FINDERS RESOURCES LIMITED

ABN 82 108 547 413

ANNUAL REPORT
31 DECEMBER 2016

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CHAIRMAN'S STATEMENT

Welcome to the 2016 Annual Report for Finders Resources Limited ("Finders" or the "Company").

The past year was certainly a busy period for our Company and one in which we successfully achieved many of the goals set out in terms of transforming the Wetar Copper Project in Indonesia ("Wetar" or the "Project") into a significant copper producer.

Construction of the 25,000 tonne per annum (t.p.a.) solvent extraction-electrowinning (SX-EW) plant is now complete, bringing our potential annual production to 28,000 tonnes of copper cathode in combination with the existing 3,000 t.p.a. plant. This expansion was made possible by a US$162 million funding commitment via a Senior Facilities Agreement from a consortium of lenders including BNP Paribas, Commonwealth Bank, HSBC and Societe Generale as well as US$45 million in project level equity from Posco Daewoo Corporation.

Despite setting a tight construction schedule for the expansion, we had the 25,000 t.p.a. plant commissioned substantially within budget and without the need to draw on over US$16 million of our available debt facilities. We were plating and stripping our first copper cathode by June 2016, with the ramp up to nameplate production capacity achieved during the December quarter. This was an extraordinary achievement by our staff and contractors under the leadership of our Managing Director, Barry Cahill.

Finders continues to promote a strong culture of safety and environmental awareness at Wetar and I am pleased to report that the expansion project was executed with a Lost Time Injury Frequency Rate at zero. We will continue to work to ensure that these high standards are sustained and maintain our local community employment initiatives, which currently account for approximately 48% of the total Project workforce.

Finders is now turning its attention towards growing the Company's value in other ways, including increasing our investment in exploration to extend mine life and investigating ways to extract the vast amount of gold, silver and zinc contained in the ore.

Our other focus is on rapidly decreasing debt levels, which included a restructuring of the copper hedge book in September yielding proceeds of US$42.5 million. With production at full capacity, coupled with the recent improvement in the copper price, the Company is now well positioned to rapidly reduce our gearing ratio.

Finally, I would like to thank our shareholders for their continued support, our staff and management who have worked diligently to bring our expansion project to fruition and my fellow Board members for their valuable contribution. I also acknowledge our Indonesian stakeholders, including the local community on Wetar Island and the Government at all levels, for their unwavering support of our Project and our project partners, Posco Daewoo Corporation.

Finders is now well positioned to reward shareholders and we expect a strong flow of positive news during 2017. I look forward to sharing this with you.

Gary Comb

Chairman

2 April 2017

MANAGING DIRECTOR'S REVIEW

Wetar Copper Project, Indonesia (Finders – 72.0%, increasing to 73.5%)

Background

The Wetar Copper Project is located on the north coast of the remote and lightly populated island of Wetar in the Province of Maluku Barat Daya of eastern Indonesia.

The Project is fully-permitted for the development, mining and processing (heap leach and SX-EW) of the massive sulphide deposits at Kali Kuning and Lerokis located within 3 km of the northern coastline of the island.

Finders has been operating an SX-EW copper cathode demonstration plant at Wetar since 2009, which was upgraded to 3,000 t.p.a. in 2014. Construction of a 25,000 t.p.a. SX-EW copper cathode plant was completed during 2016 and by late 2016, the plant was operating at nameplate capacity increasing annual copper cathode production to 28,000 tonnes.

3,000tpa SX-EW plant

During 2016, the 3,000 t.p.a. SX-EW plant continued to operate at expected levels, producing 1,944 tonnes of copper cathode. The plant was run at reduced capacity following the commissioning of the 25,000 t.p.a. plant to allow the new plant to be ramped up to nameplate. The plant will be progressively run back up to operating capacity during 2017.

25,000tpa SX-EW plant

Development and construction activities for the 25,000 t.p.a. SX-EW expansion project commenced in late 2014. The new plant was commissioned in May 2016 with first copper plated and stripped in June. The total cost of the expansion project was US$117 million, broadly in line with the budget of US$112 million.

Minor issues encountered during the ramp up period were overcome in a timely manner by the staff with assistance from the commissioning contractor. By the December 2016 quarter, the plant was operating at nameplate capacity with 9,816 tonnes of copper cathode produced for the year.

Cathode production from this plant is expected to increase incrementally during 2017 as efficiency improvements are implemented and site staff gain more operating experience.

Wetar Quarterly Copper Production

		March 16 Quarter	June 16 Quarter	September 16 Quarter	December 16 Quarter	Full Year 2016
Ore stacked [a]	t	178,556	346,879	677,510 (a)	949,629 (a)	2,152,574
Grade	% Cu	2.43	2.33	2.33	2.01	2.19
Metal Stacked	t Cu	4,342	8,085	15,763	19,057	47,247
Copper stripped	t Cu	568	1,068	3,958	6,166	11,760
Copper sold	t Cu	738	612	2,587	4,888	8,825
Copper sale price	US$/lb Cu	2.10	2.22	2.18	2.32	2.25

(a) Includes ore stacked to heap and stockpile leach pads.

Mining and Stacking Operations

Ore mining in the Kali Kuning open pit during the year progressed in accordance with the schedule, although initially constrained by the capacity of the existing crushing and stacking circuits until the new crusher was commissioned during the June quarter. A significant portion of the waste mining was also completed during the year to expose sufficient ore for the increased crushing and stacking rate, ensuring the build-up of heap irrigated tonnes was maintained according to schedule.

Changes in the blasting practices also saw significant improvements in the fragmentation of ore, which in turn increased the throughput rate of the crushing and stacking circuit.

A failure in the north and east wall of the Kali Kuning pit during the December quarter required remedial excavation to stabilise the wall. Ore production was not affected.

Ore stacking continued on the Gold Pit Leach Pad (GPLP) and the Kali Kuning Valley (KKV) heap leach pads as planned. In addition to ore fragmentation improvements, the performance of the new crushing and stacking circuit increased markedly during the second half of the year as operation of the circuit was refined. Work is progressing on further productivity improvements.

Sales

A total of 8,825 tonnes of copper cathode was sold during the year at an average price of US$4,965/tonne.
A further 2,880 tonnes of finished product remained unsold at year end.

Copper cathode produced continued to be exported as LME Grade A copper cathode with only minor issues experienced during the ramp up phase, when some visual quality and specification problems occurred. Despite this, more than 90% of cathode produced was sold at or about the LME copper price with most sold at a premium to LME Grade A.

The C1 cash cost for cathode produced during the last quarter of the year was US$1.08 per pound, which reflects well against the forecast cost of US$1.05/lb produced.

Resource Update

Finders announced its annual Mineral Resource and Ore Reserve update for the Wetar Project during December 2016.

The Measured, Indicated and Inferred Resource as at 30 June 2016 on a 100% equity basis was 8.9 million tonnes at 2.4% copper for 210,000 contained tonnes of copper metal (see Reserves and Resource Statement – 30 June 2016 on page 12) and represented a small (6,000 tonnes) reduction in contained copper metal from the previous July 2013 estimate.

The Proved and Probable Reserve as at 30 June 2016 on a 100% equity basis was 8.6 million tonnes at 2.3% copper for 202,000 contained tonnes of copper metal (see Reserves and Resource Statement – 30 June 2016 on page 12).

The following reconciliation table records the changes from the previous estimate.

Mineral Resource Reconciliation

	Cu Metal (Kt)
Mineral Resource Estimate as at 17th July 2013	216
Depletion – Mining at Kali Kuning	(24)
Addition – Heap leach Pads (including pre-treatment stockpiles)	24
Depletion - Decommissioned UDP Pads 5 and 6	(1)
Depletion – Cathode Production	(4)
Reductions/Increases (changes in economic assumptions)	-
Mineral Resource Estimate as at 30th June 2016	210

The following reconciliation table records the changes from the previous estimate.

Ore Reserve Reconciliation

	Cu Metal (Kt)
Ore Reserve Estimate as at 17th July 2013	209
Depletion – Mining at Kali Kuning	(24)
Additions – Heap Leach Pads (including pre-treatment stockpiles)	24
Depletion - Decommissioned UDP Pads 5 and 6	(1)
Depletion – Cathode Production	(4)
Reductions/Increases (changes in economic assumptions)	-
Ore Reserve Estimate as at 30th June 2016	202

A 2% overcall in reconciled copper tonnes mined versus the Ore Reserve model for the Project to 30 November 2016 demonstrated the robustness of the Mineral Resource and Ore Reserve estimates.

Exploration and Project Development

Exploration and project development activities gained momentum late in the year with pre-development work commencing at the Lerokis mine. This included the updating of geological and structural interpretations of the Lerokis deposit in advance of resource expansion and sterilisation drilling in 2017. The Lerokis mine is scheduled to commence production in 2019.

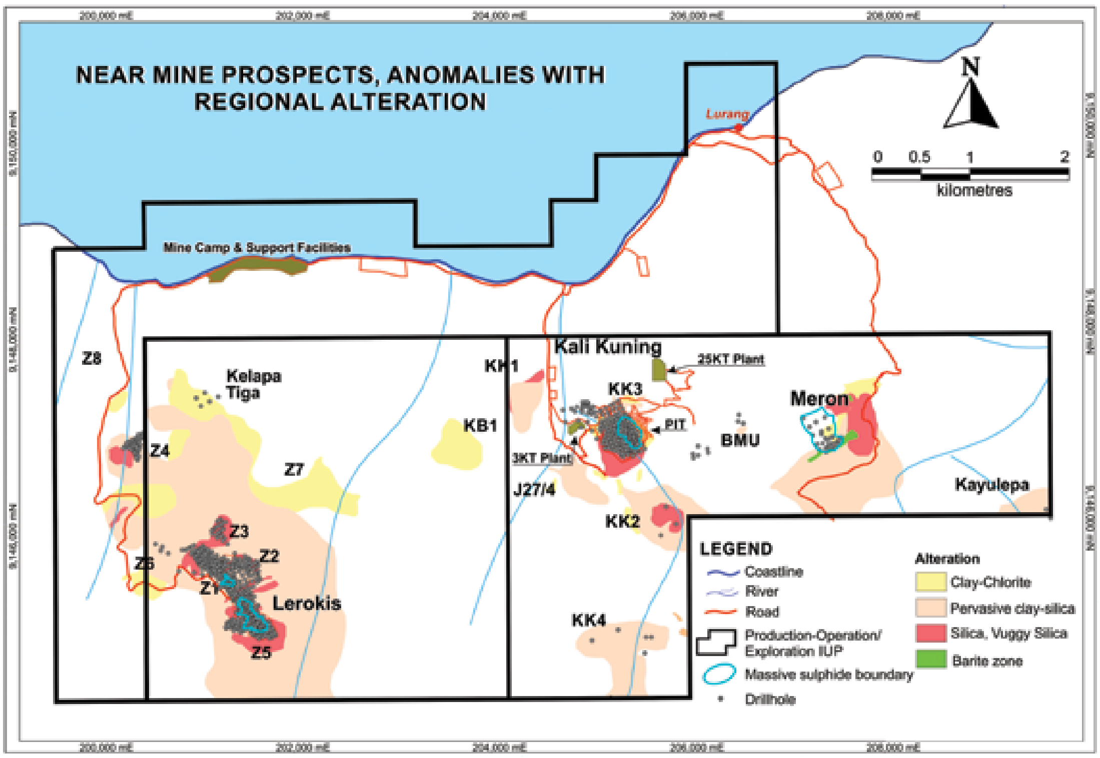


Figure 1 – Plan of Wetar Copper Project showing location of Lerokis deposit

The collation and geological re-interpretation of historical exploration data for the Meron massive sulphide deposit, located about 2km from the Kali Kuning open-pit mine, was also completed in advance of a drilling program and calculation of a maiden resource scheduled during 2017.

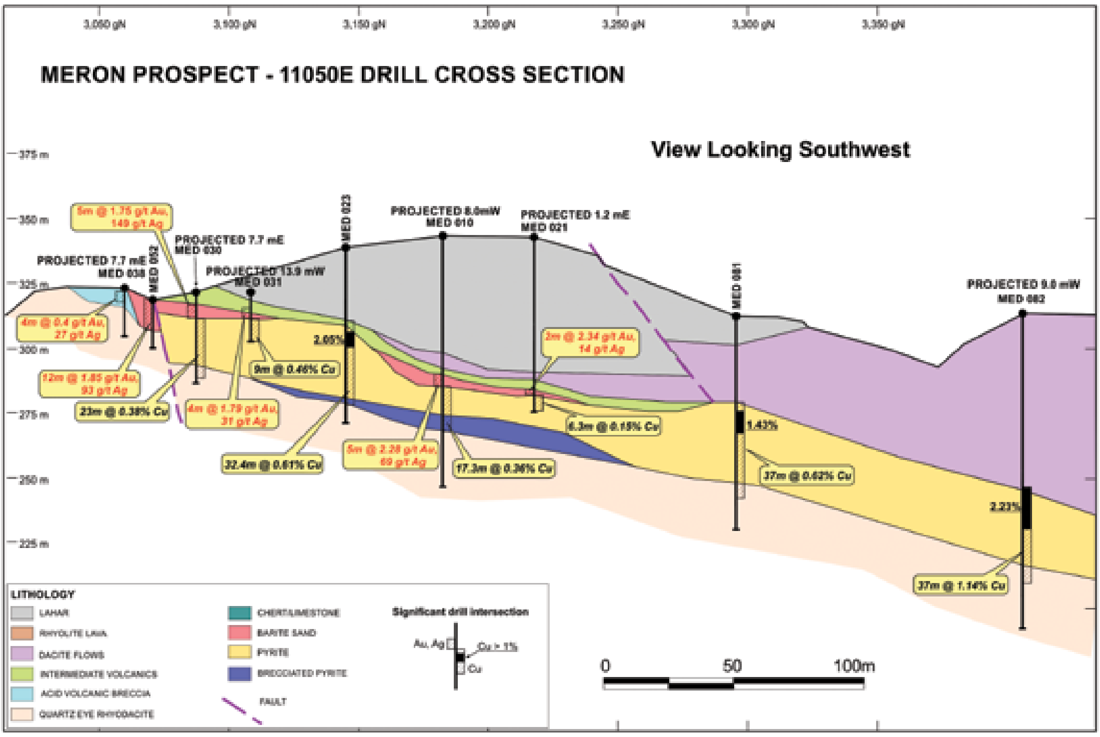


Figure 2 – Cross-section of Meron prospect

Occupational Health & Safety

Finders and its partners are committed to the highest standards of occupational health and safety and believe that every employee, subcontractor and visitor who comes to site has the right to leave free of injury or work related injury.

There were no serious injuries recorded during the year, with the Lost Time Injury Frequency Rate (LTIFR) remaining at zero. The 12-month rolling LTIFR is 0.0 and the Injury Severity Rate is 0.0. The Total Recordable Injury Frequency rate for the project is 4.5. This is the total rate of medically treated and lost time injuries recorded, which increased during the second half of the year.

Management is focussed on reducing this lag indicator, particularly the rate of medically treated injuries.

Community Development

With respect to responsible social management, the Company believes that building relationships with local communities based on trust and mutual respect is paramount to business success and sustainability. The Company acknowledges its social responsibility such that its projects should bring benefits to the surrounding communities.

During the year, stakeholder engagement included information meetings and site visits with various Government officials, community leaders, elders and landowners. The Company's community development programs mainly assisted with health and economic development and included:

- Agricultural initiatives, including vegetable growing and chicken farming, which increased as the number of workers on the Project increased.
- A community employment initiative, which was extended to island villages further afield of the operation following the successful recruitment program from the three local villages. At the end of the year, a total of 48% of company employees at the Wetar Project originated from the local region.
- Staffing of the local health centre and two medical posts to reduce the dependency on the Site Clinic.
- Operation of an emergency airstrip for medical evacuation of both employees and local residents.
- Allocation of 10% of the available passenger seats on marine vessels servicing the Wetar Project to the local community.

