The shallow drilling has intersected thick zones of strong porphyry-style copper-gold mineralisation conclusively demonstrating that there is a gold-bearing phase of mineralisation within the porphyry system.

These shallow copper-gold (and silver) intercepts are very significant for the potential development of the near-surface chalcocite enriched ‘blanket’ at Thursday’s Gossan, demonstrating that significant gold and silver values exist within this zone.

All previous Mineral Resource estimates for the Thursday's Gossan chalcocite blanket (28Mt at 0.4% copper in Inferred Mineral Resources - see Stavely Minerals' Annual Report 2016) have only estimated the copper within the deposit, excluding gold and silver. This was mainly because previous explorers had not assayed for gold or silver in many drill holes within this zone. These results conclusively demonstrate that significant gold and silver grades are hosted within the Mineral Resource area.

Four 'sighter' diamond drill holes, SMD013, SMD014, SMD015 and SMD016 were completed to follow-up to significant copper-gold drill intercepts returned from the recent RC/Diamond drilling (Figure 8).

Multiple independent vectoring techniques have all provided strong encouragement to drill in the current area. The 3D modelling of the spatial distribution of the $<2198\mu\text{m}$ SWIR sericite absorption feature white micas indicates their location in the hanging wall to the intersection of the steep NW trending ultramafic contact structure and the N striking splay structure. Additionally, the SWIR data has identified several occurrences of the minerals pyrophyllite and alunite. As well, an alunite-like mineral has also been noted in petrology. The distribution of pyrophyllite and alunite closely corresponds to the steep NW structure.

Thursday's Gossan displays the strongly negative δ^{34} sulphur isotope values consistent with alkaline copper-gold porphyries – not surprisingly, given the broad intervals of gold mineralisation intercepted in recent drilling. Of the 85 sulphur isotope determinations received for Thursday's Gossan, 50% (42) are less than -2% δ^{34} sulphur and 19 are less than -4% δ^{34} sulphur. The iso-surface of the more strongly negative δ^{34} sulphur results is in the region of the steep NW oriented ultramafic contact and the N striking splay structure.

'D' veins typically occur late in the hydrothermal evolution of porphyry systems. A number of different phases of porphyry intrusion at Thursday's Gossan have been identified. The earlier phases were associated with low-grade copper-moly mineralisation and at least one late-phase is associated with copper-gold mineralisation. Over 900 'D' vein occurrences were classified as being one of six types of 'D' veins:

1. Copper-gold
2. Copper-molybdenum
3. Pyrite
4. Molybdenum
5. Gold-silver (1 occurrence), and
6. Copper-pyrite

The hypothesis being considered was that 'D' veins of different character could be related to different phases of porphyry intrusion and mineralisation and that the geochemistry / sulphide species of a particular 'D' vein set may reflect the chemistry of its source porphyry intrusion. If so, there may be a spatial distribution to the different 'D' veins that may assist in vectoring drilling towards the late-stage copper-gold porphyry phase. While the 'D' vein classification process is completely independent of spatial location, the outcome has quite convincingly resulted in a strong clustering of the copper-gold 'D' veins proximal to, and in the hangingwall of the steep NW structure in the vicinity of its intersection with the steep N striking splay structure.

The petrographic descriptions from the recent drilling campaign on the alteration and sulphide species is consistent with high level and relatively oxidising conditions.

