



BEACON
MINERALS LIMITED

ABN 64 119 611 559

FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

This Interim Financial Report does not include all the 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 2016 and any public announcements made by Beacon Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



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The Directors are pleased to submit their report on Beacon Minerals Limited (ASX:BCN) ("Beacon" or "the Company") for the half-year ended 31 December 2016.

DIRECTORS

The names of the directors who held office during or since the end of the half-year and up to the date of this report are:

Director	Title	Date of Appointment
Geoffrey Greenhill	Executive Chairman	19 March 2012
Graham McGarry	Managing Director	19 March 2012
Sarah Shipway	Non-Executive Director	11 June 2015

REVIEW OF FINANCIAL RESULTS

A summary of revenues and results for the half-year is set out below:

	2016	
	Revenues	Results
	\$	\$
Revenues and Profit	7,513,638	3,127,838

The Board of Directors are pleased to report that for the six month period ended 31 December 2016 the Group's gross gold sales were \$7,464,202.

Cost of gold sold (C2 Production Costs) for the six month period was \$4,004,655, with administration costs of \$230,132, exploration expenditure of \$151,013, and interest income during the period of \$49,436 for a total Fully Allocated C3 Costs of \$4,385,800.

The result for the six month period is a profit of \$3,127,838.



REVIEW OF OPERATIONS

HIGHLIGHTS

- **Beacon Executed Ore Purchase Agreement**
- **Beacon Completes Sale of High Grade Refractory Ore**
- **Beacon Pays Inaugural Dividend**
- **Beacon Executes Option to Purchase Jaurdi Gold Project**
- **Appointment of Project Manager**

Sale of Refractory Ore

On 4 February 2016 the Company announced that it had entered into a letter of intent (LoI) with Northern Star Resources Limited (**Northern Star**) to process the Company's high grade refractory ore under an ore purchase agreement.

A lengthy, but necessary, metallurgical testing program followed.

The Company advised on 13 July 2016 that it had entered into an agreement with Northern Star to purchase Beacon's high grade refractory ore under an Ore Purchase Agreement.

A total of 12,199 tonnes of ore was sold to Northern Star at \$611.87 per tonne, nett of all costs.

The average grade of the parcel was 15.53g/t with a metallurgical recovery of 87.5%.

During the six months ending 31 December 2016 5,329.35 oz was sold, a total of 18,349.13 oz has been sold for an average price per ounce of AUD\$1,438.49 from the Halleys East Project.

Dividend Payment

The Board of Beacon announced on 29 September 2016 that a dividend of \$0.0025 per share would be paid to shareholders.

The unfranked dividend, for Australian taxation purposes, was paid to shareholders on 3 November 2016.

The payment of the dividend is in line with the previously stated objectives of the Directors.

Beacon Executes Option to Purchase Jaurdi Gold Project

On 3 January 2017, the Company announced that it had executed an exclusive option to purchase the Jaurdi Gold Project comprising Mining Lease M16/529 (ML) from Fenton and Martin Mining Developments Pty Ltd (Fenton and Martin) (Option to Purchase Agreement).

The Jaurdi Gold Project is located 35 kilometres north west of Coolgardie and is close to infrastructure, including public and private road access to Coolgardie and Kalgoorlie.

Under the Option to Purchase Agreement, Beacon will have 110 days to undertake due diligence on the Jaurdi Gold Project, which will include the following:

- A detailed survey of all previous work on the ML, which includes 114 RAB/RC drill holes by the current and former tenement holders;
- Collation and audit of the data within the BM Geological Services Pty Ltd (BMGS) database. BMGS have already undertaken work on the project for current and previous tenement holders; and
- Design and implement a drill program on the ML to:
 - Drill check holes against existing holes;
 - Delineate the extent of the gold mineralised system within the ML; and



- Compile a resource inventory.
- During the option period Fenton and Martin can continue to mine ore on the tenement up to a maximum of 20,000 tonnes. The mining of this ore will not materially affect the resource tonnes or ounces and will provide valuable information for Beacon's decision to exercise the option.