Wetar Environmental Management

Responsible environmental management and leading environmental performance is integral to an effective and successful company.

The Company adopts "best practice" environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all of its project areas.

The Company has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programs and rehabilitation. The Company is not aware of any endangered species of flora or fauna in its Project area.

The Wetar Project is subject to relevant environmental regulations in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. The Wetar Project site has historical degradation from former gold mining operations and the baseline reflects water quality in an area of acid rock drainage and former gold mining activities. Monitoring activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The Company is also required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Environmental monitoring activities and reporting to the relevant Indonesian authorities in accordance with the Project's environmental permit was ongoing and no non-compliance occurrences were reported for the 12-month period.

Water quality monitoring includes daily pH and weekly pH and dissolved metal monitoring. Water quality analysis at the wetland discharge compliance point was completed in accordance with requirements and no non-compliances occurred.

Project Financing

In November 2014, Finders Indonesian subsidiary, PT Batutua Tembaga Raya (BTR) entered into a Senior Facilities Agreement with BNP Paribas, Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation (HSBC) and Societe Generale ("the Senior Lenders"), providing for a US$162 million commitment from the Senior Lenders, consisting of:

- US$127 million term loan facility;
- US$20 million cost overrun facility;
- US$15 million VAT working capital facility;

The facilities enabled completion of the 25,000 t.p.a SX-EW plant and was drawn down to US$145 million. During September, BTR restructured its copper hedge book, releasing US$42.5 million that was applied towards debt reduction. The total amount drawn under the Senior Facilities Agreement at year end was US$91.4 million following further repayments on the term loan facility and VAT facility.

Restructuring of the Senior Facilities Agreement was completed in January 2017 and included additional changes including:

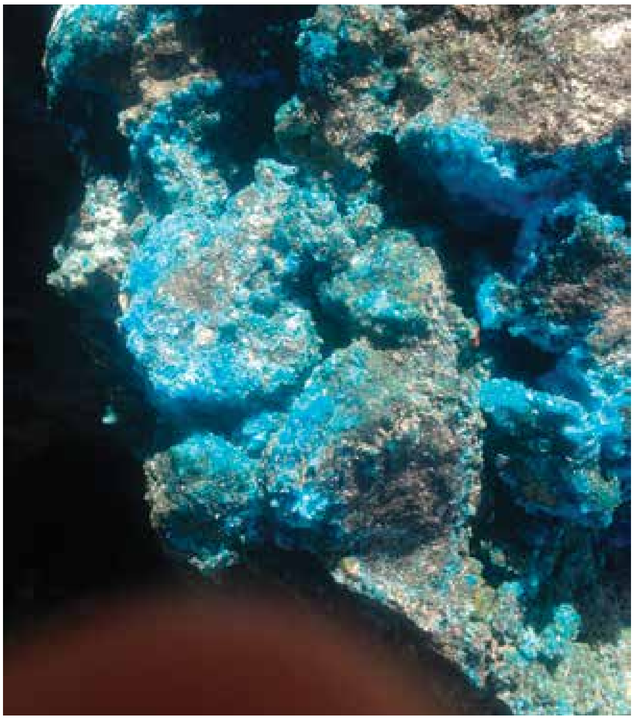
- Minimum mandatory copper hedging for 2017 - 2019 reduced from 32,951 tonnes to 16,476 tonnes;
- Additional discretionary hedging lines available for up to 6,000 tonnes of copper; and
- Repayment profile amended to reflect the revised cashflow profile of the Project.

On 10 November 2016, Finders announced the completion of a placement of 100,000,000 shares at 12 cents to raise $12 million. A portion of proceeds from the placement was invested into BTR to be applied towards resource development, new projects and working capital. In early 2017, this investment increased Finders' equity ownership in the Wetar Copper Project from 72% to 73.5% following the dilution of the non-controlling interest of Posco Daewoo Corporation.

The fair value of the hedges entered into by BTR as at 31 December 2016 is as follows:

- Copper hedging (US$11.8 million)
- Fuel hedging (US$0.6 million)
- Total (US$12.4 million)

As at 31 December 2016, Finders and BTR had cash of $4.9 million.



Ojolali Gold-Silver Project

During the reporting year, Finders evaluated a range of strategic options for the Ojolali Project in southern Sumatra with a number of parties expressing interest in the project, while the Indonesian Mines Department continued to assess documents submitted in support of Finders' application for an Operation Production permit.

Following a thorough audit of exploration progress to date, the Company decided that its funds would be better utilised in the continuing development of the Wetar Project. The Company terminated the agreement in relation to the Ojolali Project in August 2016 with the tenements returned to the local partner.

RESERVES AND RESOURCE STATEMENT – 30 JUNE 2016

Ore Reserve Estimate

	Proved		Probable		Total		
	Mt	Cu%	Mt	Cu%	Mt	Cu%	Cu (Kt)
Kali Kuning Open Pit (COG 0.4% Cu)							
Primary	3.6	2.7	0.5	2.7	4.1	2.7	111
Transition	0.8	1.2	0.3	1.3	1.1	1.2	13
Leached	0.1	0.5	0.01	0.8	0.1	0.6	1
Total	4.6	2.4	0.7	2.2	5.3	2.4	126
				Waste	3.9		
				Stripping Ratio	0.7		
Lerokis Open Pit (COG 0.5% Cu)							
Primary	2.1	2.3	0.4	2.0	2.5	2.3	59
Total	2.1	2.3	0.4	2.0	2.5	2.3	59
				Waste	1.9		
				Stripping Ratio	0.8		
Total Kali Kuning and Lerokis Open Pits							
COG as above	6.7	2.4	1.2	2.2	7.8	2.3	184
Heap Leach Pads (ex-mine minus cathode production and decommissioned leach pads)							
Kali Kuning	0.8	2.4	-	-	0.8	2.4	18
Total	0.8	2.4	-	-	0.8	2.4	18
Total Ore Reserve (including Heap Leach Pads)							
COG as above	7.4	2.4	1.2	2.2	8.6	2.3	202

Mineral Resource Estimate

	Measured		Indicated		Inferred			Total	
	Mt	Cu%	Mt	Cu%	Mt	Cu%	Mt	Cu%	Cu (Kt)
Kali Kuning Resource (COG 0.4% Cu)									
Primary	3.6	2.7	0.5	2.8	0.03	2.7	4.2	2.7	114
Transition	0.8	1.2	0.3	1.4	0.08	1.7	1.2	1.3	15
Leached	0.1	0.5	0.01	0.8	0.01	1.1	0.2	0.6	1
Total	4.6	2.4	0.8	2.3	0.1	1.9	5.5	2.4	130
Lerokis Resource (COG 0.5% Cu)									
Primary	2.1	2.4	0.4	2.2	0.1	1.5	2.6	2.3	61
Total	2.1	2.4	0.4	2.2	0.1	1.5	2.6	2.3	61
Total Kali Kuning and Lerokis Open Pits									
COG as above	6.7	2.4	1.2	2.3	0.2	1.7	8.1	2.4	191
Heap Leach Pads (ex-mine minus cathode production and decommissioned leach pads)									
Kali Kuning Valley	0.8	2.4	-	-	-	-	0.8	2.4	18
Total	0.8	2.4	-	-	-	-	0.8	2.4	18
Total Mineral Resource (including Heap Leach Pads)									
Total	7.5	2.4	1.2	2.3	0.2	1.7	8.9	2.4	210

Kali Kuning and Lerokis Deposits

Mineral Resource Estimate

The information in this report that relates to mineral resource estimation for the Kali Kuning and Lerokis deposits is based on prior work completed by external consultants that has been reviewed by Mr Terry Burns who is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy (#107527).

Mr Burns has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Burns is contracted by Banda Minerals Pty Ltd, a 100% owned subsidiary of Finders Resources Limited, and consents to the inclusion in the reports of the matters based on his information in the form and context in which it appears.

Ore Reserve Estimate

The information in this report that relates to the in-situ ore reserve estimation at the Kali Kuning and Lerokis deposits is based on ongoing and prior work completed by external consultants and PT Batutua Tembaga Raya employees that has been reviewed by Mr Nick Holthouse who is a full-time employee of PT Batutua Tembaga Raya (a subsidiary of Finders Resources Limited) and who is a Member of the Australasian Institute of Mining and Metallurgy (#305303). The information in this report that relates to the ore reserve estimation for the heap leach pads is based on ongoing and prior work completed by external consultants and PT Batutua Tembaga Raya employees that has been reviewed by Mr Augy Wilangkara who is a full time employee of PT Batutua Tembaga Raya (a subsidiary of Finders Resources Limited) and who is a Member of the Australasian Institute of Mining and Metallurgy (#206768).

Both Mr Holthouse and Mr Wilangkara have sufficient experience which is relevant to the style of mineralisation, the type of deposit and the beneficiation method under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Both Mr Holthouse and Mr Wilangkara consent to the inclusion in the report of the matters based on their reviewed information in the form and context in which it appears.

TENEMENTS AND PERMITS

Wetar Copper Project

IUP Decision No.	Type	Mineral	Expiry Date	Area	Term	Holder
543 - 124 Tahun 2011	IUP Exploitation	Copper	09 Jun 2031	2,733	20 years	BKP
540 - 317.a Tahun 2012	IUP Exploitation	Sand, gravel, stone	01 Nov 2017	80.55	5 years	BKP
540 - 317.b Tahun 2012	IUP Exploitation	Limestone	01 Nov 2017	1,425	5 years	BKP
540 - 28.b Tahun 2010	IUP Exploitation	Barite	01 Mar 2016[1]	515	6 years	BBW

1. Application for IUP Exploitation has been lodged

Wetar South Coast Exploration

IUP Decision No.	Type	Mineral	Expiry Date	Area	Term	Holder
540 – 28.a Tahun 2010	IUP Exploration	Gold	01 Mar 2016[1]	2,636	6 years	BKP
540 – 28.c Tahun 2010	IUP Exploration	Gold	01 Mar 2016[1]	1,418	6 years	BKP
540 – 28.d Tahun 2010	IUP Exploration	Gold	01 Mar 2016[1]	1,021	6 years	BBW
540 – 28.e Tahun 2010	IUP Exploration	Gold	01 Mar 2016[1]	1,106	6 years	BBW
540 – 28.f Tahun 2010	IUP Exploration	Gold	01 Mar 2016[1]	1,148	6 years	BBW

1. Application for IUP Exploitation has been lodged

Finders' interest in the Wetar copper Project (72%, increasing to 73.5%) is held through Indonesian subsidiaries, PT Batutua Tembaga Raya ("BTR") and PT Batutua Kharisma Permai ("BKP"). In 2011 BKP merged with PT Batutua Barit Wetar ("BBW"). Tenements previously held by BBW are in the process of being transferred to BKP.

Processing and Refining Licence

BTR holds a business licence for processing and refining (IUP Processing and Refining No. 543-125 Tahun 2011) for a 20 year period expiring on 9 Jun 2031. This IUP allows BTR to process ore from the Wetar Copper Project to produce copper cathode.

Forestry Permit

BKP holds a production stage forestry use permit (*"Pinjam Pakai"*) which allows the company to carry out development, mining and production activities at the Wetar Copper Project through to expiry in December 2031.

CORPORATE GOVERNANCE

The Board of Directors supports good corporate governance principles and practices. Notwithstanding its small size, the Company aims to comply with the Corporate Governance Principles and Recommendations ("ASX Principles") set by the ASX Corporate Governance Council ("Council") to the extent appropriate and practical. Where compliance is inappropriate or impractical, these departures from the ASX Principles are explained in this statement.

The Directors have adopted the following charters and policies and copies are available on the Company's website together with the Company's Constitution:

- Audit Committee Charter
- Board Charter
- Code of Conduct
- Continuous Disclosure Policy
- Diversity Policy
- Remuneration and Nomination Committee Charter
- Risk Management Policy
- Securities Trading Policy
- Shareholder Communication Policy

References to "Company" in this statement shall, where applicable, refer to the Group.

ASX Principle 1: Lay solid foundations for management and oversight

Council states that a company should *"Establish and disclose the respective roles and responsibilities of board and management".*

The Board Charter defines the operation of the Board of Directors, its role, composition and responsibilities and the separation of the role of the Board from that of management.

The Board is responsible for:

a) setting the Company's values and standards of conduct;
b) providing leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
c) setting the Company's direction, strategies and financial objectives;
d) approving business plans and annual budgets;
e) approving half-year and annual financial reports;
f) ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
g) monitoring compliance with regulatory and ethical standards; and
h) appointing, terminating and reviewing the performance of the Managing Director and Executive Directors.

The Board has delegated authority for the operations and administration of the Company to the management team, led by the Managing Director.

The roles of the Chairman and the Managing Director are separate.

The Chairman is responsible for:

a) leading the Board in its duties to the Company;
b) ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
c) facilitating effective discussions at Board meetings;
d) ensuring effective communication with shareholders; and
e) developing an effective working relationship with the Managing Director and Executive Directors.

The Managing Director is responsible for:

a) policy direction of the operations of the Company;
b) the efficient and effective operation of the Company;
c) ensuring directors are provided with accurate and clear information in a timely manner to promote effective decision-making by the Board;
d) ensuring all material matters affecting the Company are brought to the Board's attention; and
e) maintaining regular communication with the Chairman on operational and strategic matters.

The Company has a formal process for evaluating the performance of Executive Directors and senior executives. Executive Directors are appraised by their respective senior executive staff as well as by their fellow directors as part of Board performance evaluation. Senior executives are individually appraised by the Managing Director and the relevant Executive Director.

A formal performance evaluation of senior executives was not undertaken during the year. Whilst a formal evaluation process was implemented in the 2010 year, the formal process does not appear to be warranted given the small executive team. It is anticipated that the formal evaluation process will be adopted in the future.

ASX Principle 2: Structure the board to add value

Council states that a company should *"Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties".*

The Board currently consists of 4 directors. A description of the skills and experience of each Board member and their period in office are contained in the Directors' Report.

Independent Directors

Non-Executive Chairman	Gary Comb

Non-Independent Directors

Non-Executive Director	Gordon Galt
Non-Executive Director	Gavin Caudle
Executive Managing Director	Barry Cahill

The chairman of the Board is an independent director; however the majority of the Board comprise of non-independent directors (see definition below) as follows:

1. Mr Cahill is not independent as he is employed in an executive capacity;
2. Messrs Caudle and Galt are associated with Provident Minerals Pte Ltd and Taurus SM Holdings Pty Limited, both of whom are substantial shareholders in the Company.

Notwithstanding, the Company believes that the present composition of the Board is appropriate for the following reasons:

a) it provides a balance of skills and expertise that are required and that are appropriate at this stage of the Company's development;

b) each of the non-independent directors, other than Mr Galt, has a significant personal stake in the Company and the Board believes that, on balance, this serves to align their interests with those of shareholders and other stakeholders.

Independence

An independent director is a non-executive director (ie is not a member of management) and:

a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

b) within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a director after ceasing to hold any such employment;

c) is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings exceed five per cent of the adviser's total revenue;

d) is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company exceed five per cent of the supplier's total revenue. A significant customer is one whose amounts payable to the Company exceed five per cent of the customer's total operating costs;

e) has no material contractual relationship with the Company or its subsidiaries other than as a director of the Company;

f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company;

g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Term

The Board has not adopted a tenure policy. In accordance with the Constitution of the Company, no director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

Independent Advice

The Board, or individual directors, may obtain independent professional advice if it (or the director) considers necessary, with the costs to be borne by the Company.