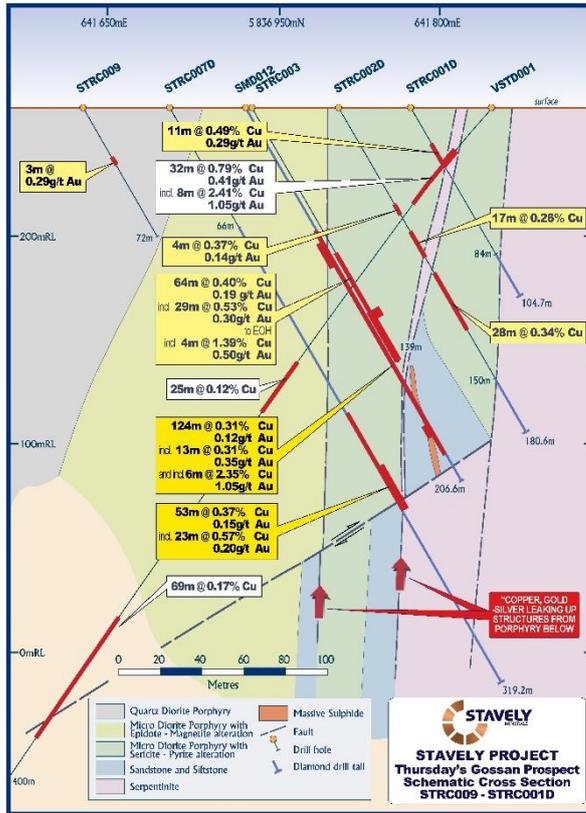


Figure 4. Drill Section STRC009 – STRC001D

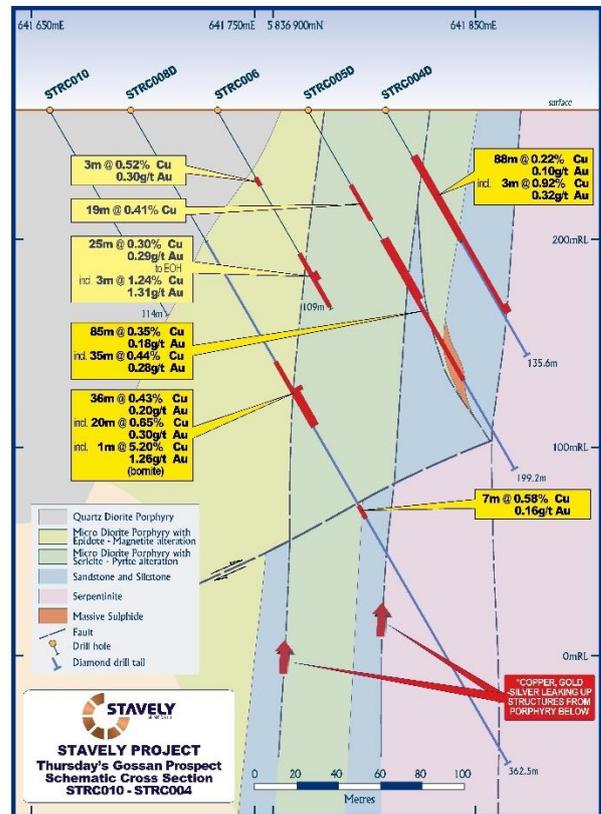


Figure 5. Drill Section STRC010 – STRC004D

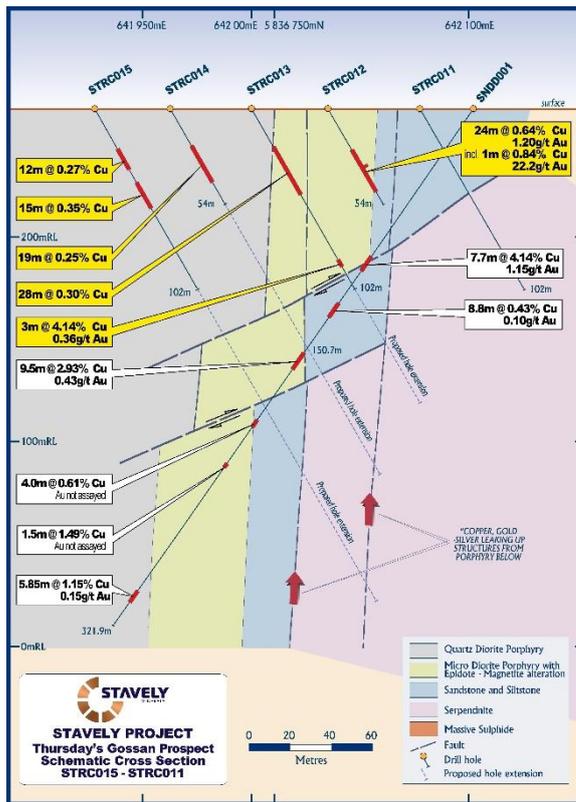


Figure 6. Drill Section STRC015 – STRC011

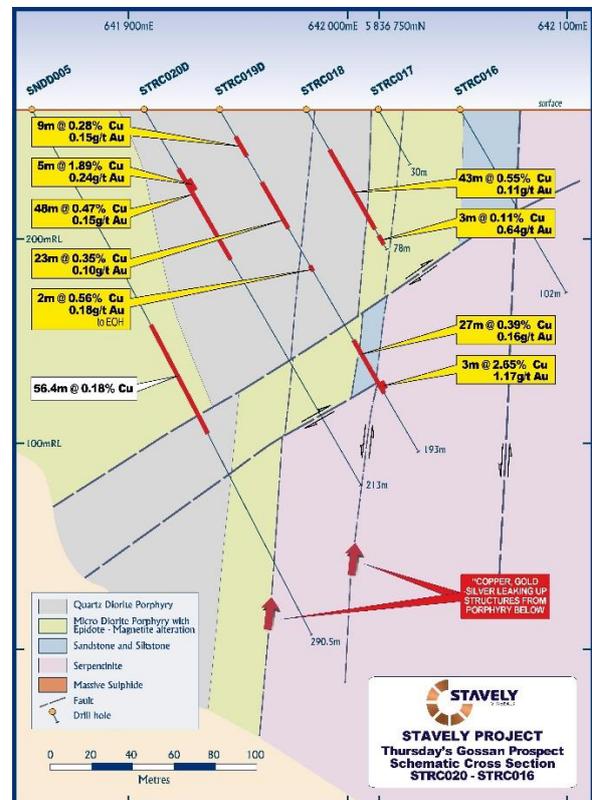


Figure 7. Drill section STRC020D – STRC016

Mr Corbett of Corbett Geological Services reviewed the recent drill core including a number of geologic features commonly used as a vector to porphyry mineralisation:

- 'D' veins
- Pebble dyke
- Overprinting evolved porphyry-related ore fluids
- Zone prograde and overprinting retrograde alteration
- Metal zonation
- Structural control to porphyry location

Mr Corbett found that the features noted in drill core support the interpretation of an 'above porphyry' environment and that drilling of deeper holes below recent results be progressed as a priority.

Diamond drill holes SMD013 and SMD014 intercepted inner-propylitic hematite-epidote alteration and SMD015 intercepted sodic-potassic alteration hosting significant widths of early proximal magnetite-rich 'M' veins and associated fine sulphides. Diamond drill hole SMD016 intersected intervals of porphyry 'M' veins, 'A' veins, disseminated bornite and chalcopyrite, as well as in excess of 80m of 'D' veins below the low-angle structure (Figure 9).

Assays for the first, sulphide-rich batch of 'D' vein samples from hole SMD015 returned impressive copper and gold assays of up to 14.75% Cu and 0.33 g/t gold and 10.75% Cu and 0.60 g/t gold (Figure 9). The Thursday's Gossan copper-gold porphyry system hosts unusually thick and high-grade late 'D' veins. 'D' veins do constitute economic mineralisation in some large copper-gold porphyry systems like the Hugo Dummett deposit at the Oyu Tolgoi mine in Mongolia and the Heavy Sulphide Zone at the Grasberg mine in Irian Jaya.

Significantly, diamond drill hole SMD015 intercepted ~100m of magnetite-rich 'M' veins and fine disseminated sulphides which provide evidence that gold-rich porphyry-style mineralisation is very close and at a shallower depth than previously expected. In most copper-gold porphyry systems, the 'M' veins precede the main mineralising phase while the late 'D' veins occur after the main mineralising event. Both 'M' and 'D' veins typically extend beyond the more centrally constrained copper-gold mineralised zone. The 'M' veins observed in the core are remarkably similar in character to those well-documented at the world-class Cadia-Ridgeway copper-gold mine and host fine-grained pyrite and lesser chalcopyrite. The intensity of the magnetite and quartz veining and associated pervasive hydrothermal alteration are compelling indications of a very hydrous and oxidised mineralising fluid system that has had the potential to develop significant copper-gold mineralisation.

In his PhD thesis on the Cadia gold-copper porphyry deposits, Wilson (2003)¹ describes early veining as characterised by:

"Veinlets of magnetite-actinolite (E-1A) and quartz-magnetite-bornite (E-1B) cut by thick, grey coloured quartz veins with characteristic laminations of magnetite-bornite±actinolite (E-2). White quartz-bornite-chalcopyrite veins (E-4) have cut older vein stages.

Wilson uses the 'E' terminology to denote that these 'M' veins are early in the mineralising sequence at Cadia-Ridgeway. It is apparent from Wilson's thesis that the high-grade gold core to the Cadia-Ridgeway deposit is centred on the distribution of the E-2 veins he describes as extending up to 80m from the Ridgeway Intrusive Complex (RIC), while the commonly barren E-1 veins can extend further outward up to 350m from the RIC.

The recent drilling is considered highly encouraging due to the very strong proximal copper-gold porphyry signals.

¹ The geology, genesis and exploration context of the Cadia gold-copper porphyry deposits, New South Wales, Australia, Alan J. Wilson, submitted in fulfillment of the requirements for the degree of Doctor of Philosophy, University of Tasmania, November 2003

To date only the results for the first batch of 'D' vein samples in hole SMD015 have been received, the remainder of the results are still outstanding.

