MRL Corporation Ltd

# MRL CORPORATION LIMITED

**(formerly Mongolian Resources Limited)**

**and its controlled entities**

ABN 50 007 870 760

Annual Report

30 June 2014

# CORPORATE DIRECTORY

### Directors
Peter Reilly (Non-Executive Chairman)
Craig McGuckin (Managing Director)
Peter Youd (Executive Director)
Denis Geldard (Non-Executive Director)
Peter Hepburn-Brown (Non-Executive Director)

### Company Secretary
Peter Richard Youd

### Share Registry
Automic Registry Services
Level 1, 7 Ventnor Avenue
West Perth W.A. 6005

Telephone: +61 8 9324 2099
Facsimile: +61 8 9321 2337

### Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Telephone: +61 8 6382 4600
Facsimile: +61 8 6382 46

### Bankers
Westpac Banking Corporation

### Securities Exchange Listing
MRL Corporation Limited shares and options are listed on the Australian Securities Exchange Limited

(ASX codes: **MRF**, **MRFO** and **MRFOA**)

### Registered Office
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9 Hampden Road
Nedlands W.A. 6009

Telephone: +61 1300 660 448
Facsimile: +61 1300 855 044

Email: info@mrltd.com.au
Website: www.mrltd.com.au

### Solicitors - Australia
Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

### Solicitors – Sri Lanka
Varners
Level 14, West Tower
World Trade Centre
Echelon Square
Colombo 01
Sri Lanka

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# CHAIRMAN'S STATEMENT

The 2014 fiscal year has been one of advancement by the Company.

In April 2013 the Company announced its intention to acquire substantial graphite project assets in Sri Lanka. This decision had arisen after changes in Mongolian mining legislation had made it increasingly difficult to operate in that country's legal environment. The directors' decision has been vindicated as exploration activity in Mongolia has essentially ground to a halt, with both junior companies and multi-nationals of the substance of Vale of Brazil withdrawing from the country.

Unfortunately this ultimately beneficial decision led to the Australian Securities Exchange (ASX) suspending the Company's shares from quotation and, for the second time in less than six month, requiring it to re-comply with Chapters 1 and 2 of the Listing Rules. This occurred at a time when global equity markets, particularly for junior resource stocks, were exceptionally unfavourable. In fact in June 2013 the S&P/ASX Small Resources Index was at a lower level than October 2008 at the time of the Global Financial Crisis.

Nevertheless the Company did get re-quoted to the official list on 24 December 2013.

As often happens with entities which have extended periods of suspension there was considerable pressure on the Company's share price in early 2014, with a major Australian institution and a British based fund manager selling their holdings from within the Top 20.

The quality of the Company's Sri Lankan projects and prospects was underlined by its capacity to complete a fully underwritten entitlement issue in May 2014.

Since this time there has been a careful appreciation in the share price as the value of the assets and the technical work being completed has been recognised. From a nadir of $0.019 cents per share on 6 February 2014 the price had risen to close at $0.093 cents per share at the date of the signing of this report.

The Company has also been able to raise a further $1.1m after the close of the financial year and is now well funded to advance its projects in Sri Lanka

In closing I would like to thank our shareholders' for their continued support. The board would also like to express its thanks to our Managing Director, Craig McGuckin, for his tireless efforts to advance the Company's projects and thank the team he has built in Sri Lanka.

The board looks forward to an exciting and rewarding 2014/15 financial year.

Yours sincerely

Peter T Reilly

Chairman

# DIRECTOR'S REPORT

The directors present their report together with the financial report of the consolidated entity (referred to hereafter as the 'consolidated entity'), consisting of MRL Corporation Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. The Directors were in office for this entire period unless otherwise stated.

### Peter Reilly
Chairman and Non-Executive Director

Peter Reilly is the former Managing Director of the major Australasian business services group, AUSDOC Group Limited. Peter has over 36 years of commercial experience, holds a Bachelor of Business (Accounting) and is a member of the Institute of Chartered Accountants and the Institute of Company Directors.

Peter is a Non-Executive Director of MBD Corporation Limited and Chairman of that Company's Audit and Risk Committee.

Special Responsibilities: Member of the Remuneration and Audit Committees

### Craig McGuckin *Dip. Minsurv Class 1, Dip Surfmin*
Managing Director

Craig McGuckin is a qualified mining professional with 28 years' experience in the mining, drilling and petroleum industries. He has held senior positions including Senior Planning Engineer, Mine Manager and Managing Director of private and publicly listed companies. Mr McGuckin was a founding Executive Director of Rheochem Plc (now Lochard Energy Group Plc), which is quoted on the Alternative Investment Market of the London Stock Exchange and was previously listed on the ASX. As Executive Group General Manager, he was responsible for the company's expansion into the Indian, Indonesian and New Zealand drilling fluids market.

### Peter Youd *B Bus (Accounting), AICA*
*(Ceased 23 September 2013, Re-appointed 6 June 2014)*
Executive Director

Peter Youd is a Chartered Accountant and has extensive experience within the resources, oil and gas services, financial services and e-business industries. For the last 26 years Mr Youd has held a number of senior management positions and directorships for publicly listed and private companies in Australia and overseas.