The key terms of the Option to Purchase Agreement with Fenton and Martin include the following:

- a) Beacon will pay \$100,000 to purchase the ML; and
- b) Beacon will pay an initial royalty of \$90 per refined ounce of gold for the first 10,000 ounces produced from the tenement and \$80 per refined ounce of gold produced thereafter.

A pre-paid royalty of \$900,000 will be paid to Fenton and Martin upon the transfer of the tenement and this amount will satisfy the royalty payments up to this amount.

Subsequent to the end of the half year the Company announced that the Stage 1 drilling programme had been successfully completed at the Jaurdi Gold Project, located 35 Km north west of Coolgardie in Western Australia (Figure 1).

Beacon completed 78 holes for 2,330 metres as part of their Stage 1 drilling programme which was designed to test the Eastern Arm of the Jaurdi gold system. The programme was highly successful with 52 of the 78 holes intersecting significant intervals of gold mineralisation at an average depth of 8 metres below surface.

The Stage 1 drilling results extend the known position of mineralisation within the Eastern Arm of the Jaurdi gold system to both the North and the East. The system remains open to both the East and West - North West. For further information in relation to the Stage 1 drilling programme please see ASX announcement 31 January 2017 *"Successful Stage 1 Drilling Programme Completed at Jaurdi."*

Beacon announced that the Stage 2 drilling programme at Jaurdi had commenced on 3 February 2017, on 14 February 2017 the Company further announced the initial results from the Stage 2 drilling at Jaurdi.

The initial Stage 2 assay results had been received by Beacon during a four-day hiatus in drilling due to seasonal rains affecting most of Western Australia. Drilling resumed at Jaurdi on Monday 13 February after Shire roads were reopened.

Prior to the programme being interrupted by rain, 42 holes, of the planned 80 holes, were drilled for 1,260 metres. The RC drilling has extended the geometry of the Eastern Arm of the palaeochannel to the west which now averages 600 metres of strike length, has an average width of 175 metres and a thickness of 10 metres. The mineralisation is on average 8 metres below the surface. This mineralised system remains open to the East.

As part of the Stage 2 programme, Beacon completed a close spaced drilling on a 10mN x 10mE pattern in the Western Arm of the deposit. The purpose of this drilling was to understand the short scale continuity of the mineralisation and use this in the resource modelling process.



The final phase of the Stage 2 drilling consisted of 66 holes for 1,860 metres. The RC drilling has extended the geometry of the Jaurdi palaeochannel system which now averages 850 metres of strike length, has an average width of 175 metres and average thickness of 8 metres. The mineralisation is situated on average 10 metres below the surface. The mineralised system remains open to the North East and North West. Figure 3 shows a plan of the Jaurdi system as defined by the two stages of drilling completed by Beacon. Figure 4 is a long section through the entire system and Figure 5 shows a cross sectional view.

For further information, including all the final results, please see ASX announcement 14 February 2017 *"Initial Results from Stage 2 Drilling at Jaurdi"* and 27 February 2017 *"Western Arm Mineralisation Extends Jaurdi Deposit."*