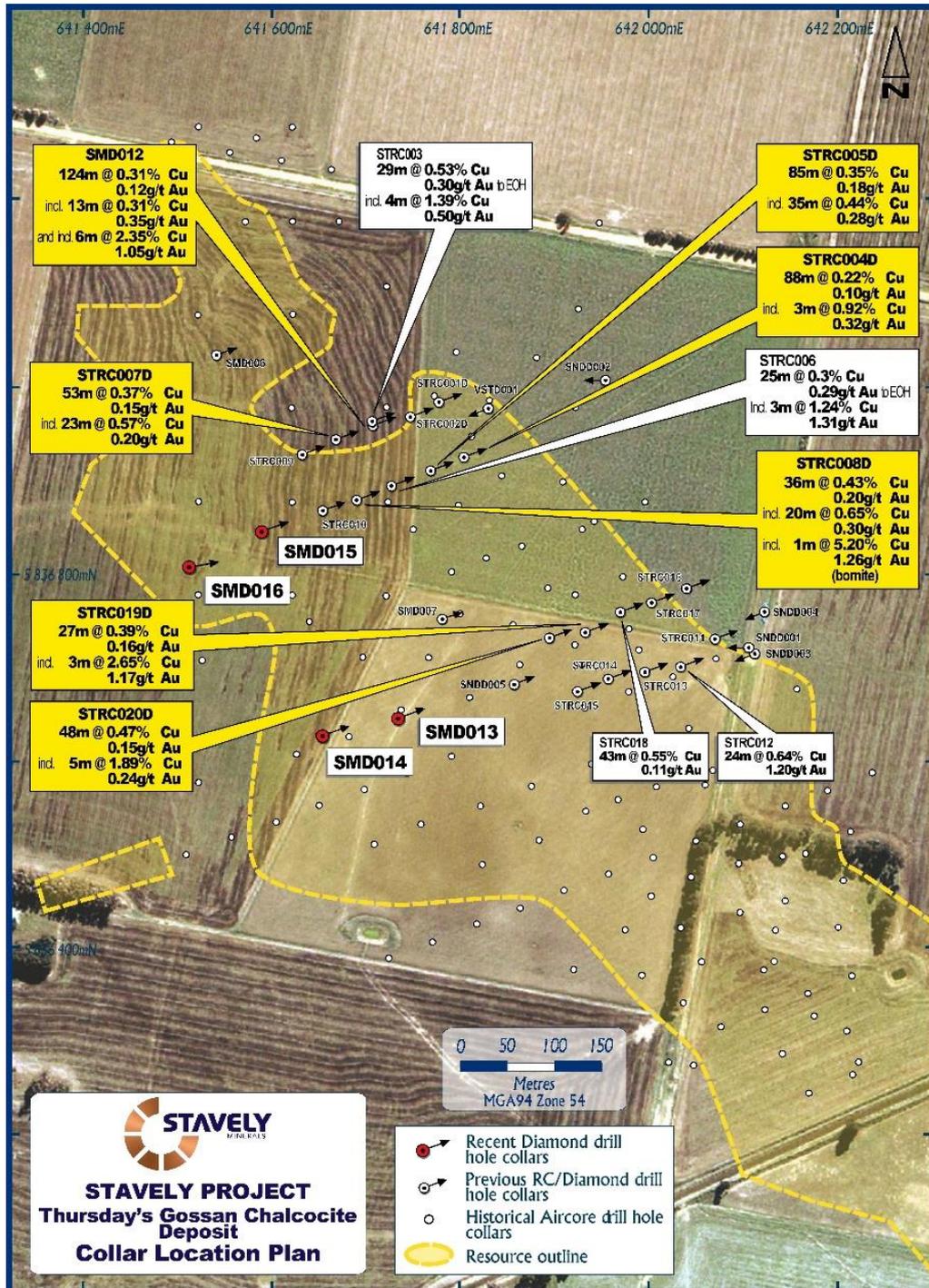


Figure 8. Thursday's Gossan – collar location plan for SMD013 – SMD016

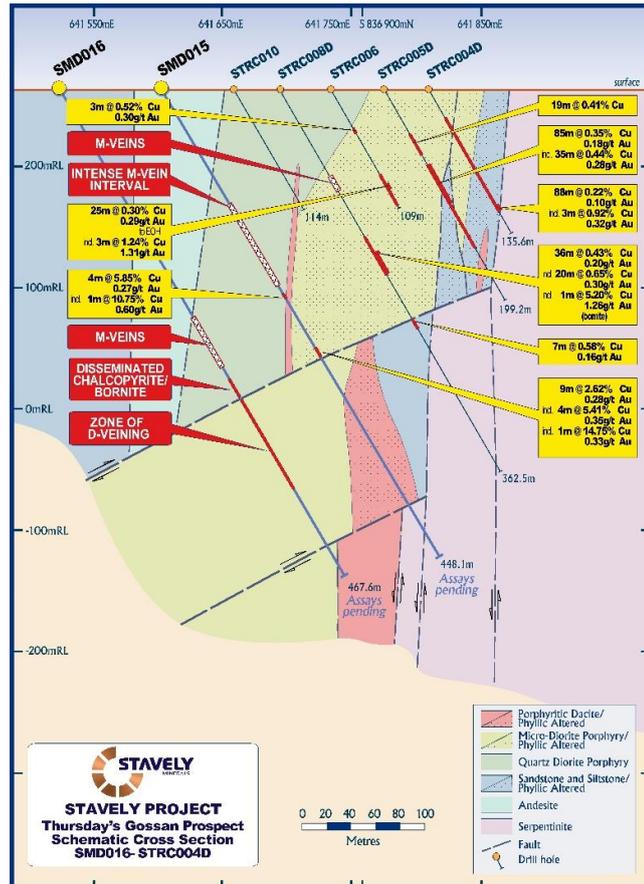


Figure 9. Drill section with SMD016.

Fairview Gold Prospect

During the half-year four RC holes were drilled at Fairview North. The previous drilling programme in the first Quarter of 2017, designed to test a new interpretation of the structural controls for gold mineralisation at the prospect, returned an encouraging intercept of:

- 30 metres at 1.4 g/t gold including
 - 11 metres at 2.4 g/t gold

The follow-up drilling, comprising four RC drill holes around this intercept, returned good widths of moderate grade gold mineralisation within large widths of low-grade gold mineralisation (Figures 10 and 11) including:

- 17 metres at 1.23 g/t gold from 23 metres drill depth within a larger low-grade interval of
 - 57 metres at 0.57 g/t gold from surface
- 16 metres at 1.04 g/t gold from 6 metres drill depth within a larger low-grade interval of
 - 68 metres at 0.42 g/t gold from surface.

Additional intercepts included:

- 6 metres at 1.65 g/t gold from 53 metres drill depth;
- 4 metres at 1.70 g/t gold from 5 metres drill depth; and
- 1 metre at 6.70 g/t gold from 76 metres drill depth.

Independently, Geoscience Australia drilled a diamond hole (STAVELY-17) in the immediate vicinity of the Fairview South prospect in 2014 as part of a series of holes drilled in the Stavelly region as pre-competitive stratigraphic drilling (Figure 12).

A geochemical study of the pyrites recovered from STAVELY-17 was released earlier this year and concluded that there was two-stage pyrite growth – a high temperature early stage which was likely to be related to porphyry-style mineralisation at depth and a low-temperature later stage which is likely an epithermal overprint.

This was compared by Geoscience Australia to the pyrite in the Wafi-Golpu and Lihir porphyry / epithermal copper-gold and gold deposits. Jeff Steadman and Ross Large (ARC Centre of Excellence in Ore Deposits, University of Tasmania) went on to conclude that the estimated distance to the target porphyry would be 0.5 - 1 km.

The Geoscience Australia / Geological Survey of Victoria Stavelly Project data and reports are available from the Geoscience Australia web site, including the report *Regional geology and mineral systems of the Stavelly region, western Victoria: Data release 5 – Geochemistry data* which includes the pyrite geochemistry report.

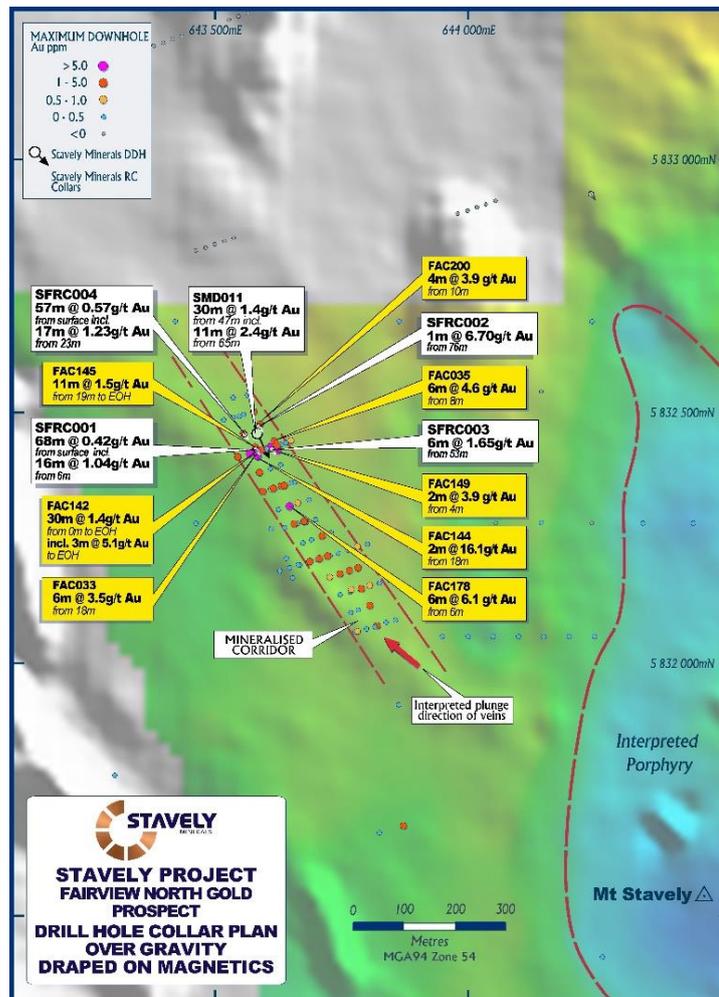


Figure 10. Fairview North drill collar location plan.

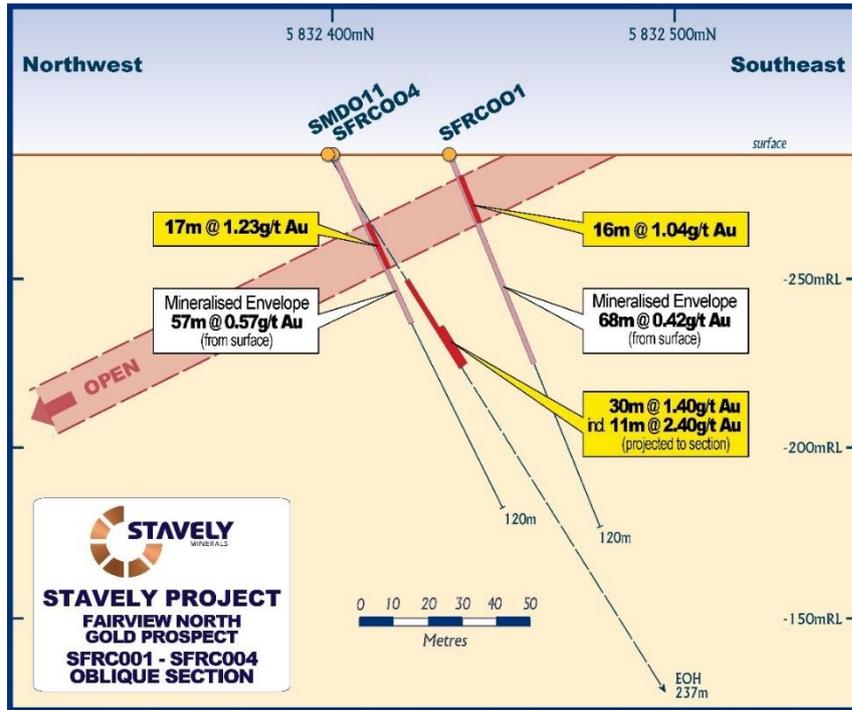


Figure 11. Fairview North SFR001 – SFR004 oblique drill section.