Mr Youd has resided in Indonesia, Singapore and Malaysia as well as having operated in Morocco, sub-Saharan Africa and Central and South America.

Special Responsibilities: Member of the Audit Committee

### Denis Geldard *WASM Min Eng MAIMM*
Non-Executive Director *(appointed 11 November 2013)*

Denis Geldard has over 40 years' of technical and operational experience in exploration and project development in Australia and internationally. Mr Geldard is a mining graduate from the Kalgoorlie School of Mines in Western Australia. Mr Geldard has managed and run a number of junior and mid-tier mining and exploration companies and mining operations over the past 40 years including directorships of a number of Australian listed mining and exploration companies.

Special Responsibilities: Member of the Remuneration and Audit Committees

### Peter Hepburn-Brown
Non-Executive Director *(appointed 6 February 2014)*

Peter Hepburn-Brown brings over 30 years of experience as a mining engineer in both open pit and underground mining operations with an extensive background in narrow vein mining technologies. He has worked in Australia, Philippines and Africa. Peter is the Managing Director of Medusa Mining Ltd having been appointed to that position on 9 June 2011 after having joined the board of the Company in September 2009.

Special Responsibilities: Member of the Remuneration Committee

# DIRECTOR'S REPORT *continued*

## Company Secretary & Chief Financial Officer

**Peter Youd,** *B Bus (Accounting), AICA*

### Results and Dividends

The Group result for the year was a loss of $2,047,371 (2013: loss of $4,368,700).

No final dividend has been declared or recommended as at 30 June 2014 or as at the date of this report (2013: $nil).

No interim dividends have been paid (2013: $nil).

### Principal Activities

During the financial year the principal continuing activities of the consolidated entity were as an explorer and developer of graphite projects in Sri Lanka.

### Events Since the End of the Financial Year

There are no known subsequent events of a material nature other than the following:

On 8 September 2014 the Company announced it would proceed with a placement of 16.4 million shares at an issue price of $0.07 per share to raise $1.148m (before costs). These funds will be applied toward the acceleration of the exploration and development of the Group's graphite projects.

### Review of Operations

The Company continues to explore and develop its graphite projects in Sri Lanka. MRL commenced coring activities at drill hole DH1 of the Bopitiya/Pandeniya priority location on Wednesday 11th of June.

### Significant Changes in the State of Affairs

On 20 May 2014 the consolidated entity completed an entitlement issue which raised $1.485m (before costs). This capital raising enabled the consolidated entity to proceed with further exploration work on its Sri Lankan graphite projects.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

### Likely developments and expected results of operations

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, other than as mentioned in the Chairman's Review and Operating Review as the Directors have reasonable grounds to believe the continuing market volatility makes it impractical to forecast future profitability and other material financial events.

### Directors' and other officers' emoluments

Details of the remuneration policy for Directors and other officers are included in Principle 8: "Remunerate fairly and responsibly" of the Remuneration Report (page 10) and the Corporate Governance Principles (page 13).

Details of the nature and amount of emoluments for each Director of the Company and Executive Officers are included in the Remuneration Report.

### Environmental Regulations

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Proceedings on behalf of company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

# DIRECTOR'S REPORT *continued*

## Share options

At the date of this report, MRL Corporation Limited has unlisted option holders holding options exercisable to ordinary shares in MRL Corporation Limited as follows:

| | Grant Date | Date of Expiry | Exercise price | Number under option |
|---|---|---|---|---|
| Share options (unlisted) | 9 Jan 2013 | 17 Oct 16 | $0.20 | 13,000,000 |
| Share options (unlisted) | 6 Mar 2013 | 17 Oct 16 | $0.20 | 10,198,551 |
| Share options (unlisted) | 16 May 2014 | 21 May 17 | $0.10 | 25,500,000 |

At the date of this report, MRL Corporation Limited has listed option holders holding unissued ordinary shares in MRL Corporation Limited as follows:

| | Grant Date | Date of Expiry | Exercise price | Number under option |
|---|---|---|---|---|
| Share options (listed "MRFO") | 06 Jul 2011 | 31 Dec 14 | $0.40 | 4,554,053 |
| Share options (listed "MRFO") | 14 Jul 2011 | 31 Dec 14 | $0.40 | 2,500,000 |
| Share options (listed "MRFOA") | 06 Mar 2013 | 17 Oct 16 | $0.20 | 12,500,000 |
| Share options (listed "MRFOA") | 18 Dec 2013 | 17 Oct 16 | $0.20 | 5,500,000 |

## Directors' meetings

The number of meetings of Directors held during the year and the number attended by each Director was as follows:

| | Directors meetings | |
|---|---|---|
| | Meetings Attended | Entitled to Attend |
| Peter Reilly | 6 | 6 |
| Craig McGuckin | 6 | 6 |
| Denis Geldard (appointed 11 November 2013) | 5 | 5 |
| Peter Hepburn-Brown (appointed 6 February 2014) | 2 | 2 |
| Peter Youd (ceased 23 September 2013 re-appointed 6 June 2014)) | 2 | 2 |

## Indemnification and insurance of officers and auditors

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums, against costs incurred in defending any writ, summons, application or other originating legal or arbitral proceedings, cross claim or counterclaim issued against or served upon any Director or Officer alleging any wrongful act; or any written or verbal demand alleging any wrongful act communicated to any Director or Officer under any circumstances and by whatever means.