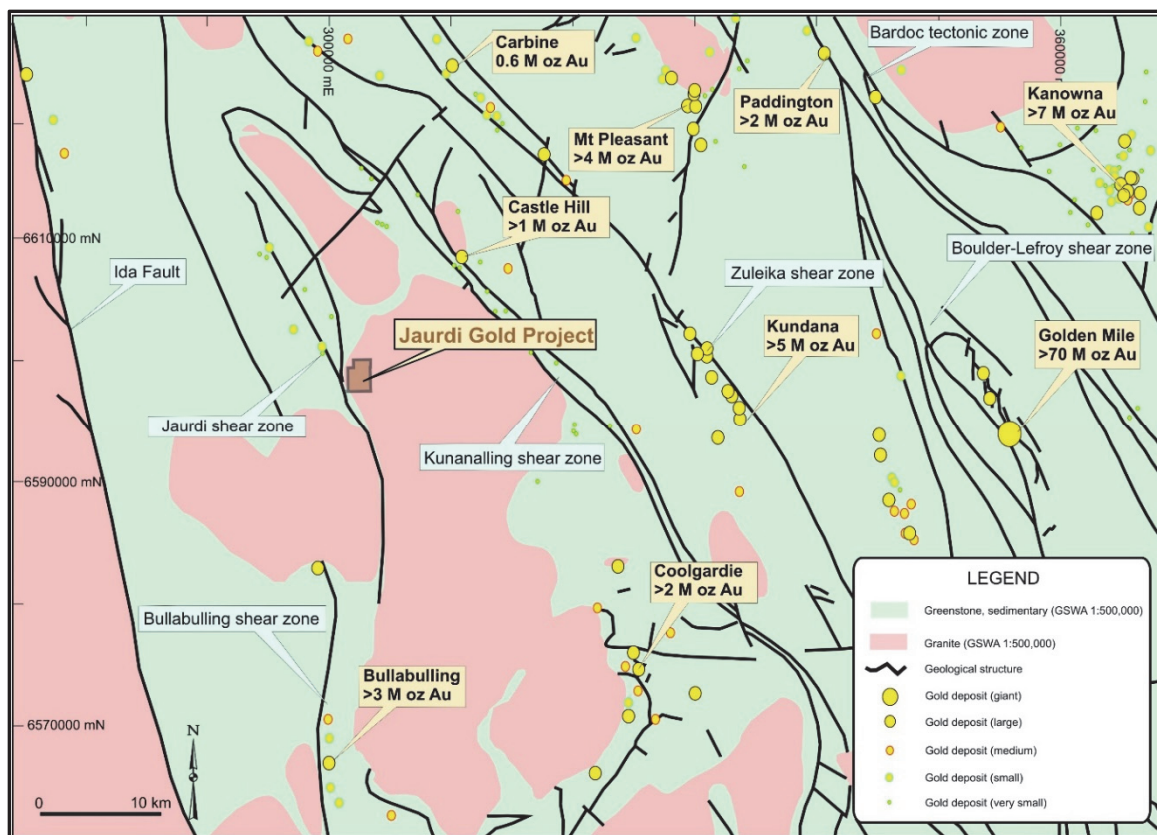
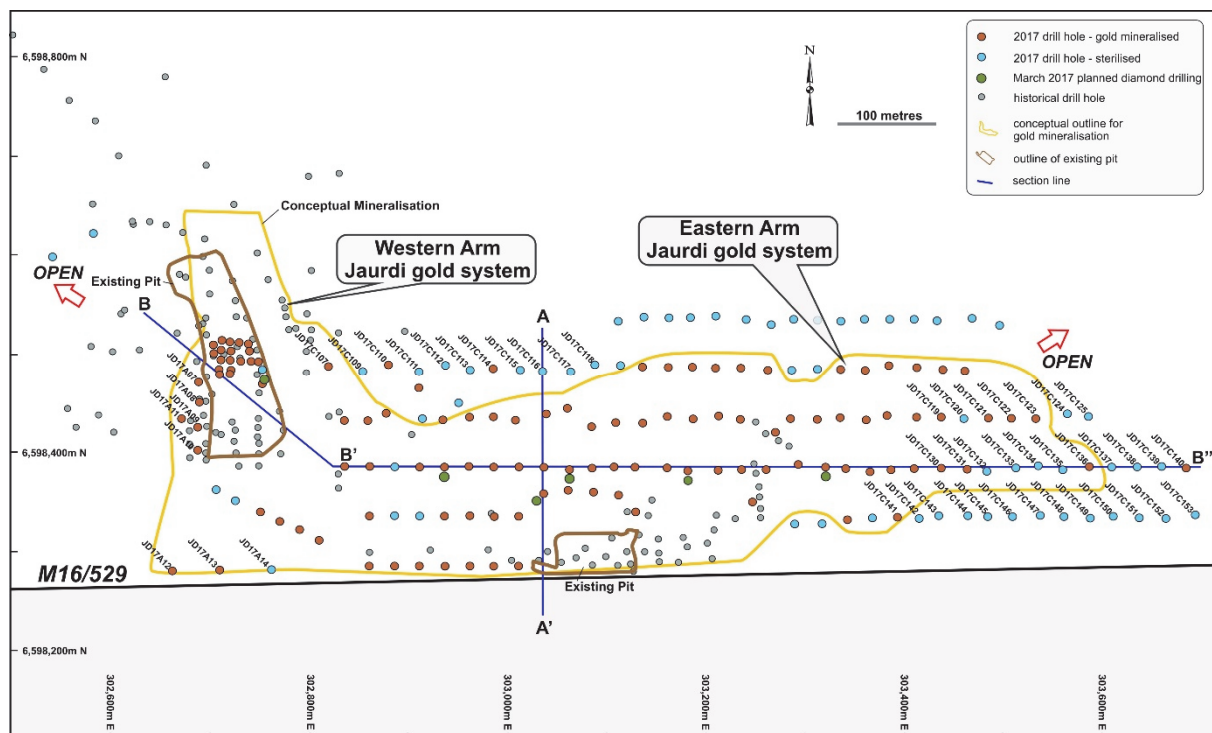