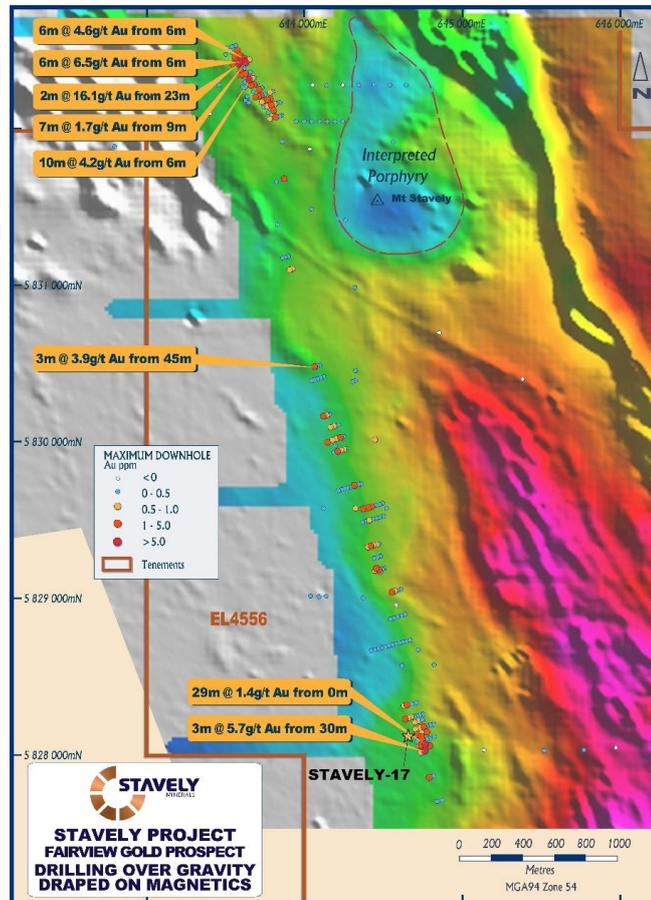


Figure 12 . Fairview North and South gold prospects with location of drill hole STAVELY-17.

Yarram Park Project (EL 5478)

During the half year the petrographic descriptions were received from the drill core samples submitted from Toora West for investigation. The maiden drilling programme at Toora West in the first Quarter of 2017 confirmed the existence of a previously un-known 'blind' intrusive complex, considered to be the correct composition to host a porphyry copper ± gold deposit (Figure 13).

The intrusive phases intersected in the drilling hosted both early and later porphyry-style alteration, albeit likely distal to a potentially mineralised copper ± gold porphyry. More recently, induced polarisation (IP) geophysics has identified a very large and very strong chargeability anomaly located approximately 800m to the south of the maiden drill-hole locations (Figure 14).

There is strong potential that this chargeability anomaly may be caused by disseminated sulphides associated with copper-gold mineralisation. This is considered a Priority 1 drill target and site preparation has been completed in advance of drilling two diamond holes in the first Quarter of 2018.

Petrographic description of the intrusive units intersected in the drilling indicates that, texturally and compositionally, they are typical of those found in some low-K calc-alkaline porphyry copper-gold systems.

Further, the petrographic description of the intrusive and metamorphic units describes a widespread weak-to-moderate early and hot potassic alteration, expressed as biotite and K-spar alteration of mafic minerals and K-spar alteration of plagioclase feldspars. Also noted is a later moderate propylitic alteration overprint expressed as a chlorite alteration of mafic minerals.

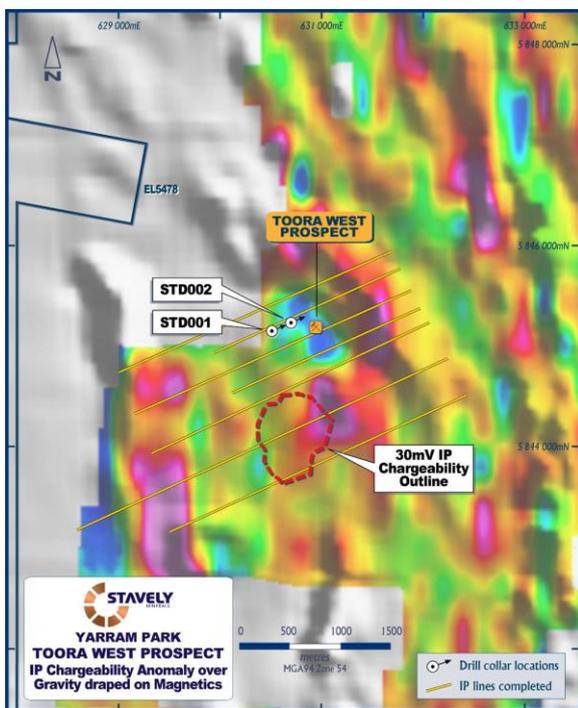


Figure 13. Toora West Prospect – IP Chargeability Anomaly over Gravity draped on Magnetics.

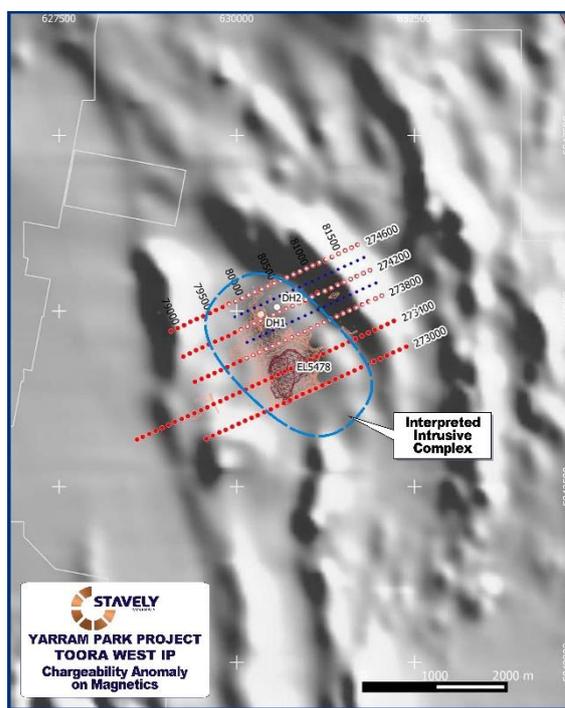


Figure 14. Toora West IP lines (solid red stations are the 2017 IP programme extension) and the 20mV/V (pink wireframe) and 50mV/V (red wireframe) IP chargeability anomalies.

RAVENSWOOD PROJECT (EPM26041, EPM26151, EPM26303 & EPM26304)

During the half year exploration was conducted at the Ravenswood Project with regional soil sampling and rock chip sampling programme conducted at the Dreghorn and Connolly North/ Trieste Goldfields on EPM26152 and EPM26041 (Figure 16).

Dreghorn Prospects

The Dreghorn group of prospects are situated south of the Burdekin River and include the Area 8, Rhyolite Ridge, Ellen Boss, Ellen Boss East, Albion-Queenslander, Rejoice, Hidden Treasure and Percy Keene prospects (Figure 15).

At the Area 8 prospect, surface rock-chips have returned assay results to 0.65 g/t gold, 106 g/t silver, 397ppm arsenic and 837ppm antimony from crustiform and colloform quartz veins and quartz breccia in-fill. The quartz textures and geochemical signature are consistent with a low-sulphidation epithermal gold-silver system. A notable example of a low-sulphidation epithermal gold-silver system in the area is the Pajingo gold deposit.