Remuneration and Nomination Committee

The members of the Committee are:

- Gary Comb (Chairman)
- Gavin Caudle
- Gordon Galt

Under the Remuneration and Nomination Committee Charter, candidates for Board positions are nominated by the Committee for consideration by the Board. In selecting new members for the Board, directors have regard to the appropriate skills and characteristics needed by the Board as a whole. The directors endeavour to appoint individuals who would provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company, at least one of whom will have appropriate technical and commercial skills relevant to the mining industry.

Board Performance Evaluation

The Board was restructured during the second half of 2013, bringing on directors with a good mix of Indonesian, construction and financing expertise aimed at the development of the Wetar Copper Project. A formal performance evaluation of the Board and individual directors was not conducted during the year.

ASX Principle 3: Promote ethical and responsible decision-making

Council states that a company should *"Actively promote ethical and responsible decision-making".*

Code Of Conduct

The Company conducts its business within the guidelines set out in the Code of Conduct. Under the Code all directors and employees are required to:

a) comply with the law;
b) act honestly and with integrity;
c) not place themselves in situations which result in a conflict of interest;
d) use the Company's assets responsibly and in the best interests of the Company;
e) be responsible and accountable for their actions.

Adherence to the Code is a term of employment with the Company.

Employees are encouraged to report any violations of this Code of Conduct to the Managing Director or to the Chairman where a concern or conflict issue involves a director.

Diversity Policy

The Company's diversity mission is to become an organisation with the following inherent and lasting characteristics:

a) Universal recognition by everyone with whom it deals as a company committed to diversity and synonymous with improving the opportunities of disadvantaged groups in employment;
b) A workforce that fully reflects the requisite skills available in the relevant employment market;
c) A preferred employer and vendor for all cultural groups in the population by virtue of its reputation in this field;
d) An environment where every employee understands and voluntarily values diversity in all areas of practice;
e) An environment where all employees have the opportunity to reach their highest potential.

The recognition and encouragement of the uniqueness of individual contribution within a team environment is the embodiment of the Company and its employment policies. Our philosophy is found in all aspects of employment such as recruitment, compensation, training, promotion, transfer, termination and benefits.

All employees of the Company will be treated as individuals according only to their abilities to meet job requirements, and without regard to factors such as race, colour, ancestry, place of origin, political belief, religion, marital status, family status, physical or mental disability, sex, sexual orientation, age or because of a criminal or summary conviction charge that is unrelated to the employment or the intended employment or any other factor that is legislatively protected. Any kind of discrimination or harassment based upon these factors is neither permitted nor condoned.

At 31 December 2016, the Group had 670 employees, almost all of whom are employed at the Wetar Copper Project in Indonesia. Women represented 8% of the workforce, 0% in senior executive positions and 0% on the Board.

The Board has not set measurable objectives for achieving gender diversity. The Group is undergoing a major transformation to a copper producer with the development of the Wetar Copper Project. Measurable objectives will be developed over time and will be reported in future.

ASX Principle 4: Safeguard integrity in financial reporting

Council states that a company should *"Have a structure to independently verify and safeguard the integrity of their financial reporting".*

The Company has accounting policies, systems and procedures for ensuring that its financial reports present a true and fair view of its financial position in all material respects. The policies, systems and procedures cover areas of significance to the financial statements such as revenue recognition, accounting for non-current assets, payroll, control of cash and other assets, recording of liabilities and authority levels.

The Managing Director and Chief Financial Officer provide the Board with a written statement pursuant to Section 295A of the Corporations Act 2001, that the financial records of the Company for each financial year have/have not been properly maintained in accordance with Section 286 of the Corporations Act 2001, the financial statements and notes thereto comply with the accounting standards and give a true and fair view and, that to the best of their knowledge, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and the Company's risk management and internal compliances and control system is operating efficiently and effectively in all material respects.

Audit Committee

The Committee's role and responsibilities, powers and membership requirements are set out in an Audit Committee Charter.

The Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and external audit functions. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent counsel and other advisers as it determines necessary at the Company's cost.

The current members of the Committee are:

- Gavin Caudle (Chairman)
- Gordon Galt
- Gary Comb

Details of the qualifications of each Committee member, the number of Committee meetings held and the attendance of each Committee member are set out in the Directors' Report.

Appointment and Rotation of External Auditor

If a change in external auditor is proposed, responsibility for recommending the external auditor (to be proposed for shareholder approval) and for evaluating the external auditor shall lie with the Audit Committee. The Committee aims to recommend an external auditor who demonstrates independence and integrity and who has the capacity to support the Group's business operations in Australia and Indonesia.

The audit partner responsible for the audit shall be rotated at least every five years. At least two years must elapse before the audit partner can again be involved in the audit of the Company.

ASX Principle 5: Make timely and balanced disclosure

Council states that a company should *"Promote timely and balanced disclosure of all material matters concerning the company".*

The Continuous Disclosure Policy sets out how directors and employees shall deal with potentially price-sensitive information to ensure that the Company complies with its continuous disclosure obligations which require the Company to immediately notify the Australian Securities Exchange (ASX) of any such information.

The Managing Director and Executive Directors constantly monitor all Company activities with a view to determining the possible need for disclosure of price-sensitive information.

Directors and the management team notify the Managing Director or the Company Secretary immediately if they become aware of any information that should be considered for release to the market.

Disclosures concerning financial information are reviewed and approved by the Chairman of the Audit Committee prior to their release to ASX.

Price-sensitive information is released to ASX. Price-sensitive information is not disclosed to analysts or others outside the Company until after the ASX confirms that the announcement has been released. The information is posted on the Company's website immediately after the ASX confirms that the announcement has been released, with the aim of making the information accessible to the widest audience.

The Company has a policy of not responding to market rumours and speculation unless it is required to do so by ASX.

Where the Company is not able to make an immediate announcement of market sensitive information, it may choose to apply for a trading halt of its securities on ASX. A trading halt can only be sought by the Managing Director in consultation with the Chairman.

ASX Principle 6: Respect the rights of shareholders

Council states that a company should *"Respect the rights of shareholders and facilitate the effective exercise of those rights".*

The aim of the Shareholder Communication Policy is to provide shareholders with information about their company to enable them to exercise their rights as shareholders in an informed manner.

Shareholders and other interested parties are invited to register to receive email alerts of announcements posted on the Company's website.

Shareholders are encouraged to attend all meetings, or if unable to attend, to vote on the motions proposed by appointing a proxy.

The Company's auditor attends each Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

ASX Principle 7: Recognise and manage risk

Council states that a company should *"Establish a sound system of risk oversight and management and internal control".*

The Company faces material business risks arising from its business as an exploration, development and mining company and includes operational and financial risks and others such as reputation and regulatory risks.

Risk management strategies adopted include:

a) health, safety and environment policies;
b) internal control policies and procedures;
c) financial authority limits;
d) business plans and budgets;
e) monthly reporting against budgets;
f) insurance programme; and
g) hedging strategies, where appropriate.

The above strategies are implemented in conjunction with other policies adopted by the Company, including the code of conduct, continuous disclosure policy and securities dealing policy to provide a comprehensive risk management policy.

The Board monitors and reviews areas of significant business risks regularly through:

a) monthly financial reports, including reports on the operations;
b) attendance at Board meetings held at least six times a year;
c) tours of operations;
d) presentations by the Managing Director, Executive Directors and senior management at Board meetings;
e) informal briefings by the Managing Director and Executive Directors; and
f) reports by the Chairman of the Audit Committee and circulation of minutes of Audit Committee meetings to the Board.

The Managing Director and Chief Financial Officer have provided the Board with a written statement pursuant to section 295A of the Corporations Act 2001 that the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001, the financial statements and notes thereto comply with the accounting standards and give a true and fair view and, that to the best of their knowledge, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and the Company's risk management and internal compliances and control system is operating efficiently and effectively in all material respects.

ASX Principle 8: Remunerate fairly and responsibly

Council states that a company should *"Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear".*

Remuneration and Nomination Committee

The members of the Committee are:

- Gary Comb (Chairman)
- Gavin Caudle
- Gordon Galt

The Remuneration and Nomination Committee Charter requires and ASX Principles recommend that the Committee consists of a majority of independent directors. The Chairman of the Committee is an independent director. However the other two members of the Committee (Messrs Caudle and Galt) are not independent. Notwithstanding, the Board believes the composition of the three-member Committee is appropriate given the other director is an executive director of the Group.

Details of the qualifications of each Committee member, the number of Committee meetings held and the attendance of each Committee member are set out in the Directors' Report.

The Committee's role and responsibilities, powers and membership requirements are set out in its Charter.

The Committee advises the Board on remuneration policies and practices generally to assist the Board in the discharge of its responsibilities for human resources and remuneration matters. The objective of the Committee is to ensure that:

- the Company's remuneration policy is designed to align senior executives' interests with those of shareholders;
- remuneration level is commensurate with a person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating employees of the highest calibre.

Full details of the Company's remuneration policy and the structure and level of remuneration paid during the year ended 31 December 2016 are set out in the Remuneration Report section of the Directors' Report. Other than statutory superannuation, there are no schemes for retirement benefits for both executives and non-executive directors.

The Company does not permit the hedging of unvested incentive securities issued to executive directors, employees and consultants. The Company's policy in this matter is contained in its Security Dealing Policy, a copy of which can be found on the Company's website.

2 April 2017

DIRECTORS' REPORT

Your Directors present their report on Finders Resources Limited ("Company") and its controlled entities ("consolidated entity" or "Group") for the year ended 31 December 2016.

Directors

The names, qualifications, experience, responsibilities and interest of Directors during the financial year and up to the date of this report are:

Gary E Comb *(Appointed 3 June 2013)*	—	**Non-Executive Chairman**
Qualifications	—	BE(Mech), BSc, DipEd
Experience	—	Mr Comb has over 35 years' experience in the mining industry, most recently as Managing Director of Jabiru Metals Ltd where he oversaw the acquisition, feasibility study and construction of the Jaguar copper/zinc mine in Western Australia as well as the successful sale of the company to Independence Group NL.
Interest in Shares and Options	—	1,066,667 Ordinary Shares 7,500,000 Ordinary Shares under incentive plan
Special Responsibilities	—	Chairman of Remuneration and Nomination Committee Member of Audit Committee
Other Listed Company Directorships in last 3 years	—	Aurelia Metals Limited Ironbark Zinc Limited

Barry J Cahill *(Appointed 22 August 2013)*	—	**Managing Director**
Qualifications	—	BE (Mining), MAusIMM, MAICD
Experience	—	Mr Cahill is a mining engineer with over 25 years' experience in exploration, operational mining and management throughout Australia. He has extensive experience in the management of all facets of operating mines including regional exploration, resource drilling, underground and open pit mining, ore processing facilities, both as a mining contractor and an operator. He has also had particular experience in the management of project development and construction from initial exploration drilling phase right through to project funding and then onto project commissioning and development. Mr Cahill has been an executive director of a number of public companies including operations director of Perilya Limited, managing director of Australian Mines Limited and managing director of Norseman Gold Plc, a company listed on the London AIM market and the ASX. He is a member of the Australasian Institute of Mining & Metallurgy and a member of the Australian Institute of Company Directors.
Interest in Shares and Options	—	800,000 Ordinary Shares 3,000,000 Ordinary Shares under incentive plan
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Nil

Gavin A Caudle *(Appointed 15 August 2013)*	—	**Non-Executive Director**
Qualifications	—	BCom (UWA)
Experience	—	Mr Caudle has over 25 years' experience in the finance and investment sectors in Australia, Singapore and Indonesia. He was previously a partner in the Arthur Andersen Jakarta office and Country Head of the Investment Bank, Salomon Smith Barney, for Indonesia. Since 2003, together with his partners, Mr Caudle has developed numerous successful businesses including Tower Bersama Group (a telecommunications infrastructure business), Provident Agro (a plantation business) and Merdeka Copper& Gold with assets valued at more than $3 billion.
Interest in Shares and Options	—	106,214,208 Ordinary Shares
Special Responsibilities	—	Chairman of Audit Committee Member of Remuneration and Nomination Committee
Other Listed Company Directorships in last 3 years	—	Sihayo Gold Limited Sumatra Copper & Gold Plc PT. Merdeka Copper & Gold Tbk.

Gordon T Galt *(Appointed 22 August 2013)*	—	**Non-Executive Director**
Qualifications	—	BE (Mining), B.Comm, Grad Dip Finance, MAusIMM, MAICD
Experience	—	Mr Galt is a mining engineer and resources financier with over 40 years' experience. He is currently Chairman of Realm Resources Ltd, Nucoal Resources Ltd and Lefroy Exploration Ltd. He is a Principal of Taurus Funds Management.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Member of Audit Committee
Other Listed Company Directorships in last 3 years	—	Delta SBD Ltd (resigned 1 July 2016) Aquila Resources Limited (resigned 11 July 2014)

Michael Anderson *(Appointed 16 September2016)*	—	**Alternate Director for Gordon Galt**
Qualifications	—	PhD, Geology
Experience	—	Mr Anderson has over 20 years' industry experience, largely in southern Africa and Australia. His career commenced as a geologist with Anglo American, followed by roles in the metallurgical and engineering industries with Mintek, Bateman and Kellogg Brown & Root. He subsequently held senior management positions including Corporate Development Manager at Gallery Gold Limited, and Managing Director at Exco Resources Limited, where he oversaw the successful development of the White Dam Gold Project, and the sale of the Company's Cloncurry Copper Project to Xstrata. He joined Taurus Funds Management as a Director in August 2011.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Base Resources Limited Hot Chili Limited Ampella Mining Limited (resigned 26 Feb 2014) PMI Gold Corporation (resigned 6 Feb 2014)

Douglas L P Tay *(Appointed 30 May 2014)*	—	**Alternate Director for Gavin Caudle**
Qualifications	—	BA
Experience	—	Mr Tay is currently a Director of Provident Capital Partners, an investment company with interests in gold and copper mining, telecom infrastructure, palm plantations, real estate and biomass trading. Prior to joining Provident, he spent 10 years in Citigroup's investment banking and proprietary trading divisions, focusing on Southeast Asia.
Interest in Shares and Options	—	413,333 Ordinary Shares
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Nil

Christopher H Brown *(Appointed 30 May 2014)* *(Resigned 16 September 2016)*	—	**Alternate Director for Gordon Galt**
Qualifications	—	BSc (Geology), BEcon, GAICD, MAusIMM, MGSA
Experience	—	Mr Brown has 18 years experience as a professional geologist in industrial minerals and base and precious metals, and in exploration, development and production. For the past 28 years he has been involved with the investment industry. He was part of the management buy-out of Morgan Stockbroking Limited in 1991, initially Research Director until 1996, and an Executive Director until the completion of the sale of 50% of Morgan Stockbroking (now Morgans Financial) to ABN Amro in 2004. He is a Resource Industry Analyst with a focus on the analysis of junior to mid-sized resource companies, and a Technical Adviser to Sydney-based Taurus Funds Management, a private equity fund and an affiliate of MD Sass. Mr Brown remains a Consultant to Morgans Financial. He is a member of the Queensland Exploration Council and a member of the Joint Ore Reserve Committee.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Nil

James Wentworth *(Appointed 6 September 2013)*	—	**Company Secretary**
Qualifications	—	LLB, BCom
Experience	—	Mr Wentworth is a qualified solicitor with over 20 years of financial and commercial experience, focussing on the mining and mining services industries. He was formerly Finance Director of the Company and is currently a non-executive director of Mastermyne Group Limited. Prior to joining the Company, he spent nine years with Sydney-based private equity firm CHAMP Ventures where he was a director and member of the investment committee.
Interest in Shares and Options	—	250,000 Ordinary Shares 900,000 Ordinary Shares under incentive plan
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Mastermyne Group Limited (resigned15 April 2016)

Principal Activities

The principal activities of the consolidated entity during the financial year were:

a) Operation of a 3,000 t.p.a. SX-EW plant at the Wetar Copper Project;

b) Construction, commissioning and operation of a 25,000 t.p.a SX-EW plant at the Wetar Copper Project to expand its copper production capacity to 28,000 t.p.a;

c) Exploration for copper and gold in Indonesia.