Figure 1: Locality of Jaurdi Gold Project relative to major gold deposits in the Kalgoorlie-Coolgardie district



Figure 2: Phase 1 Drilling at Jaurdi Project - January 2017





Appointment of Project Manager

The Board of Directors advised that Mr Alex McCulloch had been appointed Project Manager of the Jaurdi Project for the due diligence period and, if the option is exercised, to Manage the project through to production.

Mr McCulloch is a mining engineer who graduated from the School of Mines in WA in 1997. He has over 37 years experience in the mining industry. Mr McCulloch has previously worked at a number of open pit operations in Australia and overseas, including the start-up and ongoing production of an open pit copper/gold mine in NSW and has more recently been involved in the evaluation, planning and operation of mineral projects in the WA Goldfields.

Mr McCulloch has been providing technical assistance to the Executive Management of Beacon since September 2015. Mr McCulloch has assisted Beacon in the evaluation of more than 40 projects, which have included desk top studies and where required, local and overseas site visits.

For more information in relation to Mr McCulloch's appointment please see Beacon's ASX announcement dated 3 January 2017 "*Beacon Executes Option to Purchase Jaurdi Gold Project*".

Exploration

This reports contains information extracted from the following announcements which are available for viewing on the Company's website www.beaconminerals.com:

- 27 Feb 2017 Western Arm Mineralisation Extends Jaurdi Deposit
- 14 Feb 2017 Initial Results from Stage 2 Drilling at Jaurdi
- 31 Jan 2017 Successful Stage 1 Drilling Programme Completed at Jaurdi

The Company confirmed it is not aware of any new information or data that materially affects the information included in this announcement relating to exploration activities carried out at the Jaurdi Gold Prospect. All material assumptions and technical parameters underpinning the exploration activities in those market announcements continue to apply and have not been 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 announcements.

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 page 10.

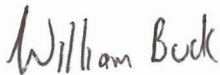
This report is made in accordance with a resolution of directors.

Geoffrey Greenhill
Executive Chairman
28 February 2017

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF BEACON MINERALS LIMITED**

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

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124



Conley Manifis
Director

Dated this 28th day of February, 2017

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

Australian Dollars (\$)	Note	31 December 2016 \$	31 December 2015 \$
Gold sales		7,464,202	2,946,946
Interest revenue		49,436	8,525
REVENUE		7,513,638	2,955,471
Cost of gold sold	3	(4,004,655)	(3,523,027)
GROSS PROFIT		3,508,983	(567,556)
Other Income	3	-	5,202
EXPENDITURE			
Administration expenses		(230,132)	(87,446)
Exploration expenditure written off		(151,013)	-
Finance costs		-	(70,985)
Other expenses		-	(56,057)
PROFIT/(LOSS) BEFORE INCOME TAX		3,127,838	(776,842)
Income tax refund/(expense)		-	-
PROFIT/(LOSS) AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS OF THE COMPANY		3,127,838	(776,842)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit and loss			
Net change in fair value of available-for-sale financial assets		-	(47,537)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF THE COMPANY		3,127,838	(824,379)
PROFIT/(LOSS) PER SHARE			
Basic and diluted		0.002	(0.0005)