At the Bowerbird prospect, high-grade rock chip results included:

- 14.2% copper, 279ppm silver, 0.8% zinc and 0.57% lead

The association of strong base metal/silver mineralisation with a nearby outcrop of rhodochrosite (manganian carbonate) veining is of particular interest in the context of an epithermal base-metal/precious metal system.

This exploration potential is particularly enhanced by the fact that Bowerbird is not far from the Area 8 prospect, displaying low-sulphidation colloform and crustiform quartz veining and associated anomalous geochemistry. Further follow-up mapping and sampling is planned.

At the Albion/Queenslander trend, spectacular gold grades of up to 68.3 g/t gold have been returned from surface rock-chip samples. The central part of the Dreghorn goldfield is dominated by parallel NW, NNW and north-trending quartz+calcite+siderite±chlorite±sericite veins. Individual veins extend for 190m to 700m length (Table 1).

The veins have massive sheeted and brecciated textures. They contain rare galena and chalcopyrite. Proximal chlorite+carbonate and rarely quartz+sericite alteration assemblages occur within the adjacent granodiorite.

The Hidden Treasure prospect yielded up to **4.05 g/t gold** in rock samples and **325ppb gold** in soil samples near the Hidden Treasure workings. The area is dominated by NNW and WNW trending microgranite dykes and NNW-trending quartz and siderite veins.

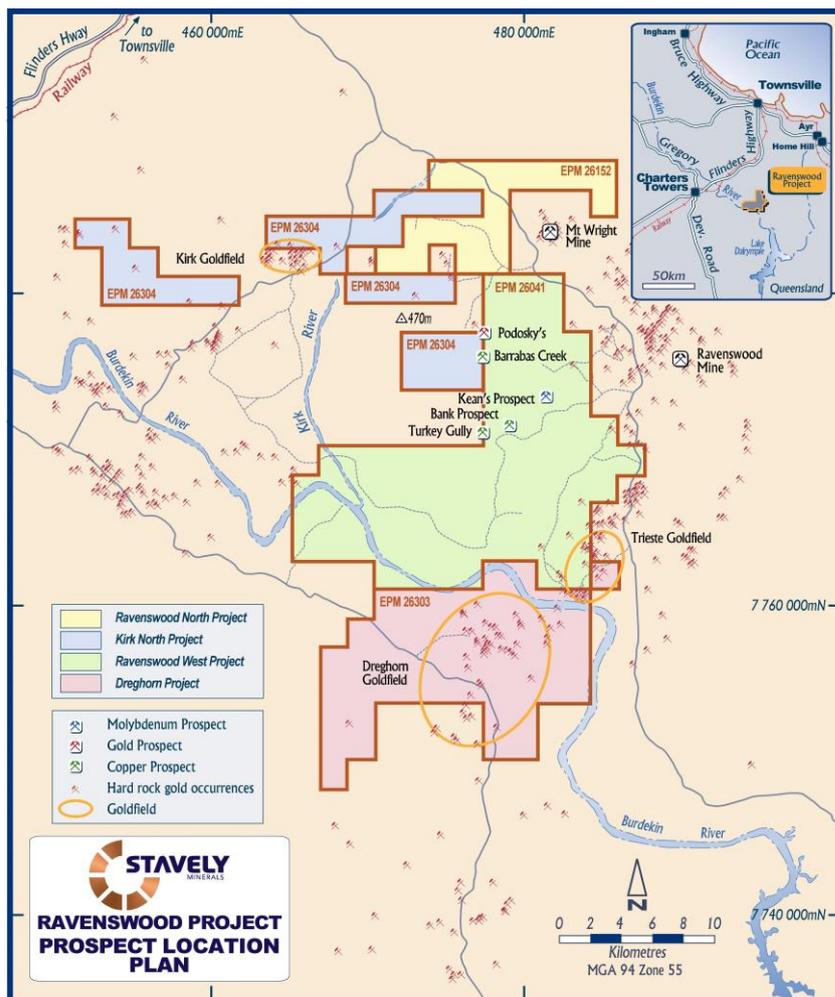


Figure 15. Ravenswood Project – prospect location plan.

Table 1 – Summary of rock chip results from key prospects, Ravenswood Project

Ravenswood Project		
Prospect	Au g/t	Rock Chip Description
Albion/Queensland	68.3	Quartz breccia vein with disseminated euhedral
Hidden Treasure	4.05	Quartz - calcite vein
Connolly Far North	36.6	Vuggy quartz vein
Trieste Goldfield	5.54	Laminated quartz, siderite and calcite vein
	2.18	Quartz- siderite- calcite- hematite breccia vein
Kirker's Prospect	3.71	Vuggy quartz-carbonate vein
	1.88	Quartz- calcite- siderite vein
Dreghorn North	12.95	Quartz- calcite- chalcopryrite vein
Wilbers Hill	0.43	Brecciated quartz veins with weathered sulphides in float
Powerline	0.63	Quartz vein breccia with coarse decomposed sulphides
Kirk Goldfield	1.03	Copper mineralisation in epidote altered rock

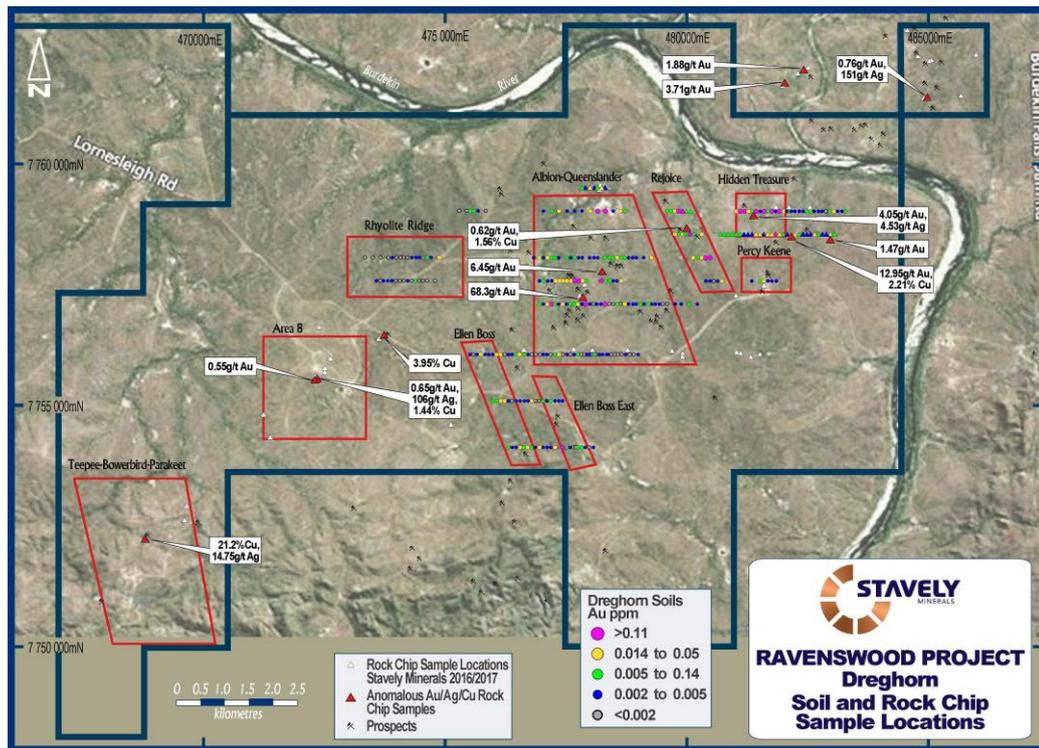


Figure 16. Ravenswood Project – Dreghorn prospect soil and rock chip sample locations.

Ravenswood Central Prospects

At the Ravenswood Central prospects (Figure 17), rock-chip sampling has returned some very significant assay results including:

- 36.6 g/t gold from a 5-10cm thick low-angle quartz vein at the Connolly Far North prospect;
- 5.54 g/t gold and 2.18 g/t gold from quartz veins at the Trieste prospect;
- 3.71 g/t gold and 1.88 g/t gold from the Kirker’s prospect; and
- 0.76 g/t gold and 151 g/t silver from the Dreghorn North prospect.