During the year the company completed construction and commenced operation of the 25,000 t.p.a SX-EW plant and announced the divestment of the Ojolali project.

Now that the 25,000 t.p.a expansion project is complete the Company's business strategy and priority will be extending the mine life of the Wetar Copper Project and reducing debt.

Operating and Financial Review

The operating and financial review of operations during the year are set out on pages 4 to 11.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:

a) The Company completed construction of the 25,000 t.p.a SX-EW plant at the Wetar Copper Project and commenced operations. Commencement of Commercial Production was declared on 1 September 2016.

b) The Company restructured its copper hedge book generating proceeds of US$42.5 million and reducing hedged tonnes by 21,651 tonnes to 16,476 tonne.

c) The Company commenced repayment of its Senior Facilities. Total debt drawn under the Facilities was US$145.8 million. As at 31 December 2016, total debt outstanding had been reduced to US$91.4 million.

d) The Company undertook a share placement in November 2016 to raise A$12.0 million. A total of 100 million shares were issued at 12c per share to existing and new investors.

e) 1,000,000 employee incentive shares were forfeited during the year on resignation of employees. Reserved shares held in relation to these employees were subsequently cancelled.

Likely Developments and Expected Results

As discussed elsewhere in this annual report, construction of the new 25,000 t.p.a. SX-EW plant and mine infrastructure is now complete and operations have commenced. The Wetar Copper Project will have capacity to produce a total of 28,000 t.p.a. of copper cathode from two SX-EW plants, and will aim to reach nameplate capacity on a sustainable basis in 2017 thereby completing the transformation of the Company into a significant and low-cost copper cathode producer.

Significant Events after Balance Date

On 20 January 2017 the Company announced that it had completed the restructure of its Project Finance Facilities and that its ownership of the Wetar Copper Project had increased to 73.5%.

On 6 March 2017 the Company announced high grade drill results from Lerokis.

The Directors are not aware of any other matter or circumstance, which has arisen since the end of the financial year that has significantly affected or may significantly affect:

a) the operations of the consolidated entity;
b) the result of those operations; or
c) the state of affairs of the consolidated entity;

in subsequent financial years.

Dividends Paid or Recommended

There was no dividend paid, recommended or declared but not paid, during the financial year.

Environmental Issues

The consolidated entity adopts "best practice" environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all its project areas.

In each of the project areas, the consolidated entity has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programmes and rehabilitation. The consolidated entity is not aware of any endangered species of flora or fauna in these project areas.

Projects are subject to relevant environmental regulation in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. At Ojolali, exploration work typically had a minimal impact on the environment. The Ojolali project was divested in 2016. At Wetar, the location has historical degradation from former gold mining operations and the baseline reflects water quality in an area of acid rock drainage and former gold mining activities, monitoring activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The consolidated entity is required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Meetings of Directors and Board Committees

Attendances by each director during the year were as follows:

	Directors Meetings		Audit Committee Meeting	
	Eligible to attend	Attended	Eligible to attend	Attended
Gary E Comb	15	15	1	1
Barry J Cahill	15	14	-	-
Christopher B Farmer	3	3	-	-
Gavin A Caudle	15	15	1	1
Gordon T Galt	15	15	1	1

Indemnifying Directors and Other Officers

The Company's constitution provides that "to the extent permitted by the Corporations Act 2001, the Company may indemnify:

a) every person who is or has been an officer of the Company; and

b) where the Board of Directors considers it appropriate to do so, any person who is or has been an officer of a related body corporate of the Company;

against any liability incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be)."

During the financial year, the Company paid a premium and other charges for a Directors and Officers Liability Insurance Policy for the benefit of the directors, secretary, officers and employees of the Company. The policy prohibits disclosure of the terms of the policy, including the amount insured, the insuring clauses and exclusions and the amount of premium paid.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Options

The Company has an Employee Share Ownership Plan under which employees are offered the opportunity to acquire shares in the Company at pre-determined prices, funded by a limited recourse interest-free loan from the Company. The incentive shares offered to the employees are generally subject to vesting conditions (ie. performance and time hurdles) and are released to the employees only upon the performance hurdles being met and the loans repaid. The incentive shares have similar characteristics to options.

During the financial year the 1.0 million shares issued under the Employee Share Ownership Plan lapsed and were cancelled. The incentive shares outstanding at the date of this report are detailed in Note 16.

No options over unissued ordinary shares were granted during or since the end of the financial year.

The options over unissued ordinary shares outstanding at the date of this report are detailed in Note 17 to the financial statements. The option holders do not have any right by virtue of the options to participate in any share issue of any other body corporate.

Since the end of the previous financial year, no shares have been issued by virtue of the exercise of the options.

Non-audit Services

The Company may engage the services of its auditor on other assignments in addition to the statutory audit where the firm's expertise and experience with the Company are beneficial.

During the financial year, the Company did not engage the auditor, Ernst & Young, for any non-audit services (2015: Nil).

Full details of the auditor's remuneration are set out in Note 26 to the financial statements.

Auditor's Independence Declaration

The auditor's independence declaration pursuant to section 307C of the Corporations Act 2001 is set out on page 40.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in ASIC Corporations (Round in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT - AUDITED

This report details the nature and amount of remuneration for key management personnel.

Remuneration Policy

The remuneration policy is designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance indicators affecting the consolidated entity's operational and financial results. The policy ensures that the remuneration level is commensurate with the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating employees of the highest calibre, as well as creating goal congruence between directors, executives, shareholders and all other stakeholders.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the Remuneration Committee and approved by the Board.

All key management personnel receive a base salary, superannuation and may benefit from the Company's performance bonus plan. The Board (including non-executive directors) are remunerated by means of a fixed annual salary and superannuation, having regard to comparable companies from time to time.

The employment conditions of the managing director and specified executives are formalised in contracts of employment.

Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No external advice was sought during the financial year.

The Company's Constitution requires that the remuneration payable from time to time to non-executive directors shall be an amount not exceeding in aggregate a maximum sum that is from time to time approved by resolution of the Company, currently $350,000 per annum. In accordance with the Constitution, the Board has set the directors fees as follows:

Non-Executive Chairman	$50,000 per annum
Non-Executive Directors	$36,000 per annum

Where required, the Company also makes statutory superannuation contributions, currently 9.5% of directors' fees, for the benefit of the directors. There are no schemes for retirement benefits other than statutory superannuation for both executives and non-executive directors.

Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with those of shareholders, the directors are encouraged to hold shares in the Company.

Performance-based remuneration

Short-term incentives

A performance bonus plan was developed and agreed by the Remuneration Committee with the aim of providing alignment between executives and shareholders' interests in respect of the financial performance of the Company. The payment of bonuses and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving bonuses and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

No performance bonus has been awarded under the plan since its adoption.

The Company has also adopted a Performance Rights Plan (approved by shareholders on 5 November 2013). The directors consider that it is desirable to maintain a plan under which a limited number of employees and directors of the Company and its subsidiaries may be offered performance rights over shares in the Company instead of annual bonuses in order to increase the range of potential incentives available to them and to strengthen links between the Company and the participants.

Selected personnel will be offered participation in the Performance Rights Plan in lieu of part of or all of their annual short term incentive. Performance rights which will entitle the holder to ordinary shares in the Company will be offered to selected executives. The number of performance rights will be determined by the annual bonus entitlement and the market price of ordinary shares at the time of issue. No performance shares were issued during the current year.

Long-term incentives

The Company has an Employee Share Ownership Plan ("Share Plan") (adopted pursuant to shareholders' approval on 5 November 2013) designed to provide long-term incentives to employees of the consolidated entity.

Under the Share Plan, employees are offered the opportunity to acquire shares in the Company at a pre-determined price, funded by a limited recourse interest-free loan from the Company. The shares offered to the employees are subject to vesting conditions (ie. performance and time hurdles) and are released to the employees only upon the performance hurdles being met and the loans repaid. Participation in the Share Plan is at the discretion of the Board. The vesting conditions are set by the Board when the shares are granted.

Company Performance and Directors and Executive Remuneration

The table below summarises the Company's performance over the last 5 years.

At this stage of the Company's development, performance-based bonuses and incentive securities are structured for achieving milestones towards the full-scale development of the Wetar Copper Project, including securing finance and meeting development and production targets.

	2016	2015	2014	2013	2012
Net loss after tax	$13.1m	$29.5m	$20.5m	$20.4m	$19.8m
Loss per share	$0.019	$0.044	$0.033	$0.050	$0.069
Diluted loss per share	$0.019	$0.044	$0.033	$0.050	$0.069
Closing share price	$0.150	$0.135	$0.150	$0.210	$0.200
Market capitalisation	$114.2m	$89.3m	$99.2m	$104.3m	$58.1m

Details of Remuneration

The key management personnel of the consolidated entity during the year were –

Directors

		Appointed	Resigned
Gary Comb	Non-Executive Chairman	03 June 2013	
Barry Cahill	Managing Director	22 August 2013	
Christopher Farmer	Executive Director - Indonesia	30 March 2004	2 March 2016
Gordon Galt	Non-Executive Director	22 August 2013	
Gavin Caudle	Non-Executive Director	15 August 2013	
Christopher Brown	Alternate for Gordon Galt	30 May 2014	16 September 2016
Douglas Tay	Alternate for Gavin Caudle	30 May 2014	
Michael Anderson	Alternate for Gordon Galt	16 September 2016	

Other key management personnel

		Appointed	Resigned
James Wentworth	Chief Financial Officer / Company Secretary	01 December 2010	

Consolidated

The remuneration of Directors and Key Management Personnel is outlined opposite. Other than incentive shares, no portion of this remuneration is linked to performance.

31 December 2016	Short Term Benefits		Long Term Benefits	Post-Employment	Share Based Payments	Termination Benefits	Total Payments[3]	Total
	Salary and fees	Other[1]	Leave[2]	Super-annuation	Incentive shares	Termination payments		
Directors								
Gary Comb	50,000	-	-	4,750	87,500	-	54,750	142,250
Barry Cahill	400,000	-	35,737	19,308	35,000	-	419,308	490,045
Christopher Farmer[4]	68,792	168,594	224,825	176,851	-	89,286	503,523	728,348
Gordon Galt	18,000	-	-	1,710	-	-	19,710	19,710
Gavin Caudle	36,000	-	-	3,420	-	-	39,420	39,420
Alternate Directors								
Christopher Brown[5]	13,500	-	-	1,283	-	-	14,783	14,783
Michael Anderson	4,500	-	-	428	-	-	4,928	4,928
Douglas Tay	-	-	-		-	-	-	-
Key Management Personnel								
James Wentworth	351,327	-	6,377	8,676	7,012	-	360,003	373,392
	942,119	**168,594**	**266,939**	**216,426**	**129,512**	**89,286**	**1,416,425**	**1,812,876**

31 December 2015	Short Term Benefits		Long Term Benefits	Post-Employment	Share Based Payments	Termination Benefits	Total Payments[3]	Total
	Salary and fees	Other[1]	Leave[2]	Super-annuation	Incentive shares	Termination payments		
Directors								
Gary Comb	50,000	-	-	4,750	87,500	-	54,750	142,250
Barry Cahill	400,000	-	68,096	19,046	35,000	-	419,046	522,142
Christopher Farmer[4]	351,204	37,365	-	19,286	-	-	407,855	407,855
Gordon Galt	18,000	-	-	1,710	-	-	19,710	19,710
Gavin Caudle	-	-	-	-	-	-	-	-
Alternate Directors								
Christopher Brown[5]	18,000	-	-	1,710	-	-	19,710	19,710
Douglas Tay	-	-	-	-	-	-	-	-
Key Management Personnel								
James Wentworth	351,327	-	(4,166)	19,338	6,430	-	370,665	372,929
	1,188,531	**37,365**	**63,930**	**65,840**	**128,930**	**-**	**1,291,736**	**1,484,596**

1. Other employment benefits represent costs of housing, school fees and motor vehicles paid for expatriate employees.
2. Leave includes provisions for annual and long service leave. The comparatives have been restated to appropriately reflect the current year classification of these amounts.
3. Total payments is the sum of salaries and fees, other benefits, superannuation contributions and termination payments paid during the year. This is a non-IFRS measure and is believed to be of benefit to the users of the financial statements. Total remuneration under Australian Accounting Standards is shown in the final column of the table.
4. Christopher Farmer resigned as Director 2 March 2016.
5. Christopher Brown resigned as Alternate Director 16 September 2016.

Details of Shareholdings

Number of shares (excluding incentive shares disclosed below) in respect of which Directors and other key management personnel have a relevant interest directly or through related entities.

Year ended 31 December 2016	Balance 1 Jan 2016	Acquisitions	Disposals	Balance 31 Dec 2016
Directors				
Gary Comb	1,066,667	-	-	1,066,667
Barry Cahill	600,000	-	-	600,000
Christopher Farmer[1]	5,965,695	-	(5,965,695)	-
Gavin Caudle[2]	80,058,765	26,155,443	-	106,214,208
Gordon Galt	-	-	-	-
Christopher Brown[3]	-	-	-	-
Douglas Tay	413,333	-	-	413,333
Michael Anderson	-	-	-	-
Key Management Personnel				
James Wentworth	250,000	-	-	250,000
	88,354,460	**26,155,443**	**(5,965,695)**	**108,544,208**

1. Christopher Farmer resigned as Director 2 March 2016. As at 2 March 2016 Chris Farmer still held 5,965,695 shares. These shares are recorded as a disposal in the table above as a result of his resignation.
2. Shares acquired by Provident Minerals Pte Ltd, an entity associated with Mr Gavin Caudle in November 2016 as part of a placement of 100,000,000 shares.
3. Christopher Brown resigned as Alternate Director 16 September 2016

Year ended 31 December 2015	Balance 1 Jan 2015	Acquisitions	Disposals	Balance 31 Dec 2015
Directors				
Gary Comb	766,667	300,000	-	1,066,667
Barry Cahill	200,000	400,000	-	600,000
Christopher Farmer	5,965,695			5,965,695
Gavin Caudle	80,058,765	-	-	80,058,765
Gordon Galt	-	-	-	-
Christopher Brown	-	-	-	-
Douglas Tay	413,333	-	-	413,333
Michael Anderson	-	-	-	-
Key Management Personnel				
James Wentworth	250,000	-	-	250,000
	87,654,460	**700,000**	**-**	**88,354,460**

Incentive Shares

During the period the incentive shares held by the key management personnel were:

Year ended 31 December 2016	Balance 1 Jan 2016	Granted	Exercised	Lapsed	Balance 31 Dec 2016	Vested and exercisable
Directors						
Gary Comb	7,500,000	-	-	-	7,500,000	5,000,000
Barry Cahill	3,000,000	-	-	-	3,000,000	2,000,000
Christopher Farmer[1]	-	-	-	-	-	-
Gavin Caudle	-	-	-	-	-	-
Gordon Galt	-	-	-	-	-	-
Christopher Brown[2]	-	-	-	-	-	-
Michael Anderson	-	-	-	-	-	-
Douglas Tay	-	-	-	-	-	-
Key Management Personnel						
James Wentworth	900,000	-	-	-	900,000	900,000
	11,400,000	**-**	**-**	**-**	**11,400,000**	**7,900,000**

1. Christopher Farmer resigned as Director 2 March 2016
2. Christopher Brown resigned as Alternate Director 16 September 2016

At the date of this report, the following incentive shares are held by the key management personnel and other employees of the group:

	Number	Exercise price per share	Grant Date	Expiry date
Gary Comb	7,500,000	$0.2008 – $0.3008	8 Nov 2013	7 Nov 2021
Barry Cahill	3,000,000	$0.2008 – $0.3008	8 Nov 2013	7 Nov 2021
James Wentworth	900,000	$0.19 - $0.35	3 Feb 2015	1 Jan 2017 – 1 Jan 2019

The incentive shares are subject to performance hurdles linked to the expansion of the Wetar Copper Project, such as securing project finance, completion of the project construction on time and attaining a consistent level of copper cathode production. Full details of the vesting conditions, chosen so as to align to the Group's objectives, are set out over-leaf.