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 2016

Australian Dollars (\$)	Note	31 December 2016	30 June 2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		3,293,565	194,063
Trade and other receivables		11,620	806
Other assets		30,499	71,222
Inventory		-	3,698,446
TOTAL CURRENT ASSETS		3,335,684	3,964,537
NON CURRENT ASSETS			
Plant and equipment		56,455	64,306
Exploration and evaluation expenditure	4	-	6,270
TOTAL NON CURRENT ASSETS		56,455	70,576
TOTAL ASSETS		3,392,139	4,035,113
CURRENT LIABILITIES			
Trade and other payables		23,534	55,669
TOTAL CURRENT LIABILITIES		23,534	55,669
TOTAL LIABILITIES		23,534	55,669
NET ASSETS		3,368,605	3,979,444
EQUITY			
Issued capital	6	23,776,759	23,776,759
Accumulated losses		(20,408,154)	(19,797,315)
TOTAL EQUITY		3,368,605	3,979,444

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



CONSOLIDATED STATEMENT OF CHANGED IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Australian Dollars (\$)

	NOTE	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	TOTAL EQUITY \$
Balance at 1 July 2016		23,776,759	(19,797,315)	3,979,444
Profit for the period		-	3,127,838	3,127,838
Other comprehensive income for the year, net of income tax		-	-	-
Total comprehensive gain/(loss) after tax		-	3,127,838	3,127,838
Dividend Paid	7	-	(3,738,677)	(3,738,677)
Balance at 31 December 2016		23,776,759	(20,408,154)	3,368,605

	ISSUED CAPITAL \$	SHARE OPTION RESERVE \$	FAIR VALUE RESERVE \$	ACCUMULATED LOSSES \$	TOTAL EQUITY \$
Balance at 1 July 2015	23,766,550	579,500	47,537	(18,527,096)	5,866,491
Loss for the period	-	-	-	(776,842)	(776,842)
Other comprehensive income for the year, net of income tax	-	-	(47,537)	-	(47,537)
Total comprehensive gain/(loss) after tax	-	-	(47,537)	(776,842)	(824,379)
Options exercised during the period	10,209	-	-	-	10,209
Options expired during the period	-	(579,500)	-	579,500	-
Balance at 31 December 2015	23,776,759	-	-	(18,724,438)	5,052,321

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



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

Australian Dollars (\$)	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from the sale of gold	7,464,202	2,946,946
Expenditure on mining interests	(554,183)	(2,279,024)
Payments to suppliers and employees	(112,258)	(82,676)
Interest received	46,273	9,572
Other	(5,855)	29,841
NET CASH INFLOW FROM OPERATING ACTIVITIES	6,838,179	624,659
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	-	(3,042)
Proceeds from sale of listed investments	-	704,216
NET CASH INFLOW FROM INVESTING ACTIVITIES	-	701,174
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	-	10,209
Payments in relation to debenture notes	-	(90,840)
Payment of dividend	(3,738,677)	-
Repayment of debenture notes	-	(2,000,000)
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	(3,738,677)	(2,080,631)
Net increase in cash and cash equivalents	3,099,502	(754,798)
Cash and cash equivalents at the beginning of the half-year	194,063	1,459,011
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	3,293,565	704,213

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



NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial statements are prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standard ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Beacon Minerals Limited. It is recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2016, together with any public announcements made during the half-year. The half-year report does not include full disclosures of the type normally included in an annual financial report.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. Beacon Minerals Limited has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the half year ending 31 December 2016. The Company does not believe these standards will have a material impact on the financial statements in the period in which they are adopted.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs.