Of particular interest, while there were a number of steep to moderate dipping quartz veins, there were also a large number of low-angle quartz veins observed at surface and in creek exposures in the Connolly North and Connolly Far North prospects.

Large areas of flat, platy quartz vein float could be indicative of a larger vein system similar to those at the Sarsfield and Nolans deposits at the Ravenswood Gold Mine, ~15km away.

In tributaries to Elphinstone Creek, recent reconnaissance exploration has returned very significant stream sediment assay results including 6.28 g/t gold, 1.1 g/t gold, 0.45 g/t gold and 0.42 g/t gold in an area of widespread gold anomalism but no known hard-rock workings.

Initial follow-up in the creek hosting the 1.1 g/t gold and 6.28 g/t gold stream sediment anomalies indicates that there is abundant red garnet in the stream and outcrop of pegmatite with large garnets was located nearby. It is not known if this is associated with the gold anomalism.

Ravenswood North Prospects

Numerous significant copper, gold and silver assay results (Figure 17) have been generated from reconnaissance rock-chips including:

- 18.3% copper from Keane’s porphyry copper-molybdenum prospect;
- 0.43 g/t gold and 262 g/t silver from Wilbers Hill prospect; and
- 1.03 g/t gold and 2.07% copper from Smith’s prospect.

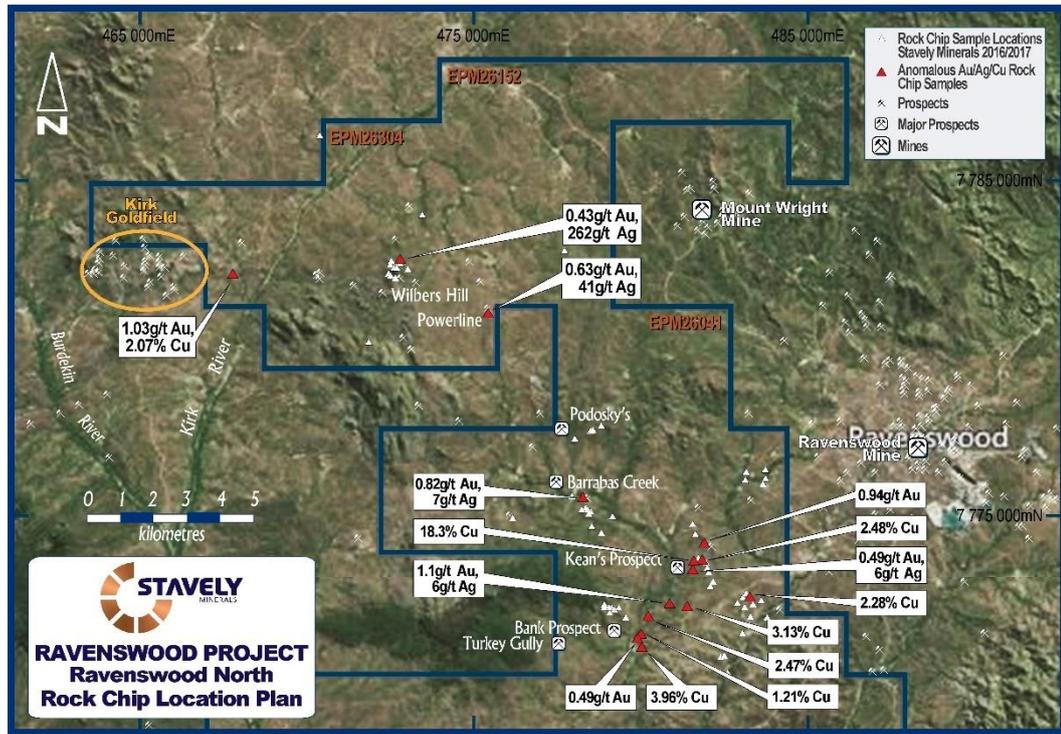


Figure 17. Significant reconnaissance rock-chip assay results from for Ravenswood North prospects.

ANNOUNCEMENTS

The following announcements (available at www.stavelly.com.au) provide a more detailed description of the Company's operational activities for the half-year ended 31 December 2017 and subsequent activities:

- 3/07/2017 Key Breakthrough for Stavelly with Strong Porphyry-Style Copper-Gold Mineralisation Intersected at Thursday's Gossan, Victoria
- 12/07/2017 Stavelly Generates Outstanding Porphyry Drill Target at Toora West, Western Victoria.
- 21/07/2017 Stavelly to Evaluate Heap Leach Potential at Fairview as Drilling Confirms Thick Zones of Shallow Gold
- 23/08/2017 Impressive Thick Porphyry-Style Copper-Gold Intercepts at Thursday's Gossan, Victoria.
- 5/09/2017 More Strong Porphyry-Style Copper-Gold Intercepts with Grades of up to 4% Cu Further Strengthen Potential of Thursday's Gossan, Western Victoria.
- 20/11/2017 Thursdays Gossan - The Technical Planets Align
- 12/01/2018 Thursday's Gossan - Intensive 'M' Veins Intercepted
- 12/01/2018 Stavelly and Navarre Earn-In and JV Agreement
- 18/01/2018 Thursday's Gossan - Impressive Copper and Gold Assays
- 19/01/2018 Record Date for Exploration Incentive Development Scheme Credits.
- 22/01/2018 Queensland Exploration Update
- 24/01/2018 Thursday's Gossan - Further Indications of Mineralisation
- 29/01/2018 Thursday's Gossan - Diamond Drilling Update
- 30/01/2018 Request for Trading Halt
- 30/01/2018- Quarterly Activities Report
- 30/01/2018- Quarterly Cashflow Report
- 01/02/2018 Stavelly Set to Fast-Track Victorian Copper-Gold Exploration Following Heavily Oversubscribed Capital Raising of up to \$8.3M
- 5/02/2018 Share Purchase Plan - Cleansing Statement
- 5/02/2108 Share Purchase Plan - Offer Document
- 16/02/2018 Thursdays Gossan - New 80m Intercept of Porphyry M Veins
- 22/02/2018 Share Purchase Plan Closes Oversubscribed
- 22/02/2018- RIU Explorers Conference Presentation
- 6/03/2018 Notice of General Meeting / Proxy Form
- 13/03/2018 Intercept of 'Bendigo-like' Source Rocks at Toora West

CORPORATE

Stavelly Minerals had a total of \$1.09M cash on hand at the end of December 2017, with a further \$1.01M available pursuant to the Share Subscription Agreement with Drilling contractor, Titeline Drilling Pty Ltd.

SUBSEQUENT EVENTS

Earn-in and Joint Venture Agreement with Black Range Metals Pty Ltd

The Company entered into an Earn-in and Joint Venture Agreement with Black Range Metals Pty Ltd ("Black Range" - a wholly-owned subsidiary of Navarre Minerals Limited, "Navarre Minerals") for Black Range's Exploration Licence EL5425. EL5425 is located adjacent to Stavelly's Yarram Park Project and surrounds the 100%-owned Stavelly Copper Project in western Victoria (Figure 1).

Key terms of the agreement include:

- Stavelly Minerals may earn up to an 80% interest in EL5425 in two stages –
 - In the first earn-in stage, Stavelly Minerals must sole fund \$150,000 of exploration costs in the first two years to earn a 51% interest, and
 - After completion of the first earn-in stage, Stavelly Minerals may elect to proceed to the second earn-in stage,
 - In the second earn-in stage, Stavelly Minerals must sole fund an additional \$300,000 of exploration costs in the next three years to earn an additional 29% interest,
 - After the second earn-in period, both parties are to contribute to Joint Venture expenditure on a pro-rata basis relative to their participating interest or dilute their interest in accordance with a specified formula,
 - If a participant's interest falls below 5%, that participant's interest will convert to a Net Smelter Return (NSR) royalty of 1%,
 - If a participant's interest is converted to the NSR royalty, the other participant is granted an option to redeem the NSR royalty for the payment of \$200,000 within two years of the conversion,
 - All other Joint Venture terms are as per industry standard.

EDI Credits

Stavelly Minerals announced that exploration credits of \$422,455 (27.5% of Stavelly's eligible 2016-2017 exploration expenditure of \$1.536 million) will be distributed to shareholders. The entitlements to the EDI credits was based on a Record Date of Monday 22 January 2018, being 30 days prior to the issue date of Wednesday 21 February 2018. This equated to 0.3435 cents per share.