Gary Comb	Number	Vesting Conditions
	2,500,000	Completion of the project finance enabling construction of a 25,000 t.p.a. SX/EW plant for the Wetar Copper Project and Gary Comb remaining a Director of the Company for at least two years from the date of issue of the shares
	2,500,000	Production of at least 5,000 tonnes of copper cathode from the Wetar Copper Project SX/EW plant (nameplate capacity 25,000 t.p.a) and Gary Comb remaining a Director of the Company for at least three years from the date of issue of the shares
	2,500,000	Expansion of Wetar life of mine production from the current 150,000 tonnes copper cathode to the equivalent of at least 250,000 tonnes of copper cathode and Gary Comb remaining a Director of the Company for at least four years from the date of issue of the shares
Total	7,500,000	

Barry Cahill	Number	Vesting Conditions
	1,000,000	Completion of the project finance enabling construction of a 25,000 t.p.a. SX/EW plant for the Wetar Copper Project and Barry Cahill remaining a Director of the Company for at least two years from the date of issue of the shares
	1,000,000	Production of at least 5,000 tonnes of copper cathode from the Wetar Copper Project SX/EW plant (nameplate capacity 25,000 t.p.a) and Barry Cahill remaining a Director of the Company for at least three years from the date of issue of the shares
	1,000,000	Expansion of Wetar life of mine production from the current 150,000 tonnes copper cathode to the equivalent of at least 250,000 tonnes of copper cathode and Barry Cahill remaining a Director of the Company for at least four years from the date of issue of the shares
Total	3,000,000	

James Wentworth	Number	Vesting Conditions
	900,000	There were no vesting conditions associated with this issue.
Total	900,000	

Fair Value of Shares Granted

There were no shares granted and no shares were exercised by way of repayment of the accompanying loan during the year. A total of 3,500,000 shares vested during the year.

Service Agreements

The remuneration and terms of engagement of Executive Directors and other key management personnel are formalised in employment and consulting agreements. Key provisions of each of the agreements are set out below. All contracts (other than those in respect of non-executive director services) may be terminated early by the Company giving between 3 and 12 months' notice, subject to termination payments as detailed opposite.

Name	Term of agreement	Base fee/salary	Termination payment
Barry J Cahill Managing Director	23 Aug 2013 – 22 Aug 2016	$400,000 per annum plus statutory superannuation	12 months' notice or payment in lieu
James H Wentworth Chief Financial Officer /Company Secretary	From 1 December 2010 until terminated	$360,000 per annum (inclusive of superannuation)	3 months' salary/fee but 6 months' salary/fee if termination follows a change in control in the 12 months prior to termination

Signed in accordance with a resolution of the Board of Directors.

Gary Comb
Chairman
Perth
2 April 2017

AUDITOR'S INDEPENDENCE DECLARATION

Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Finders Resources Limited

As lead auditor for the audit of Finders Resources Limited for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Finders Resources Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

T S Hammond
Partner
2 April 2017

TH:RH:FINDERS:020

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Sales		73,618	6,042
Interest income		35	15
Raw materials and consumables used		(65,936)	(28,072)
Changes in finished goods and WIP inventory		25,048	2,139
Personnel costs		(18,667)	(16,614)
Administrative costs		(2,722)	(1,489)
Financing costs	3	(6,791)	(3,202)
Depreciation and amortisation	11,12	(13,767)	(1,850)
Exchange loss		(1,291)	(531)
Exploration expenditure		-	(165)
Royalty expense		(1,653)	(105)
Other income / (expense)		(5,703)	(610)
Loss before income tax		**(17,829)**	**(44,442)**
Income tax (expense)/benefit	4	4,694	14,909
Loss for the year		**(13,135)**	**(29,533)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Adjustments from translation of foreign controlled entities		3,855	6,451
(Loss)/ Gain on cashflow hedges		(15,208)	59,635
Tax effect on cashflow hedges		3,803	(14,909)
Loss/(Gain) on cashflow hedges reclassified to profit or loss			
Loss/(Gain) on realised cashflow hedges		(12,340)	-
Tax effect on realised cashflow hedges		3,085	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement gain on defined benefit fund		153	812
Other comprehensive (loss) / income net of tax		**(16,652)**	**51,989**
Total comprehensive (loss) /income for the year		**(29,787)**	**22,456**
Loss for the year attributable to:			
Owners of Finders Resources Ltd		(7,551)	(18,737)
Non-controlling interests		(5,584)	(10,796)
		(13,135)	**(29,533)**
Total comprehensive (loss)/ profit attributable to:			
Owners of Finders Resources Ltd		(19,610)	23,162
Non-controlling interests		(10,177)	(706)
		(29,787)	**22,456**
Loss per share		**Cents**	**Cents**
Basic loss per share	27	(1.9)	(4.4)
Diluted loss per share	27	(1.9)	(4.4)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	4,879	33,728
Receivables	6	6,885	780
Financial assets	7	63	2,380
Inventories	8	39,329	6,747
Other assets	9	485	2,088
Total current assets		**51,641**	**45,723**
Non-current assets			
Receivables	6	14,296	14,968
Financial assets	7	1,344	1,302
Hedging derivative asset	10	-	67,388
Plant and equipment	11	191,254	22,341
Development expenditure	12	37,873	144,259
Deferred tax asset		11,627	-
Total non-current assets		**256,394**	**250,258**
TOTAL ASSETS		**308,035**	**295,981**
LIABILITIES			
Current liabilities			
Trade and other payables	13	41,703	23,481
Borrowings	15	42,669	19,431
Provisions	14	742	604
Hedge derivative liability	10	8,403	-
Total current liabilities		**93,517**	**43,516**
Non-current liabilities			
Borrowings	15	78,888	147,128
Provisions	14	13,036	11,194
Hedge derivative liability	10	8,537	6,546
Total non-current liabilities		**100,461**	**164,868**
TOTAL LIABILITIES		**193,978**	**208,384**
NET ASSETS		**114,057**	**87,597**
EQUITY			
Issued capital	16	168,182	156,884
Reserves	18	45,409	57,342
Accumulated losses		(143,241)	(135,699)
Equity attributable to owners of Finders Resources Limited		**70,350**	**78,527**
Non-controlling interest	19	43,707	9,070
TOTAL EQUITY		**114,057**	**87,597**

The accompanying notes form part of these financial statements.

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

	Note	Share capital $'000	Accumulated losses $'000	Equity reserve $'000	Hedging derivative reserve $'000	Foreign currency $'000	Share based payments reserve $'000	Other reserve $'000	Non-controlling interest $'000	Total $'000
Balance 1 January 2016		**156,884**	**(135,699)**	**6,045**	**32,250**	**17,767**	**695**	**585**	**9,070**	**87,597**
Loss for the period		-	(7,551)	-	-	-	-	-	(5,584)	(13,135)
Other comprehensive income		-	-	-	(14,243)	2,074	-	110	(4,593)	(16,652)
Total comprehensive income		**-**	**(7,551)**	**-**	**(14,243)**	**2,074**	**-**	**110**	**(10,177)**	**(29,787)**
Transactions with owners recorded directly in equity:										
Shares issued during year		12,000	-	-	-	-	-	-	-	12,000
Share issue expenses		(702)	-	-	-	-	-	-	-	(702)
Share based payments		-		-	-	-	135	-	-	135
Share based payments – expired		-	9	-	-	-	(9)	-	-	-
Equity contribution		-	-	-	-	-	-	-	44,814	44,814
Balance as at 31 December 2016		**168,182**	**(143,241)**	**6,045**	**18,007**	**19,841**	**821**	**695**	**43,707**	**114,057**

	Note	Share capital $'000	Accumulated losses $'000	Equity reserve $'000	Hedging derivative reserve $'000	Foreign currency $'000	Share based payments reserve $'000	Other reserve $'000	Non-controlling interest $'000	Total $'000
Balance 1 January 2015		**156,884**	**(116,962)**	**6,045**	**-**	**8,709**	**1,480**	**-**	**9,791**	**65,947**
Loss for the period		-	(18,737)	-	-	-	-	-	(10,796)	(29,533)
Other comprehensive income		-	-	-	32,250	9,058	-	585	10,075	51,968
Total comprehensive income		**-**	**(18,737)**	**-**	**32,250**	**9,058**	**-**	**585**	**(721)**	**22,435**
Transactions with owners recorded directly in equity:										
Share based payments		-	-	-	-	-	(785)	-	-	(785)
Balance as at 31 December 2015		**156,884**	**(135,699)**	**6,045**	**32,250**	**17,767**	**695**	**585**	**9,070**	**87,597**

The accompanying notes form part of these financial statements.

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

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		58,263	6,706
Payments to supplier and employees		(74,644)	(51,514)
Interest received		35	15
Net cash used in operating activities	29	**(16,346)**	**(44,793)**
Cash flows from investing activities			
Payment for plant and equipment		(3,280)	(2,396)
Payments for development expenditure		(72,395)	(81,162)
Payments for security deposits		-	(1,062)
Net cash used in investing activities		**(75,675)**	**(84,620)**
Cash flows from financing activities			
Proceeds from the issue of shares		12,000	-
Share issue costs paid		(702)	-
Net proceeds from hedge		58,787	-
Proceeds from borrowings		75,955	124,555
Repayment of borrowings		(75,253)	-
Payments for interest and other costs of financing		(8,008)	(9,360)
Net cash provided by in financing activities		**62,779**	**115,195**
Net decrease in cash held		**(29,242)**	**(14,218)**
Cash and cash equivalents at beginning of period		33,728	47,946
Exchange rate effect		393	-
Cash and cash equivalents at end of period	5	**4,879**	**33,728**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Finders Resources Limited is a public company, incorporated and domiciled in Australia whose shares are traded on the Australian Securities Exchange (ASX).

This financial report includes the consolidated financial statements and notes of Finders Resources Limited and controlled entities ("consolidated entity").

The financial report was authorised for issue in accordance with a resolution of the Directors on 31 March 2017. The directors have the power to amend and reissue the financial statements.

a) Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

b) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for derivatives which are carried at fair value.

c) Critical accounting estimates and judgements

The Directors evaluate estimates incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Key areas of estimation are:

- Valuations of share based payments – the Group measures the cost of equity-settled transactions with employees by reference to their fair values. Details of share-based payments are disclosed in note 25.
- Rehabilitation and restoration provisions – significant judgement is involved in determining the provision as there are many factors that impact the amount, including cost estimates, timing of expenditure, changes in technology and discount rates.
- Impairment of non-financial assets - in determining the recoverable amount of assets for assessing potential impairment, the Group prepares discounted cashflow calculations which are based on a number of critical estimates and assumptions including mine life (including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction); production levels and costs; copper prices; inflation and discount rates. For the year ended 31 December 2016, the directors have determined that plant and equipment and development expenditure are not impaired.
- Provision for defined benefit obligations – the obligation is determined using actuarial valuations, which involve making various assumptions that may differ from actual developments in the future. These assumptions are disclosed in note 14. Due to the complexities involved in the valuation and its long term nature, the provision is highly sensitive to changes in these assumptions.
- Commencement of commercial production - recognition of costs in the carrying amount of an asset ceases when the asset is in the location and condition necessary to operate as intended by management. The Group determined that this occurred on 1 September 2016. From this date the capitalisation of borrowing costs on the project ceased, and depreciation of the assets, recognition of mining costs in inventory and recognition of revenue commenced. The determination of the date at which the project assets were in the location and condition necessary to operate as intended by management requires significant judgement.

The Directors have reviewed the carrying values of assets at balance date and concluded that there has been no impairment.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The accounting policies have been consistently applied, unless otherwise stated.

a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

(ii) Exposure, or rights, to variable returns from its involvement with the investee

(iii) The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement(s) with the other vote holders of the investee

(ii) Rights arising from other contractual arrangements

(iii) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

b) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated balance sheet.

d) **Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

e) **Earnings per share**

Basic earnings per share is determined by dividing net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share is determined by dividing net profit attributable to members, adjusted for:

(i) costs of servicing equity (other than dividends);

(ii) the after-tax effect of dividends and interest associated with dilutive potential ordinary shares;

(iii) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

f) **Employee benefits**

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables.

Provision for Indonesian long term benefit obligations

Under Indonesia Labour Laws the Group is required to provide for a minimum amount of employee benefits including severance and termination pay to be paid by the company at the closure of the mine or the termination of employee's services whichever is earlier. The Group recognises an obligation for these employee benefits until required. The defined benefit obligations are unfunded.

The costs of providing the benefits are determined using the projected unit credit method.

Re-measurements, comprising actuarial gains and losses, excluding amounts included in interest on the net defined benefit liability, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Service costs are recognised in the profit or loss on the earlier of the date of changes in legislative requirements or the date that the Group recognises related restructuring costs.

Interest is calculated by applying the discount rate to the recognised liability. The Group recognises the following changes in the net defined benefit obligation under 'personnel costs' in the profit and loss:

- Service costs comprising current service costs, past service costs and non-routine settlements
- Interest costs

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

g) Exploration and development expenditure

Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward in the accounts in respect to areas of interest for which the rights of tenure are current and where:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area is continuing.

When technical feasibility and commercial viability of an area of interest is demonstrable, the accumulated costs are transferred to mine properties and amortised over the life of the mine in proportion to the depletion of the economically recoverable mineral reserves.

Costs carried forward in respect of an area of interest which no longer satisfy the above policy are written off in the period in which that decision is made.

Development expenditure

Development expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure.

Revenue and costs associated with production during the start-up period are capitalised until the asset capable of operating at normal levels.

Amortisation of development expenditure is calculated on a unit-of-production basis so as to write off the cost over the life of the project in proportion to the depletion of the anticipated recoverable mineral reserves.

h) Financial Instruments

Recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the face value of the financial asset or financial liability.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Trade receivables

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are therefore measured at amortised cost.

Impairment of financial assets

The Group applies the simplified approach and records lifetime expected losses on all trade receivables.

i) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the subsidiaries is determined based on the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated profit and loss.

Subsidiaries

The financial results and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the consolidated balance sheet. These differences are recognised in the consolidated profit and loss in the period in which the operation is disposed.

j) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST or Value Added Tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the relevant tax authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated balance sheet are shown inclusive of GST or VAT.

Cash flows are presented in the consolidated cash flow statement on a gross basis, except for the GST or VAT component of investing and financing activities, which are presented as operating cash flows.

k) Hedging

The Company has entered into derivative financial instruments to manage its exposure to fluctuations in commodity prices. Hedge accounting is applied where the derivative financial instrument provides an effective hedge of the hedged item.

Where hedge accounting applies, at the inception of the instrument the Company designates hedges as either fair value or cash flow hedges in accordance with the nature of the underlying instrument and the company's hedging policy. Hedging documentation is established that outlines the nature of the transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

To date all hedges entered into by the Company has been designated as cash flow hedges. Cash flow hedges are used to mitigate the risk of variability of future cash flows attributable to movements in the commodity prices in relation to highly probable purchase or settlement commitments in foreign currencies.

Where a cash flow hedge qualifies for hedge accounting, the effective portion of gains or losses on remeasuring the fair value of the hedging instrument at each reporting date is recognised directly in the hedging reserve via other comprehensive income until such time as the hedged item affects profit or loss, and then the gains or losses are transferred to the profit and loss. Gains or losses on any portion of the hedge determined to be ineffective are recognised immediately in the profit and loss. If a forecast hedged transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that were reported in other comprehensive income are transferred immediately to the profit and loss.