Going Concern

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

The Board is confident that the Group will have sufficient funds to finance its operations.

**NOTE 2: OPERATING SEGMENTS**

The Company operates in predominantly one business and geographical segment, which involves the exploration and development of minerals in Australia.

NOTE 3: PROFIT/(LOSS) BEFORE INCOME TAX

	31 December 2016 \$	31 December 2015 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year.		
Other Income		
Fuel tax rebate	-	5,202
	<u>-</u>	<u>5,202</u>
Cost of Gold Sold		
Opening inventory	3,698,446	5,123,543
Royalties	306,209	60,369
Depreciation of mine plant and equipment	-	33,984
Cost of production	-	2,026,120
Closing inventory	-	(3,720,989)
	<u>4,004,655</u>	<u>3,523,027</u>

NOTE 4: EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016 \$	30 June 2016 \$
Exploration and evaluation – at cost		
Balance at the beginning of the year (period)	6,270	6,746
Expenditure incurred	-	130,165
Expenditure written off	(6,270)	(130,641)
	<u><u>-</u></u>	<u><u>6,270</u></u>

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

**NOTE 5: BORROWINGS – DEBENTURE NOTES**

	31 December 2016	30 June 2016
	\$	\$
(a) Total current secured liabilities		
Debenture notes		
Balance at the beginning of the period	-	2,000,000
Issue debenture notes	-	-
Repayment of debenture notes	-	(2,000,000)
	<u>-</u>	<u>-</u>

NOTE 6: ISSUED CAPITAL

Australian Dollars (\$)	31 December 2016	30 June 2016
	\$	\$
(a) Issued and paid up capital		
At the beginning of the reporting period	23,776,759	23,766,550
Shares issued pursuant to exercise of options	-	10,209
At reporting date 1,495,470,963	<u>23,776,759</u>	<u>23,776,759</u>
(30 June 2016: 1,495,470,963) fully paid ordinary shares		
Movements in Ordinary Shares	Number	Number
At the beginning of reporting period	1,495,470,963	1,493,429,242
Shares issued pursuant to exercise of options	-	2,041,721
Balance at reporting date	<u>1,495,470,963</u>	<u>1,495,470,963</u>

**NOTE 7: DIVIDEND**

	31 December 2016	30 June 2016
Dividend paid:		
Unfranked ordinary dividend of \$0.0025 (2015: Nil) per share	3,738,677	-
	3,738,677	-

NOTE 8: FAIR VALUE MEASUREMENT

The Directors consider that the carrying value of all other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTE 9: COMMITMENTS AND CONTINGENCIES

There have been no significant changes to commitments or contingencies since 30 June 2016.

NOTE 10: SUBSEQUENT EVENTS

On 3 January 2017 Beacon advised that the Company had executed an exclusive option to purchase the Jaurdi Project Gold Project comprising of Mining Lease M16/529 from Fenton and Martin Mining Developments Pty Ltd. For further information in relation to this agreement please see ASX announcement 3 January 2017 *"Beacon Executes Option to Purchase Jaurdi Gold Project"*.

On 31 January 2017 the Company issued 20,000,000 Unlisted Options, exercisable at \$0.004 on or before 31 January 2022 to Mr Alex McCulloch, the unlisted options were issued as consideration for services provided to the Company.

Other than the above there have been no other matter or circumstance has arisen since 31 December 2016, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.



DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 11 to 18 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2016 and of the performance for the 6 months ended on that date of the Company;
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Geoffrey Greenhill
Executive Chairman
Beacon Minerals Limited
Perth, 28 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BEACON MINERALS LIMITED AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Beacon Minerals Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on pages 11 to 19, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Beacon Minerals 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.

CHARTERED ACCOUNTANTS & ADVISORS

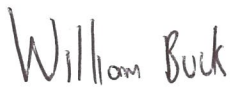
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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BEACON
MINERALS LIMITED AND CONTROLLED ENTITIES (CONT)**

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 Beacon Minerals Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.



William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124



Conley Manifis
Director

Dated this 28th day of February, 2017