Based on Stavelly's closing price of 32 cents per share on 18 January 2018, these credits represent a theoretical return of approximately 1.07% for eligible shareholders.

The EDI was established to enable eligible exploration companies to create exploration credits by giving up a portion of their tax losses from eligible exploration expenditure and distributing these exploration credits to equity shareholders. Australian resident shareholders that are issued with an exploration credit will be entitled to a refundable tax offset (for shareholders who are individuals or superannuation funds) or franking credits (for shareholders who are companies). Non-resident shareholders will receive the exploration credits but cannot use them. The exploration company's carry forward losses are reduced proportionately to reflect the amount of exploration credits created.

Placement and Share Purchase Plan

In February 2018, Stavely completed a capital raising which was underpinned by a Share Placement of 20 million shares at 34 cents per share to sophisticated and institutional investors to raise \$6.8 million before costs. The Share Placement was oversubscribed. In addition, the Company completed a Share Purchase Plan (SPP), also at 34 cents to allow existing shareholders to participate in the capital raising on the same terms as the Share Placement. Stavely offered eligible shareholders the opportunity to subscribe for new shares up to a maximum value of \$15,000 per eligible shareholder. Applications totalling \$2.3 were received exceeding the target cap of \$1.5 million for the SPP. At the discretion of the Board, applications were scaled back to a total of \$2 million.

The funds raised through the combined Share Placement and SPP are being used to accelerate drilling programmes in western Victoria testing a suite of porphyry copper-gold targets, including the advanced exploration at the Thursday's Gossan prospect and follow-up exploration programmes in Queensland.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declarations as required under section 307C of the Corporations Act 2001 is included in this report and can be found on the page following this report.

Signed in accordance with a resolution of the Directors.



Christopher Cairns
Managing Director

Perth, Western Australia

13 March 2018

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Chris Cairns, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Cairns is a full-time employee of the Company. Mr Cairns is the Managing Director of Stavely Minerals Limited, is a substantial shareholder of the Company and is an option holder of the Company. Mr Cairns has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cairns consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

With respect to reporting of the Mineral Resources at the Mt Ararat VMS copper-gold-zinc deposit, the information is extracted from the report entitled "Stavely Minerals Limited – Prospectus" created on 26 March 2014 and is available to view on www.stavely.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



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Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF STAVELY MINERALS LIMITED

As lead auditor for the review of Stavelly Minerals Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stavelly Minerals Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the Half-Year ended 31 December 2017**

	Note	Consolidated	
		Six months ended 31 December 2017 \$	Six months ended 31 December 2016 \$
Revenue and Income			
Interest revenue		20,045	15,604
Rental sub-lease revenue		18,474	20,149
		<u>38,519</u>	<u>35,753</u>
Expenses			
Administration and corporate expenses	2(a)	(346,161)	(312,403)
Administration – equity based payments	2(a)	(1,106,742)	(997,993)
Exploration expensed	2(b)	(1,130,332)	(853,512)
Total expenses		<u>(2,583,235)</u>	<u>(2,163,908)</u>
Profit/(loss) before income tax		(2,544,716)	(2,128,155)
Income tax expense		-	-
Profit/(loss) after income tax attributable to members of Stavely Minerals Limited		(2,544,716)	(2,128,155)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Other		-	-
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive profit/(loss) for the period		(2,544,716)	(2,128,155)
Loss per share for the half-year attributable to the members of Stavely Minerals Limited			
Basic earnings/(loss) per share	3	<u>(2.08)</u>	<u>(2.12)</u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

		Consolidated	
	Note	31 December 2017	30 June 2017
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		1,088,816	2,539,101
Other receivables		156,633	113,034
Total Current Assets		<u>1,245,449</u>	<u>2,652,135</u>
Non-Current Assets			
Receivables		42,500	42,500
Property, plant and equipment		39,809	51,768
Deferred exploration expenditure	4	3,006,057	3,006,057
Total Non-Current Assets		<u>3,088,366</u>	<u>3,100,325</u>
Total Assets		<u>4,333,815</u>	<u>5,752,460</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		215,762	415,014
Provisions		51,930	57,946
Total Current Liabilities		<u>267,692</u>	<u>472,960</u>
Total Liabilities		<u>267,692</u>	<u>472,960</u>
Net Assets		<u>4,066,123</u>	<u>4,522,592</u>
Equity			
Issued capital	5	16,202,160	15,977,562
Reserves		3,295,893	2,189,111
Accumulated losses		(15,431,890)	(12,887,173)
Total Equity		<u>4,066,123</u>	<u>5,279,500</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Half-Year ended 31 December 2017



	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Receipts in the ordinary course of activities (incl. GST)	113,228	78,857
Payments to suppliers and employees	(1,564,525)	(1,286,845)
Interest received	21,005	15,604
Net cash flows used in operating activities	<u>(1,430,292)</u>	<u>(1,192,384)</u>
Cash flows from investing activities		
Payments for plant and equipment	(7,301)	(29,091)
Net cash flows used in investing activities	<u>(7,301)</u>	<u>(29,091)</u>
Cash flows from financing activities		
Proceeds from issue of shares and options	-	3,531,499
Payment of share issue costs	(12,692)	(187,313)
Net cash flows used in financing activities	<u>(12,692)</u>	<u>3,344,186</u>
Net increase/(decrease) in cash and cash equivalents held	(1,450,285)	2,122,711
Add opening cash and cash equivalents brought forward	2,539,101	1,520,166
Closing cash and cash equivalents carried forward	<u><u>1,088,816</u></u>	<u><u>3,642,877</u></u>

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Half-Year ended 31 December 2017

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 July 2016	12,325,646	1,168,877	(8,971,931)	4,522,592
Profit/(loss) for the half-year	-	-	(2,128,155)	(2,128,155)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive loss for the half-year, net of tax	-	-	(2,128,155)	(2,128,155)
Transactions with owners in their capacity as owners:				
Issue of share capital	3,706,519	-	-	3,706,519
Cost of issue of share capital	(187,313)	-	-	(187,313)
Share based payments - options	-	997,993	-	997,993
	3,519,206	997,993	-	4,517,199
As at 31 December 2016	15,844,852	2,166,870	(11,100,086)	6,911,636
At 1 July 2017	15,977,562	2,189,111	(12,887,173)	5,279,500
Profit/(loss) for the half-year	-	-	(2,544,717)	(2,544,717)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive loss for the half-year, net of tax	-	-	(2,544,717)	(2,544,717)
Transactions with owners in their capacity as owners:				
Issue of share capital	237,290	-	-	237,290
Cost of issue of share capital	(12,692)	-	-	(12,692)
Share based payments - options	-	1,106,742	-	1,106,742
	224,598	1,106,742	-	1,331,340
As at 31 December 2017	16,202,160	3,295,853	(15,431,890)	4,066,123

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This half-year financial report for the six months ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001 and was authorised for issue in accordance with a resolution of the directors on 13 March 2018.

These half-year financial reports do not include all the notes of the type normally included in annual financial reports and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial reports.

The half-year financial reports should be read in conjunction with the annual financial reports for the year ended 30 June 2017 and any public announcements made by Stavelly Minerals Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Stavelly Minerals Limited is a for-profit entity for the purpose of preparing the half-year financial statements.

(b) Statement of Compliance

These half-year financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) Adoption of new and revised standards

Early adoption of accounting standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting year beginning 1 July 2017.

New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations that may have an impact on the Group is set out below:

AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 includes requirements for the classification and measurement of financial assets. There is no material impact for Stavelly. This standard is not applicable until the financial year commencing 1 July 2018.

AASB 16 Leases

AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Stavelly has not yet determined the impact on the group accounts, however it is likely that the rental of office premises in WA, residential premises used for site-based staff in Victoria and miscellaneous items such as a photocopier will require Stavelly to recognise lease liabilities and right-of-use assets on its' statement of financial position. This standard is not applicable until the financial year commencing 1 July 2019.