If the hedging instrument expires or is sold or terminated, any cumulative gain or loss previously recognised in other comprehensive income remains in equity until the forecast transaction occurs.

Offsetting financial instruments

The Group presents its derivative assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Associations (ISDA) master netting agreement. The amounts set out in Note 10 represent the derivative financial assets and liabilities of the Group that are subject to the above arrangements and are presented on a gross basis.

l) Impairment of plant and equipment and development expenditure

At each reporting date, the consolidated entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated profit and loss.

m) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

n) Inventories

Inventories of copper cathode and work in progress are carried at the lower of cost and net realisable value. Cost includes raw materials, labour and other direct expenditure together with a portion of fixed and variable overhead attributable to the inventory on hand, calculated on a weighted average basis.

Inventories of consumables and spares are valued at cost less, where appropriate, a provision for obsolescence.

o) Leases

Leases of property, plant and equipment where the consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit and loss on a straight-line basis over the period of the lease.

p) Operating segments

Operating segment information is based on the consolidated entity's reporting structure and internal reports that are regularly reviewed by the Directors for the purposes of decision making. The consolidated entity is developing a copper project on the Indonesian island of Wetar and conducting mineral exploration on Wetar Island. The internal reporting structure is focussed on copper mining which forms the basis for the operating segments.

q) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets.

Depreciation

Fixed assets are depreciated over their useful lives commencing from the time the asset is held ready for use. Depreciation on copper processing plant and equipment is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the economically recoverable mineral reserves.

Depreciation of other plant and equipment is calculated on a straight-line basis so as to write off the cost of each asset over its estimated useful life, generally at a rate of between 12.5% and 25% per annum.

r) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

s) Rehabilitation and restoration costs

Expenditure relating to ongoing rehabilitation and restoration programmes are provided for or charged to costs of production as incurred. Other rehabilitation and restoration costs are accrued over the life of the mine. The estimated costs are reassessed on a regular basis and changes in estimates are dealt with on a prospective basis. The estimates are based on current costs, current legal requirements and current technology.

t) Revenue

Sales of copper cathode are recognised when the title and risk have passed to the customer and the selling price can be determined with reasonable accuracy. Revenue is recognised at the fair value of consideration receivable and is stated net of the amount of value added tax (VAT).

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset. Borrowing costs related to the establishment of a loan facility are capitalised and amortised over the life of the facility. Other borrowing costs are recognised as an expense in the financial period incurred.

v) Share-based payments

Share-based compensation benefits are provided to employees under the Company's incentive share and option plans. The fair value of securities granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

Share–based compensation under which employees purchase shares funded by limited recourse loans from the Company is measured as the value of the options inherent within the shares issued and is expensed over the vesting period of the shares with a corresponding credit to the share-based payments reserve.

w) Going concern

The consolidated entity incurred a loss after tax of $10.963 million for the year ended 31 December 2016 (31 December 2015: $29.533 million) and has net current liabilities of $41.876 million (31 December 2015: net current assets of $2.207 million), including $42.744 million of debt which is due for repayment in the next 12 months.

The ability of the consolidated entity to continue as a going concern is dependent on the continued ramp up of production from the expanded Wetar copper project and no material decrease in the copper price over the next few months in order satisfy the conditions of its debt facilities. The directors expect that the project will soon achieve nameplate capacity production and that the copper price will not fall materially below its current trading range and therefore believe that it is appropriate to prepare the financial report on a going concern basis.

However, should the continued ramp of production not be achieved or the copper price fall materially over the next few months then there is uncertainty as to whether the consolidated entity will continue as a going concern without raising additional funds from other sources, or rescheduling or refinancing its debt obligations.

No adjustments have been made to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

x) Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

y) New accounting standards and interpretations

(i) Accounting Standards and Interpretations Issued but Not Yet Effective

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 31 December 2016 and the Group has not yet determined the impact on the financial statements:

Standard	Summary	Application Date of Standard and for the Group
AASB 15 Revenue from Contracts with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: a) Step 1 : Identify the contract(s) with a customer b) Step 2 : Identify the performance obligations in the contract c) Step 3 : Determine the transaction price d) Step 4 : Allocate the transaction price to the performance obligations in the contract e) Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.	1 January 2018

<table>
<tr><th>Standard</th><th>Summary</th><th>Application Date of Standard and for the Group</th></tr>
<tr><td>AASB 16
Leases</td><td>The key features of AASB 16 are as follows:
Lessee accounting
• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
• AASB 16 contains disclosure requirements for lessees.
AASB 16 supersedes:
a) AASB 117 Leases
b) Interpretation 4 Determining whether an Arrangement contains a Lease
c) SIC-15 Operating Leases—Incentives
d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</td><td>1 January 2018</td></tr>
<tr><td>AASB 2016-1
Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</td><td>This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.</td><td>1 January 2017</td></tr>
<tr><td>AASB 2016-2
Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</td><td>This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</td><td>1 January 2017</td></tr>
<tr><td>AASB 2016-5
Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</td><td>This standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:
• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
• Share-based payment transactions with a net settlement feature for withholding tax obligations
• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</td><td>1 January 2018</td></tr>
</table>

Standard	Summary	Application Date of Standard and for the Group
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency, is effective 1 January 2018. This standard is currently only issued by the IASB but may be adopted by the AASB in future periods	1 January 2018

(ii) New accounting standards and interpretations

In the year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company and effective for the current annual reporting period. 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 the Company and, therefore no material change to the Company's accounting policies.

Standard	Summary	Application Date of Standard and for the Group
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 January 2016
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016
AASB 1057 Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016

Standard	Summary	Application Date of Standard and for the Group
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 Non-current Assets Held for Sale and Discontinued Operations: • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 Financial Instruments: Disclosures: • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. AASB 119 Employee Benefits: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	

Standard	Summary	Application Date of Standard and for the Group
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016
AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs AASB 8, AASB 133 & AASB 1057	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016

z) Comparative numbers

Where applicable, comparatives have been adjusted to disclose them on the same basis as the current year.

3. EXPENSES

	2016 $'000	2015 $'000
Finance costs		
Interest charges	3,494	-
Provisions – unwinding of discount	358	399
Other borrowing costs	2,939	2,803
	6,791	**3,202**

4. INCOME TAX

	2016 $'000	2015 $'000
Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(17,829)	(44,442)
Income tax benefit calculated at tax rate of 30% (2015: 30%)	(5,349)	(13,333)
Tax effect of amounts which are not deductible in calculating taxable income:		
Share based payments	41	(235)
Other non-deductible expenditure	1,221	586
Difference in overseas tax rate	924	2,718
Previously unrecognised deferred tax assets now brought to account	(1,531)	(4,645)
Income tax expense/(benefit)	(4,694)	(14,909)
Other comprehensive income		
Net (gain)/loss on revaluation of cash flow hedges	6,933	(14,909)
Deferred tax charged to Other comprehensive income	6,933	(14,909)
Reconciliation of deferred tax assets, net		
As at 1 January	-	-
Tax income/(expense) during the period recognised in profit/(loss)	4,694	14,909
Tax income/(expense) during the period recognised in Other comprehensive income	6,933	(14,909)
As at 31 December	11,627	-

Deferred tax assets of $11.627 million (2015: $nil) relate only to temporary differences. Deferred tax losses relating to tax losses have only been recognised, where applicable, to offset deferred tax liabilities. Deferred tax assets and liabilities are offset if it has a legally enforceable right to set off tax assets and liabilities related to income taxes levied by the same tax authority.

Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	85,237	66,810
Potential tax benefit at 30% (Australia), 25% (Indonesia)	22,318	17,767

Franking credits as at 31 December 2016 are $nil (2015: $nil).

5. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and in hand	4,878	24,423
Restricted cash	1	9,305
	4,879	**33,728**

a) Risk exposure

The groups exposure to interest rate risk is discussed in Note 30. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalent mentioned above.

6. RECEIVABLES

	2016 $'000	2015 $'000
Current		
VAT receivable	6,116	-
Impairment allowance[(a)]	(612)	-
Other receivable	1,381	780
	6,885	**780**
Non-current		
VAT receivable	12,899	14,727
Impairment allowance[(a)]	-	(400)
Other receivable	1,397	641
	14,296	**14,968**

The consolidated entities exposure to credit risk is outlined in note 30 Financial Risk Management.

a) Impairment allowance

An allowance for impairment loss is recognised when there is objective evidence that a receivable is impaired. In the current period an allowance of impairment of $612,000 (2015: $400,000) has been recognised in relation to uncertainty associated with the recoverability of receivables.

7. FINANCIAL ASSETS

	2016 $'000	2015 $'000
Current		
Deferred borrowing costs	-	2,346
Security deposit	63	34
	63	**2,380**
Non-current		
Security deposit[(a)]	1,344	1,302
	1,344	**1,302**

a) Security deposits include

(i) $232,000 (2015: $210,000) environmental bond placed by a subsidiary with the Indonesian government to secure the subsidiary's rehabilitation obligations at the Wetar Copper Project.

(ii) $1.112 million (2015: 1.065 million) held by a controlled entity's banker to secure a bank guarantee issued by the bank on behalf of the controlled entity (Note 22).

The remaining security deposits comprise cash held by suppliers to a controlled entity to secure contracts and payments for goods and services.

8. INVENTORIES

	2016 $'000	2015 $'000
Inventories, at cost		
Raw materials and consumables	10,050	3,243
Work in progress	20,224	2,472
Finished goods	9,055	1,032
	39,329	**6,747**

9. OTHER ASSETS

	2016 $'000	2015 $'000
Current		
Prepayments	485	2,088
	485	**2,088**

10. HEDGING DERIVATIVE ASSETS AND LIABILITIES

In accordance with the Group's commodity price risk strategy, as outlined in note 30, the group has entered into forward contracts in respect of forecast future copper sales and diesel purchases. The forward contracts are designated and qualify as cashflow hedges to hedge the Group's exposure to variability of cashflows arising from its future copper sales and diesel purchases. The details of the forward contracts are outlined below:

a) 16,475.5 tonnes of forecast future copper sales produced from the Wetar Copper Project. These contracts are at an average price of US$4,806 per tonne and cover the period from January 2017 to March 2019. At 31 December 2016, the contracts have a fair value of $16.060 million reflected as a derivative liability which was recognised in the hedge reserve during the period.

b) 255,000 barrels of Singapore Gas Oil (High Speed Diesel) to be used at the Wetar Copper Project. The contracts are at an average price of US$69.52 per barrel and cover the period from January 2016 to December 2017. At 31 December 2016, the contracts have a fair value of $880,000 (2015: $6,500,000), reflected as a derivative liability and the movement has been disclosed in the hedge reserve.

Forward contracts for 21,651 tonnes of copper with maturities from September 2016 to March 2019 were closed out during the period resulting in a gain of $56.6 million being realised. In accordance with the accounting policy this gain is recognised in the hedge reserve until the date of the original forecast transactions.

The fair value of the forward contracts is determined by reference to current forward commodity prices, which is categorised as level 2 of the fair value hierarchy. The principal inputs to the valuation are commodity prices, volatilities and discount rates. Commodity prices are determined by reference to published prices.

The maturity of the forward contracts is shown overleaf -

Copper and fuel swaps – Maturity analysis

	0 – 6 months $'000	6 – 12 months $'000	12 – 24 months $'000	24 + months $'000	Total $'000
Copper swaps					
Receive – forward	25,417	25,777	46,684	11,529	109,407
Pay – spot	29,117	29,600	53,551	13,199	125,467
Fuel swaps					
Receive – spot	5,714	5,997	-	-	11,711
Pay – forward	6,120	6,471	-	-	12,591
Total					
Receive	31,131	31,774	46,684	11,529	121,118
Pay	35,237	36,071	53,551	13,199	138,058
Net receive /(pay)	**(4,106)**	**(4,297)**	**(6,867)**	**(1,670)**	**(16,940)**

11. PLANT AND EQUIPMENT

	2016 $'000	2015 $'000
Plant and equipment at cost	201,815	23,607
Less:		
Accumulated depreciation	(5,305)	(4,010)
Impairment	(5,256)	(5,207)
	191,254	**14,390**
Construction in progress	-	7,951
	191,254	**22,341**
Movements:		
Opening net book value	22,341	21,579
Additions	-	85
Asset Reclassification from development expenditure[(a)]	168,942	-
Depreciation charge	(1,224)	(709)
Exchange rate effect	1,195	1,386
Closing net book value	**191,254**	**22,341**

a) The amount includes $17.249 million (2016: $9.369 million, 2015: $7.880 million) of borrowing costs.

12. DEVELOPMENT EXPENDITURE

	2016 $'000	2015 $'000
Development expenditure	53,641	49,538
Less:		
Accumulated amortisation	(15,893)	(3,061)
	37,748	**46,477**
Capital works in progress	125	97,782
	37,873	**144,259**
Movements:		
Opening net book value	144,259	69,154
Additions	73,701	73,216
Asset Reclassification to plant and equipment[(a)]	(168,942)	-
Amortisation charge	(12,543)	(763)
Exchange rate effect	1,398	2,652
Closing net book value	**37,873**	**144,259**

a) The amount includes $17.249 million (2016: $9.369 million, 2015: $7.880 million) of borrowing costs.

13. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade creditors and accruals	41,628	22,648
Accrued interest	75	833
	41,703	**23,481**
Foreign currency risk		
Trade creditors and accruals are denominated in the following currencies		
Australian Dollar	11,581	1,467
United States Dollar	14,576	13,156
Indonesian Rupiah	15,544	8,858
Singaporean Dollar	2	-
	41,703	**23,481**

14. PROVISIONS

	2016 $'000	2015 $'000
Current		
Employee benefits	742	604
Non-current		
Employee benefits[b]	3,728	3,525
Rehabilitation and restoration[a]	9,308	7,669
	13,036	**11,194**

a) The provision for rehabilitation and restoration has been recognised in connection with the consolidated entity's closure obligations when the Wetar Copper Project ceases operations in the future. The timing of the site rehabilitation will depend on the mine life of the full-scale project to be developed.

	2016 $'000	2015 $'000
Provision for rehabilitation and restoration		
Opening balance	7,669	5,082
Provision for the year	1,208	1,564
Unwinding of discount	358	399
Exchange rate effect	73	624
Closing balance	**9,308**	**7,669**

b) The provision for employee benefits consists of annual leave, long service leave and Indonesia labour law requirements. The balance includes $3.781 million (2015: 3.406 million) in relation to the provision for the Indonesian defined benefit obligations.

	2016 $'000	2015 $'000
Movements		
Provision for Indonesian long term benefits obligation		
Opening balance	3,406	944
Charges through the profit and loss		
Service costs	417	3,232
Net interest expense	311	493
	728	3,725
Re-measurement through other comprehensive income		
Actuarial adjustments arising from changes in assumptions and experience adjustments	(153)	(812)
	(153)	(812)
Benefits paid during the year	(200)	(451)
	3,781	**3,406**

The principle assumptions used in determining the provision under the projected unit credit method are shown below:

Discount rate per annum	8.0%
Future Salary increase	7.5%
Retirement	55 years
Life of mine	7 years
Mortality rate	100% TMI 3
Disability	10% TMI 3

15. BORROWINGS

	2016 $'000	2015 $'000
Current		
Loan (secured)[(a)]	42,669	19,431
	42,669	**19,431**
Non-current		
Loan (secured)[(a)]	78,888	100,938
Loan (unsecured)[(b)]	-	46,190
	78,888	**147,128**

a) Loan (secured)

The Group has a Senior Secured Project Finance Facility Agreement with a syndicate of banks. Under the agreement, the banking syndicate agreed to provide loan facilities totalling US$162.0 million. Following the completion of construction, the undrawn facilities were cancelled in September 2016.