	Six months ended 31 December 2017	Six months ended 31 December 2016
	\$	\$
NOTE 2 - EXPENSES		
(a) Administration and Corporate Expenses		
Administration and corporate expenses include:		
Depreciation - administration	1,290	1,335
Operating lease rental expense	69,746	74,242
Other administration and corporate expenses	275,125	236,826
	<u>346,161</u>	<u>312,403</u>
Administration – share based payments (refer note 6)	1,106,742	997,993
Total administrations costs	<u>1,452,903</u>	<u>1,310,396</u>

(b) Exploration Costs Expensed

Exploration costs expensed include:

Depreciation - exploration	17,970	29,786
Share based payments expensed (refer note 6)	237,290	175,019
Other exploration costs expensed	875,072	648,707
	<u>1,130,332</u>	<u>853,512</u>

NOTE 3 - EARNINGS PER SHARE

	Cents	Cents
Basic earnings/(loss) per share	(2.08)	(2.12)
	\$	\$
Profit/(loss) attributable to ordinary equity holders of the Company used in calculating:		
- basic loss per share	<u>(2,544,716)</u>	<u>(2,128,155)</u>
Weighted average number of ordinary shares outstanding during the half-year used in the calculation of basic earnings per share	<u>122,404,573</u>	<u>100,473,575</u>

Diluted earnings per share are not disclosed because potential ordinary shares, being options granted, are not dilutive and their conversion to ordinary shares would not demonstrate an inferior view of the earnings performance of the Company.

31 December	30 June
2017	2017
\$	\$

NOTE 4 - DEFERRED EXPLORATION EXPENDITURE

Deferred exploration acquisition costs brought forward	3,006,057	3,006,057
Capitalised acquisition expenditure incurred during the period	-	-
Deferred exploration acquisition costs carried forward	<u>3,006,057</u>	<u>3,006,057</u>

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas.

NOTE 5 – ISSUED CAPITAL

(a) Issued Capital

122,985,569 ordinary shares fully paid	<u>16,202,160</u>	<u>15,977,562</u>
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(b) Movements in Ordinary Share Capital

Summary of Movements	Six months ended		Year ended	
	31 December 2017		30 June 2017	
	Number of Shares	\$	Number of Shares	\$
Opening balance	121,227,119	15,977,562	95,490,593	12,325,646
Issued - placement	-	-	13,333,334	2,000,000
Issued - share purchase plan	-	-	10,210,000	1,531,500
Issued – share subscription	1,475,431	207,290	1,922,922	279,653
Issued - other	283,019	30,000	270,270	30,000
Costs of issues		(12,692)		(189,237)
Closing Balance	<u>122,985,569</u>	<u>16,202,160</u>	<u>121,227,119</u>	<u>15,977,562</u>

Share Subscription Issues

During the six months to 31 December 2017, 1,475,431 ordinary shares (\$207,290) were issued pursuant to the Share Subscription Agreement with Titeline Drilling Pty Ltd and Greenstone Property Pty Ltd as trustee for the Titeline Property Trust. Refer below for details of the agreement.

Share Subscription Agreement

In October 2014, Stavelly Minerals entered into a \$2 million Share Subscription Agreement with its existing drilling contractor, Titeline Drilling Pty Ltd. Pursuant to this agreement, the drilling contractor has agreed to subscribe for up to \$2 million of shares, with Stavelly Minerals having the option to settle monthly drilling charges by way of a cash payment and/or by way of offset of the price of subscription application for shares. As at 31 December 2017, cumulative subscriptions totalled \$992,980.

NOTE 5 – ISSUED CAPITAL - continued

Other Issues

On 4 July 2017, Stavely issued 283,019 new shares at an issue price of \$0.106 per share as consideration for the extension of a royalty option (\$30,000).

(c) Options on issue at 31 December 2017

	Number	Issue Price of Shares	Exercise Date
Unlisted Options	500,000	19 cents	30 June 2018
Unlisted Options	9,587,500	19 cents	31 December 2018
Unlisted Options	7,050,000	21 cents	31 December 2020
	<u>17,137,500</u>		

During the half-year ended 31 December 2017:

- (i) 16,637,500 unlisted options were granted as share-based payments (six months to 31 December 2016: 14,250,000);
- (ii) 28,650,000 unlisted options expired (six months to 31 December 2016: 13,000,000); and
- (iii) No unlisted options were exercised (six months to 31 December 2016: nil).

Six months ended 31 December 2017	Six months ended 31 December 2016
\$	\$

NOTE 6 – EQUITY-BASED PAYMENTS

(a) Value of equity based payments in the financial statements

Expensed in the profit and loss:

Equity-based payments- shares – exploration expense	237,290	175,019
Equity-based payments- options – administration expense	1,106,742	997,993
	<u>1,344,032</u>	<u>1,173,012</u>

(b) Summary of equity-based payments – shares - granted during the half-year:

On 4 July 2017, Stavely issued 283,019 new shares at an issue price of \$0.106 per share together as a consideration for the extension of a royalty option (\$30,000).

During the six months to 31 December 2017, 1,475,431 ordinary shares (\$207,290) were issued pursuant to the Share Subscription Agreement with Titeline Drilling Pty Ltd and Greenstone Property Pty Ltd as trustee for the Titeline Property Trust. Refer to note 5(b).

NOTE 6 – EQUITY-BASED PAYMENTS - continued

(c) Summary of equity-based payments – options - granted during the half-year:

During the half-year ended 31 December 2017, the following unlisted options were granted:

- 5,737,500 unlisted options granted on 19 October 2017 to employees/consultants.
- 10,900,000 unlisted options as approved by shareholders at the 2017 Annual General Meeting, granted to directors or their nominees on 19 October 2017.

The assessed fair values of the options were determined using a Black-Scholes option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Grant date	19/10/2017	
Option exercise price (\$)	0.21	0.19
Expected life of options (years)	3.2	1.2
Dividend yield (%)	-	-
Expected volatility (%)	98.69	98.69
Risk-free interest rate (%)	2.28	1.92
Underlying share price (\$)	0.15	0.15
Value of Option (\$)	0.0858	0.0523
Vesting conditions	None	None

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there has not been a material change to commitments or contingencies.

NOTE 8 – CASH FLOW INFORMATION

The following non-cash activities were undertaken:

Six months to 31 December 2017:

- 283,019 ordinary shares (\$30,000) were issued as consideration for extension of the Royalty Agreement (refer to note 5(b)); and
- 1,475,431 ordinary shares (\$207,290) were issued pursuant to the Share Subscription Agreement with Titeline Drilling Pty Ltd and Greenstone Property Pty Ltd (refer to note 5(b)).

Six months to 31 December 2016:

- 270,270 ordinary shares (\$30,000) were issued as consideration for extension of the Royalty Agreement; and
- 895,180 ordinary shares (\$145,019) were issued pursuant to the Share Subscription Agreement with Titeline Drilling Pty Ltd and Greenstone Property Pty Ltd.

NOTE 9 – SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The Group does not have any material operating segments with discrete financial information. The Group does not have any customers and all its' assets and liabilities are primarily related to the mining industry and are located within Australia. The Board of Directors review internal management reports on a regular basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, balance sheet and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

NOTE 10 – RELATED PARTY TRANSACTIONS

There have been no new related party transactions entered into since 30 June 2017, other than the grant of options – refer to note 6(c).

NOTE 11 – SUBSEQUENT EVENTS

In February 2018, Stavelly completed a capital raising which was underpinned by a Share Placement of 20 million shares at 34 cents per share to sophisticated and institutional investors to raise \$6.8 million before costs. The Share Placement was oversubscribed. In addition, the Company completed a Share Purchase Plan (SPP), also at 34 cents to allow existing shareholders to participate in the capital raising on the same terms as the Share Placement. Stavelly offered eligible shareholders the opportunity to subscribe for new shares up to a maximum value of \$15,000 per eligible shareholder. Applications totalling \$2.3 were received exceeding the target cap of \$1.5 million for the SPP. At the discretion of the Board, applications were scaled back to a total of \$2,000,000.

There are no other matters or circumstances that have arisen since 31 December 2017 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial years.

1. In the opinion of the directors:

a) The financial statements and notes are in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001; and

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

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the half-year ended 31 December 2017.

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



Christopher Cairns
Managing Director

Perth, Western Australia

13 March 2018



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Stavely Minerals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Stavely Minerals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 Group's financial position as at 31 December 2017 and its financial 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 Group, 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO


Glyn O'Brien

Director

Perth, 13 March 2018