Facility	Interest rate (LIBOR + %)	Drawn down 31 Dec 2016 $'000	Drawn down 31 Dec 2015 $'000
Term loan facility	5.50%	107,772	115,647
Cost overrun facility	6.25%	8,227	-
VAT working capital facility	5.50%	10,199	8,908
		126,198	**124,555**

The facilities have first ranking security over the Wetar Copper Project.

Principal repayment – Maturity analysis

	0 – 6 months $'000	6 – 12 months $'000	12 – 24 months $'000	24 + months $'000	Total $'000
Term loan facility	17,271	15,199	46,287	29,015	107,772
Cost overrun facility	-	-	-	8,227	8,227
VAT working capital facility	5,935	4,264	-	-	10,199
	23,206	**19,463**	**46,287**	**37,242**	**126,198**

As at 31 December 2016 accrued interest in respect to this facility has been treated as a Current Borrowing liability.

b) Loan (unsecured)

The Group secured US$45 million in funding from Daewoo International Corporation, for the expansion of the Wetar Copper Project, of which US$31.4 million was provided as an unsecured loan. At the inception of the loan, interest at the rate of 10% per annum was payable on the loan from commencement of commercial production at the Wetar Copper Project.

In April 2016, an amendment to the loan agreement was executed converting the loan to non-interest bearing. Following the amendment, the loan is now non-interest bearing, has no specified repayment date and the timing of the repayment is at the discretion of the borrower. The loan has therefore been treated as equity. No shares have been issued in consideration of this amount and it carries no right to extra votes or a right to dividends.

16. ISSUED CAPITAL

	2016 '000	2015 '000	2016 $'000	2015 $'000
Contributed equity				
Issued and paid up shares[(a)]	761,267	661,267	162,997	151,699
Employee incentive reserved shares[(b)]	11,400	12,400	-	-
Converting notes[(c)]	-	-	5,185	5,185
	772,667	**673,667**	**168,182**	**156,884**

a) Issued capital

		Number of shares '000	Issue price $	Issued capital $'000
2016				
01 Jan 2016	At beginning of reporting period	673,667		151,699
18 Nov 2016	Placement of shares	100,000	0.12	11,298
12 Dec 2016	Cancellation of reserved shares	(1,000)	-	-
31 Dec 2016	At end of reporting period	**772,667**		**162,997**
2015				
01 Jan 2015	At beginning of reporting period	676,224		151,699
03 Feb 2015	Employee incentive shares	1,633	-	-
15 Dec 2015	Cancellation of reserved shares	(4,190)	-	-
31 Dec 2015	At end of reporting period	**673,667**		**151,699**

b) Employee incentive shares

The Company has issued incentive shares to employees and executive directors under the Finders Employee Share Plan as well as incentive shares to the Non-Executive Chairman on similar terms to the plan. This share-based compensation under which the employees and directors purchase shares funded by limited recourse loans from the Company is accounted for as a share based payment and expensed over the expected life of the options inherent in the arrangement with a corresponding credit to the share-based payments reserve.

c) Converting notes

The Company raised US$5,500,000 from Standard Bank Plc in 2012 pursuant to mandatory Converting Notes, which will convert into 12,248,538 shares in the Company on or before 16 March 2018 at a conversion price of A$0.427 per share. The Notes will convert into shares and have been treated as equity for accounting purposes.

d) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At a general meeting on a show of hands, each shareholder present has one vote and on a poll each shareholder present has:

(i) one vote for each fully paid share held; and

(ii) for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

e) Capital management

The consolidated entity's funding requirements have largely been sourced from equity funds and a project finance facility provided by its banks. During the year, the company completed drawdowns under the project finance facility and commenced repayment. Its objectives in capital management are to ensure that the consolidated entity can meet its debts as and when they become due and payable and to maintain an optimal capital structure to reduce the cost of capital.

Under the project finance facility, the consolidated entity is subject to financial covenants typical of facilities of this nature, such as loan life cover ratios, project life cover ratios and reserve tail ratios. The consolidated entity was in compliance with all financial covenants under the project finance facility.

17. OPTIONS

Number of options on issue	2016 '000	2015 '000
Balance at beginning of financial year	54,156	54,156
Less: Options lapsed	-	-
Balance at the end of the financial year	**54,156**	**54,156**

The Company has granted the options set out below to lenders in consideration for the interest-bearing loan facility. No new issues were issued during the current year.

Grant date	Expiry date	Exercise price	Number		Vested and exercisable	
			2016 '000	2015 '000	2016 '000	2015 '000
6 Jun 2012	5 Jun 2017	$0.3500	22,857	22,857	22,857	22,857
22 Oct 2012	22 Oct 2017	$0.2556	31,299	31,299	31,299	31,299
			54,156	**54,156**	**54,156**	**54,156**
Weighted average exercise price			$0.3000	$0.3000	$0.3000	$0.3000

18. RESERVES

	2016 $'000	2015 $'000
Equity reserve	6,045	6,045
Hedge derivative reserve	18,007	32,250
Foreign currency translation reserve	19,841	17,767
Share base payment reserve	821	695
Other reserve	695	585
	45,409	**57,342**

Equity reserve
The equity reserve arises from the acquisition of shares in a controlled entity from a minority shareholder and the value of conversion rights attached to the convertible note and options granted.

Hedge derivative reserve
The hedge derivative reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income.

Foreign currency translation reserve
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of equity instruments issued to employees.

Other reserve
The other reserve is used to recognise the actuarial re-measurement gains and losses in relation to the defined benefit obligations.

19. NON-CONTROLLING INTEREST

The portion of equity held by non-controlling interests in subsidiaries can be determined based on the information in note 23.

	2016 $'000	2015 $'000
Non-controlling interest		
Issued and paid up shares	14,519	15,643
Contributed equity *(refer to note 15b)*	44,814	-
Reserves	5,471	9,176
Accumulated losses	(21,097)	(15,749)
	43,707	**9,070**
Share of loss for the year	**(5,584)**	**(10,796)**
Share of total comprehensive loss	**(10,177)**	**(721)**

20. OPERATING SEGMENTS

The consolidated entity's operations are situated in two geographical locations, being Australia and Indonesia. Its minerals business is based in Indonesia where it is currently producing copper cathode from its 28,000 tonnes per annum Wetar Copper Project. It is also conducting mineral exploration on Wetar Island. Corporate activities are based in Australia and are not considered an operating segment.

Operating segment

	Copper mining		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue				
Sales revenue	73,618	6,042	73,618	6,042
Interest income			35	15
Total revenue			**73,653**	**6,057**
Result				
Segment result	(15,107)	(41,280)		
Income tax expense	4,694	14,909		
Post-tax segment result	(10,413)	(26,371)	**(10,413)**	**(26,371)**
Unallocated expenses			(2,722)	(3,162)
Loss after income tax			**(13,135)**	**(29,533)**
Assets				
Segment assets	305,202	288,653	305,202	288,653
Unallocated assets[(a)]			2,833	7,328
Total assets			**308,035**	**295,981**
Liabilities				
Segment liabilities	193,622	207,696	193,622	207,696
Unallocated liabilities[(a)]			356	688
Total liabilities			**193,978**	**208,384**

a) Unallocated assets represent largely cash held by the parent company. Unallocated liabilities represent trade creditors and provisions.

Geographical information - Indonesia

	Revenue from sales to external customers		Non-current assets[a]	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Revenue	73,618	6,042	-	-
Plant and equipment	-	-	191,223	22,300
Development expenditure	-	-	37,873	144,259
Indonesia	**73,618**	**6,042**	**229,096**	**166,559**

a) Non-current assets for this purpose consist of plant and equipment and development expenditure.

21. COMMITMENTS

Capital commitments

The group has entered into contracts for the development and operation of the Wetar Copper Project. The contractual commitments at balance date are set out below.

	2016	2015
	$'000	$'000
Expenditure contracted for at the reporting date, but not recognised as liabilities as follows:		
Contract services		
- Payable within 1 year	35,594	52,486
- Payable later than 1 year but not later than 5 years	9,570	25,683
	45,164	**78,169**

Operating leases

The group leases offices and equipment under an operating lease. The operating lease commitments at balance date are set out below

	2016	2015
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases as follows:		
- Payable within 1 year	35,594	52,486
- Payable later than 1 year but not later than 5 years	9,570	25,683
	45,164	**78,169**

22. CONTINGENT LIABILITIES

	2016	2015
	$'000	$'000
Bank guarantee	**1,112**	**33**

The bank guarantees issued by the Group's bankers in favour of third parties to secure obligations of the Group is secured by cash on deposit with the banks (Note 5).

Claim by contractor

In 2011, PT Batutua Tembaga Raya ("BTR"), a subsidiary of the Company, entered into a contract for the purchase and refurbishment of six marine fuel oil generators for use at the Wetar Copper Project. The contract amounted to approximately US$8.6 million, of which the subsidiary has paid US$3.8 million (including storage charges).

In September 2014, BTR terminated the contract following breaches of the contract identified by BTR.

An arbitration process between BTR and the contractor was commenced in 2015.

The matter was heard before the arbitrator in April 2016 in Hong Kong. Judgement has provided for payment to Royce of US$1.6 million plus interest and costs, which have been estimated to be US$0.8 million. After taking into account the estimated recovery value of the generators, a provision for US$1.7million has been recognised at 31 December 2016.

23. CONTROLLED ENTITIES

	Country of incorporation	Percentage of ownership	
		2016	2015
		%	%
Banda Minerals Pty Ltd ("BND") and its subsidiary	Australia	100.00	100.00
- PT Batutua Tembaga Raya ("BTR") and its subsidiary[1]	Indonesia	75.40	75.40
- PT Batutua Kharisma Permai ("BKP")[2]	Indonesia	70.00	70.00
Way Kanan Resources Pty Ltd ("WKR") and its subsidiary	Australia	100.00	71.71
- PT Batutua Lampung Elok ("BLE")[2]	Indonesia	100.00	100.00

Percentage of voting power is in proportion to ownership

1. In January 2017, Finders announced that its ownership in PT Batutua Tembaga Raya had increased as a result of dilution of the non-controlling interest of Posco Daewoo Corporation. When these changes are complete Finder's ownership of PT Batutua Tembaga Raya will increase to 77.4%.
2. BKP is 70% owned by BTR. BLE is 99.6% owned by WKR and 0.4% owned by Finders.

The Company's interest in the Wetar Copper Project is held through PT Batutua Tembaga Raya ("BTR") and PT Batutua Kharisma Permai ("BKP"). Through BTR and BKP, the Finders group holds a 72.1% (2015: 72.1%) economic interest in the Wetar Copper Project. In January 2017, Finders announced that its economic ownership of the Wetar Copper Project had increased to 73.5%.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Detailed remuneration disclosures are set out in the Remuneration Report section of the Directors' Report on pages 32 to 39.

	2016	2015
	$	$
Short-term employee benefits	1,110,713	1,225,896
Long-term employee benefits	266,939	63,930
Post-employment benefits	216,426	65,840
Share-based payments	129,512	128,930
Termination benefits	89,286	-
	1,812,876	**1,484,596**

25. SHARE BASED PAYMENTS

a) Expenses arising from share-based payments

	2016 $'000	2015 $'000
Shares issued under employee share scheme	135	785
	135	**785**

The Company has an Employee Share Ownership Plan designed to provide long-term incentives to employees of the consolidated entity. The scheme is administered by the Directors who have power to determine the terms and conditions of the shares issued to eligible employees. Participation is at the discretion of the Board.

The incentive shares issued during the year are subject to performance hurdles linked to the expansion of the Wetar Copper Project, such as securing project finance, completion of the project construction on time and attaining a consistent level of copper cathode production.

b) Shares granted

Grant date	Expiry date	Exercise price	Number		Vested and exercisable	
			2016 '000	2015 '000	2016 '000	2015 '000
03 Feb 2015	01 Jan 2017	0.3500	300	300	300	300
03 Feb 2015	01 Jan 2018	0.2100	300	300	300	300
03 Feb 2015	01 Jan 2019	0.1900	300	300	300	300
03 Feb 2015	02 Feb 2020	0.1900	-	1,000	-	-
08 Nov 2013	07 Nov 2021	0.2008	3,500	3,500	3,500	-
08 Nov 2013	07 Nov 2021	0.2508	3,500	3,500	3,500	-
08 Nov 2013	07 Nov 2021	0.3008	3,500	3,500	-	-
			11,400	**12,400**	**7,900**	**900**

No options were granted during the current year

26. AUDITORS REMUNERATION

	2016 $	2015 $
Ernst & Young Australia		
- Audit and review of financial report	76,000	60,000
Ernst & Young Indonesia	72,539	59,642
- Audit and review of financial report	**148,539**	**119,642**

27. EARNINGS PER SHARE

	2016	2015
Basic loss per share	(1.9 cents)	(4.4 cents)
Diluted loss per share	(1.9 cents)	(4.4 cents)
	$'000	**$'000**
Loss used to calculate basic and diluted loss per share	(13,135)	(29,533)
	No.	**No.**
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	685,415,190	677,521,171

The company has 11,400,000 (2015: 12,400,000) potential ordinary shares relating to incentive shares issued under the employee share scheme that may be dilutive in future periods.

28. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Parent entity

Finders Resources Limited is the ultimate parent entity of the group. Interests in subsidiaries are set out in Note 23.

b) Directors and director-related entities

Provident Minerals Pte Ltd, an entity associated with Mr Gavin Caudle, was issued 26,155,443 ordinary shares by the Company in November 2016 as part of a placement of 100,000,000 shares.

c) Key management personnel

Disclosures relating to key management personnel are set out in Note 24 and the Remuneration Report.

29. RECONCILIATION OF LOSS BEFORE INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2016 '000	2015 '000
Loss for the year before tax	**(17,829)**	**(44,442)**
Depreciation and amortisation	13,767	1,850
Financing costs	6,433	3,202
Share based payments	135	(785)
Realised Hedges	(12,340)	-
Employee benefits provision	-	2,106
Unrealised foreign exchange loss / (gain)	(126)	531
Unwinding discount	358	399
Other	3,100	27
(Increase) / decrease in receivables	(5,432)	(9,800)
(Increase) / decrease in inventories	(32,582)	(3,985)
(Increase) / decrease in other assets	1,603	(4)
Increase / (decrease) in trade and other payables	24,587	3,740
Increase / (decrease) in provisions	1,980	2,368
Cash used in operating activities	**(16,346)**	**(44,793)**

30. FINANCIAL RISK MANAGEMENT

The consolidated entity is headquartered in Australia and operates in Indonesia where it is developing the full scale Wetar Copper Project and conducting exploration on Wetar Island. It is exposed to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and fair value interest rate risk), credit risk and liquidity risk.

The Board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies. The consolidated entity's risk management program focuses on the unpredictability and volatility of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity without unduly affecting its ability to operate and function.

The Board engages external consultants to advise on such risks from time to time.

a) Market risk

(i) Foreign currency risk

The consolidated entity operates in Indonesia and is exposed to foreign exchange risk arising from currency exposures, primarily the United States Dollar and the Indonesian Rupiah.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the consolidated entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

(ii) Commodity price risk

The consolidated entity is exposed to adverse movements in the price of copper it sells as well as the price of diesel it purchases for use at the Wetar Copper Project. The risks could be managed through the use of derivative financial instruments such as forward sale and option contracts.

During the year, the consolidated entity restructured its existing hedge portfolio. Following the restructure the consolidated entity had entered into forward sale contracts over 16,475.5 tonnes of copper to be produced from the Wetar Copper Project. The contracts are at an average price of US$4,806 per tonne and cover the period from January 2017 to March 2019.

The consolidated entity also entered into forward sale contracts over 255,000 barrels of Singapore Gas Oil (High Speed Diesel) to be used at the Wetar Copper Project. The contracts are at an average price of US$69.52 per barrel and cover the period from January 2016 to December 2017.

These forward contracts qualify for cash flow hedge accounting.

(iii) Interest rate risk

The consolidated entity is exposed to interest rate risk through its cash deposits held with banks and the interest rate payable on its secured loan facilities.

b) Credit risk

Credit risk is the risk that counterparties may default on their contractual obligation, resulting in a financial loss to the consolidated entity.

The risk arises from cash and deposits with financial institutions and credit exposures to trade customers.

The consolidated entity minimises this risk by maintaining its banking relationships with credit-worthy financial institutions. The consolidated entity deals largely with Commonwealth Bank of Australia (AA-credit rating) and BNP Paribas (A credit rating).

Copper sales are either secured by letters of credit issued by the customers' banks or are to credit-worthy counterparties.

The maximum exposure is the carrying amount in the statement of financial position. The significant concentration of credit risk is in relation to the cash and cash equivalents.

c) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity manages its liquidity risk by closely monitoring its forecast and actual cash flows. The consolidated entity generated cash flow from the Wetar Copper Project. Its additional funding requirements were sourced from debt finance and equity raisings.

The appropriate level of liquidity is determined by cash flow forecasting. Surplus funds are invested on short-term deposits.

d) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

(i) Interest rate exposure

The total contractual cash flows at each maturity date is equal to the carrying value except for the loans in the tables below. The loans had a face value of $121.632 million (2015: $167.568 million).

		Weighted average effective interest rate	Floating interest rate maturing				
			Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
	Note	%	$'000	$'000	$'000	$'000	$'000
2016							
Financial assets							
Cash and cash equivalents	5	0.59	4,879	-	-	-	4,879
			4,879	**-**	**-**	**-**	**4,879**
Financial liabilities							
Loans[(a), (b)]	15	6.24	41,099	44,585	35,873		121,557
			41,099	**44,585**	**35,873**		**121,557**
2015							
Financial assets							
Cash and cash equivalents	5	1.68	33,728	-	-	-	33,728
			33,728	**-**	**-**	**-**	**33,728**
Financial liabilities							
Loans	15	7.14	25,521	50,925	48,109	-	124,555
			25,251	**50,925**	**48,109**	**-**	**124,555**

a) Interest calculated as LIBOR + margin
b) Balances net of amortised borrowing costs

		Weighted average effective interest rate	Fixed interest rate maturing				
			Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
	Note	%	$'000	$'000	$'000	$'000	$'000
2016							
Financial assets							
Security deposit	7	-	63	1,112	-	-	1,175
			63	**1,112**	**-**	**-**	**1,175**
Financial liabilities							
Loans			-	-	-	-	-
			-	**-**	**-**	**-**	**-**
2015							
Financial assets							
Security deposit	7	-	34	1,093	-	-	1,127
			34	**1,093**	**-**	**-**	**1,127**
Financial liabilities							
Loans		7.80	-	-	43,012	-	43,012
			-	**-**	**43,012**	**-**	**43,012**

(ii) Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Note	Within 1 year $'000	1 – 2 years $'000	2 – 5 years $'000	Over 5 years $'000	Total $'000
2016						
Trade and other payables	13	41,703	-	-	-	41,703
Derivative liabilities	10	8,403	6,867	1,670	-	16,940
Loans	15	48,228	49,050	36,403	-	133,681
		98,334	**55,917**	**38,073**	**-**	**192,324**
2015						
Trade and other payables	13	23,481	-	-	-	23,481
Derivative liabilities		3,613	2,984	-	-	6,547
Loans	15	35,537	58,300	102,840	-	196,677
		62,631	**61,284**	**102,840**	**-**	**226,705**

e) Net Fair Values

Derivative liabilities are recorded at fair value – refer to note 10 for details. All other financial assets and liabilities included in the balance sheet are carried at the amount considered to be recoverable which is an approximate to fair value.

f) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and commodity price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

(i) Commodity price sensitivity analysis

The effect on loss as a result of changes in the price of copper, with all other variables remaining constant would be as follows:

	2016 $'000	**2015 $'000**
Change in loss/equity		
Increase in copper price by 10%	4,278	648
Decrease in copper price by 10%	(4,278)	(648)

(ii) Foreign Currency Risk Sensitivity Analysis

The effect on loss as a result of changes in the value of the Australian Dollar to the United States Dollar, with all other variables remaining constant is as follows:

	2016 $'000	**2015 $'000**
Change in loss/equity		
Improvement in AUD to USD by 5%	(2,475)	2,884
Decline in AUD to USD by 5%	2,735	(3,187)

The effect on loss as a result of changes in the value of the Australian Dollar to the Indonesian Rupiah, with all other variables remaining constant is as follows:

	2016 $'000	2015 $'000
Change in loss/equity		
Improvement in AUD to IDR by 5%	2,688	2,342
Decline in AUD to IDR by 5%	**(2,971)**	**(2,589)**

31. PARENT ENTITY FINANCIAL INFORMATION

	2016 $'000	2015 $'000
Balance sheet		
Current assets	124,448	7,722
Total assets	169,516	189,200
Current liabilities	287	432
Total liabilities	315	33,264
Shareholders' equity		
Contributed equity	168,182	156,884
Reserves		
Equity reserve	6,233	6,233
Share based payments reserve	822	696
Accumulated losses	(6,036)	(7,877)
	169,201	**155,936**
Profit for the year	1,832	21,731
Total comprehensive income	**1,832**	**21,731**

Guarantees entered into by the parent entity
No guarantees were entered into by the parent entity.

Contingent liabilities of the parent entity
There are no contingent liabilities.

Contractual commitments for the acquisition of property, plant and equipment
No contractual commitments were entered into by the parent entity.

32. EVENTS AFTER BALANCE DATE

On 20 January 2017 the Company announced that it had completed the restructure of its Project Finance Facilities and that its ownership of the Wetar Copper Project had increased to 73.5%.

On 6 March 2017 the Company announced high grade drill results from Lerokis.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Finders Resources Limited, I state that:

1. In the opinion of the directors:

a) the financial statements and notes set out on pages 42 to 77 for the financial year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31December 2016 and of its performance for the year ended on that date; and

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

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a); and

   c) subject to the matters disclosed in Note 2(w), 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 by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2016.

Signed in accordance with a resolution of the Board of Directors.

Gary Comb
Chairman
Perth
2 April 2017

AUDITOR REVIEW

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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Independent auditor's report to the shareholders of Finders Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Finders Resources Limited ("the Company"), including its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion the accompanying financial report of the Group is 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 2016 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants ("the Code") that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

Without qualifying our opinion, we draw attention to Note 2w in the financial report describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the Material Uncertainty Related to Going Concern above, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Commencement of commercial production of the Wetar Copper Project

Why significant	How our audit addressed the key audit matter
AASB 116 *Property, Plant and Equipment* states that recognition of costs in the carrying amount of an asset ceases when the asset is in the location and condition necessary to operate as intended by management. The Group determined that this occurred on 1 September 2016 when the Wetar Copper Project achieved commercial production levels and the following factors were met: • the product quality was confirmed • the geological modelling was confirmed; and • the operation achieved or had the ability to achieve continuous, economically feasible Copper production. From this date the capitalisation of borrowing costs on the project ceased, and depreciation of the assets, recognition of mining costs in inventory and recognition of revenue commenced. As the determination of the date at which the project assets were in the location and condition necessary to operate as intended by management requires significant judgement and has a significant impact on future accounting, as outlined in Note 1c, this was considered to be a key audit matter.	We have reviewed the Group's assessment of the date at which the project assets were in the location and condition necessary to operate as intended by management, including reviewing the reasonableness of the assumptions used by management in determining the commencement date of commercial production and the accounting treatment of transactions occurring prior to and following commercial production. We have tested additions during the year to asset values and assessed the nature of costs capitalised. We have also assessed the reasonableness of the depreciation on the project assets from the date of commercial production, and tested the recognition of revenue and the valuation of inventory from this date.

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2. Recognition and measurement of rehabilitation provisions

Why significant	How our audit addressed the key audit matter
The Group recognised a rehabilitation provision of $9.3 million as at 31 December 2016 in connection with the Group's closure obligations when the Wetar Copper Project ceases operations in the future. The calculation of this provision requires judgment in estimating the future costs, the timing as to when the future costs will be incurred and the determination of an appropriate rate to discount the future costs to their present value. The Group reviews rehabilitation obligations that have arisen annually, or as new information becomes available, including an assessment of the underlying assumptions used, effects of any changes in local regulations, and the expected approach to rehabilitation.	We assessed the Group's process for determining the rehabilitation provision, and enquired about material movements in the provision during the year. We evaluated the legal and/or constructive obligations with respect to the rehabilitation for Wetar Copper Project sites and processing facilities, the intended method of rehabilitation and the associated cost estimates. We assessed the technical competency of managements' experts compiling the data that supported the provisions, in particular the cost estimates. We also assessed the accuracy of the calculations used to determine the rehabilitation provision and considered the appropriateness of the discount rate applied.

3. Impairment of plant and equipment and capitalised development expenditure

Why significant	How our audit addressed the key audit matter
The Group recognised plant and equipment and capitalised development expenditure, of $229.1 million as at 31 December 2016, as disclosed in Notes 11 and 12 to the financial statements. Under Australian Accounting Standards, an entity shall assess at each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. No impairment or impairment reversal was recognised during the year. The impairment testing process is complex and judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. Key assumptions, judgements and estimates used in the formulation of the Group's impairment of non-current assets include discount rate and copper price.	We evaluated management's assessment of whether any indicators of impairment were present, and tested management's calculation of recoverable amount. Among other procedures we evaluated the key assumptions included in the value in use impairment model including the reasonableness of future cash flow forecasts, from production and other operating expenses, and the process by which they were prepared. We involved our valuations team to assess the underlying assumptions such as forward copper prices, discount rates and forward exchange rates. We also assessed the key assumptions and performed sensitivity analyses to ascertain the extent changes could lead to alternative conclusions. We assessed the technical competency of the Group's internal experts compiling the reserves and resources data utilised in the model. We obtained and read the minutes from Director's meetings and various operational reports and plans in order to understand the future plans of the Group and whether there was any potential contradictory information compared to the assumptions applied in the impairment model.

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4. Hedging transactions

Why significant	How our audit addressed the key audit matter
The Group has entered into copper and diesel forward contracts to manage the exposure to variability of cashflows arising from future copper sales and diesel purchases. In accordance with AASB 9 *Financial Instruments* these transactions have been designated into hedge relationships and the Group had net derivative liabilities of \$16.9 million as at 31 December 2016 and a tax effected hedge reserve of \$18.0 million. The application of hedge accounting requires judgement in respect of the valuation and designation of the hedging instruments, as outlined in Note 10 of the financial statements.	We reviewed the contracts and the Group's hedging documentation for all forward contracts designated as hedge transactions to assess whether they have been recognised in accordance with the Group's accounting policy and AASB 9. We involved our valuation specialists to review the fair value of the Group's forward contracts including consideration of whether any ineffectiveness has been identified during the period. We also assessed whether the likelihood of the underlying transactions occurring is probable.

Information other than the financial statements and auditor's report

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or

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in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 39 of the Directors' Report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Finders Resources Limited for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
2 April 2017

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SHAREHOLDERS INFORMATION AS AT 26 MARCH 2017

ISSUED SECURITIES

	Ordinary Shares (quoted)	Incentive Shares (unquoted)	Total Ordinary Shares	Converting Notes[1] (unquoted)
Shares	761,267,245	11,400,000	772,667,245	12,248,538

	Options (unquoted)	Total Options
Options	54,156,048	54,156,048

1. 55 mandatory Converting Notes of US$100,000 each issued to Standard Bank Plc which will convert into 12,248,538 ordinary shares on or before 16 March 2018

DISTRIBUTION OF HOLDERS

Range	Ordinary Shares	Options
1 - 1,000	92	-
1,001 - 5,000	129	-
5,001 - 10,000	121	-
10,001 - 100,000	539	-
100,001 and over	346	4
	1,227	4

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders in the Company, as disclosed in substantial holding notices given to the Company are:

	Date of last notice	Holding	Percentage
Provident Minerals Pte Ltd	30 Nov 2016	106,214,208	13.75%
Taurus SM Holdings Pty Limited	21 Nov 2016	87,339,525	11.30%
Resource Capital Fund IV LP	22 Nov 2016	73,409,390	9.50%
Acorn Capital Limited	17 Feb 2017	54,516,474	7.06%

NON-MARKETABLE PARCELS

There were 129 shareholders with less than a marketable parcel (shareholdings with a market value of less than $500).

ON-MARKET BUY-BACK

There is no current on-market buy-back.

TOP 20 SHAREHOLDERS

		Holding	%
1	Provident Minerals Pte Ltd	80,058,765	10.36%
2	Merrill Lynch (Australia)	73,409,390	9.50%
3	Bond Street Custodians Limited (Taurus Res Ltd Partner a/c)	68,009,731	8.80%
4	J P Morgan Nominees Australia Limited	49,123,816	6.36%
5	PT Saratoga Investama Sedaya	47,033,990	6.09%
6	Provident Minerals Pte Ltd	26,155,443	3.39%
7	Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	20,893,074	2.70%
8	HSBC Custody Nominees (Australia) Limited	20,086,965	2.60%
9	Bond Street Custodians Limited (Taurus Resources Tst ac/c)	19,329,794	2.50%
10	Hillboi Nominees Pty Ltd	18,274,141	2.37%
11	Goldstar Mining Asia Resources (L) Bhd	17,084,808	2.21%
12	Spar Nominees Pty Ltd	14,615,000	1.89%
13	Jetosea Pty Ltd	14,450,000	1.87%
14	BNP Paribas Noms Pty Ltd (Drp)	12,787,857	1.66%
15	Citicorp Nominees Pty Limited	11,913,424	1.54%
16	PT Teknologi Riset & Global Investamamenara	11,851,852	1.53%
17	Perth Investment Corporation Ltd	8,746,327	1.13%
18	Mr Robert Paul Martin & Mrs Susan Pamela Martin (Rp & Sp Martin S/Fund a/c)	8,462,536	1.10%
19	Deering Nominees Pty Ltd	7,173,254	0.93%
20	3rd Wave Investors Ltd	7,000,000	0.91%
	Total	**536,460,167**	

OPTION HOLDERS

Expiry date		6 June 2017		22 October 2017	
Exercise price		$0.3500		$0.2566	Total
Holder Name	No	%	No	%	No
Resource Capital Fund IV LP	8,571,429	37.5	11,737,089	37.5	20,308,518
Bond Street Custodians Limited (Taurus Resources Ltd Partner a/c)	7,092,632	31.0	10,989,317	35.1	18,081,940
Bond Street Custodians Limited (Taurus Resources TST a/c)	1,478,806	6.5	4,660,135	14.9	6,138,941
National Nominees Limited	5,714,286	25.0	3,912,363	12.5	9,626,649
	22,857,144	**100.0**	**31,298,904**	**100.0**	**54,156,048**

CORPORATE DIRECTORY

Directors	Gary Ernest Comb	Non-Executive Chairman
	Barry John Cahill	Managing Director
	Gavin Arnold Caudle	Non-Executive Director
	Gordon Thomas Galt	Non-Executive Director
	Michael Richard Anderson	Alternate for Gordon Galt
	Douglas Len Po Tay	Alternate for Gavin Caudle
Secretary	James Hamilton Wentworth	
Registered Office	Level 1 5 Ord Street West Perth WA 6005 Telephone: + (61 8) 6555 3996 Facsimile: + (61 8) 6555 3998 Email: info@findersresources.com	
Website	www.findersresources.com	
Stock Exchange Listing	ASX: FND	
Auditor	Ernst & Young 11 Mounts Bay Road Perth WA 6000	
Share Registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney NSW 2000 Australia Telephone – 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia)	
Australian Business Number	82 108 547 413