In relation to the other activities of the Company, the Company has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate paid any premiums in regards to indemnification and insurance of Directors and Officers.

No indemnity or insurance is in place in respect of the auditor.

## Remuneration report (audited)

This report outlines the remuneration arrangements in place for Directors of MRL Corporation Limited and Executives of the Group.

### Key Management Personnel disclosed in this report

Mr Craig McGuckin
Mr Peter Youd
Mr Peter Reilly
Mr Dennis Geldard - appointed 11 November 2013
Mr Peter Hepburn-Brown - appointed 6 February 2014

### Remuneration Policy

Emoluments of Directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and Executives. Details of the nature and amount of emoluments of each Director of the Company are disclosed annually in the Company's annual report.

Directors and Senior Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

There has been no direct relationship between the Group's financial performance and remuneration of key management personnel over the previous 5 years.

### Executive Director Remuneration

Executive pay and reward consists of a base fee and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

The remuneration policy is designed to encourage superior performance and long-term commitment to MRL. At this stage of the Company's development there is no performance based remuneration.

Executive Directors do not receive any fees for being Directors of MRL or for attending Board and Board Committee meetings.

All Executive Directors, Non-Executive Directors and responsible executives of MRL are entitled to an Indemnity and Access Agreement under which, inter alia, they are indemnified as far as possible under the law for their actions as Directors and officers of MRL.

### Non-Executive Director Remuneration

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals. This Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. From time to time the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Non-Executive Directors are remunerated for their services from the maximum aggregate amount (currently $300,000 per annum) approved by shareholders for that purpose. They receive a base fee, which is currently set at $25,000 per annum. There are no termination payments to Non-Executive Directors on their retirement from office.

The Company's policy for determining the nature and amount of emoluments of Board members and Senior Executives of the Company is set out below:

### Setting Remuneration Arrangements

The Company has established a separate Remuneration Committee. Members of the Remuneration Committee are Peter Reilly, Denis Geldard and Peter Hepburn-Brown. The Remuneration Committee complies with Recommendations 8.2 in that the committee consists of only non-executive directors.

### Executive Officer Remuneration, including Executive Directors

The remuneration structure for Executive Officers, including Executive Directors, is based on a number of factors, including length of service, the particular experience of the individual concerned, and the overall performance of the Company. The contracts for service between the Company and specified Directors and Executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement Executive Directors and Executives are paid employee benefit entitlements accrued to the date of retirement.

As an incentive, the Company has adopted an employee share option plan. The purpose of the plan is to give employees, directors and officers of the Company an opportunity, in the form of options, to subscribe for shares. The Directors consider the plan will enable the Company to retain and attract skilled and experienced employees, board members and officers, and provide them with the motivation to make the Company more successful.

# DIRECTOR'S REPORT *continued*

### Details of remuneration for the year ended 30 June 2014

The remuneration for each Director and key management executives of the Group during the year was as follows:

| | Short Term Benefits | | | | Long term benefits | Post employment benefits | Share Based Payments | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cash, Salary, Consulting fee and Commission | Bonus & cash profit share | Non-cash benefits | Termination | Long service leave | Retirement benefit entitlement | Shares | Share options | Total | Value of options as proportion of remuneration |
| 30 June 2014 | **A$** | **A$** | **A$** | **A$** | **A$** | **A$** | **A$** | **A$** | **A$** | **%** |
| **Executive Directors** | | | | | | | | | | |
| Craig McGuckin (i) | 217,666 | - | - | - | - | - | - | 165,512 | 383,178 | 43.2 |
| Peter Youd (i) | 165,000 | - | - | - | - | - | - | 165,512 | 330,512 | 50.1 |
| **Non-executive Directors** | | | | | | | | | | |
| Peter Reilly | 32,753 | - | - | - | - | - | - | 33,103 | 65,856 | 50.3 |
| Denis Geldard | 14,582 | - | - | - | - | - | - | 33,103 | 47,685 | 69.4 |
| Peter Hepburn-Brown | - | - | - | - | - | - | - | 33,103 | 33,103 | 100.0 |
| | 430,001 | - | - | - | - | - | - | 430,333 | 860,334 | |
| 30 June 2013 | | | | | | | | | | |
| **Executive Directors** | | | | | | | | | | |
| Craig McGuckin | 102,000 | - | - | - | - | - | - | 640,000 | 742,000 | 86.2 |
| Peter Youd | 102,000 | - | - | - | - | - | - | 640,000 | 742,000 | 86.2 |
| **Non-executive Directors** | | | | | | | | | | |
| Peter Reilly | 46,000 | - | - | - | - | - | - | 64,000 | 110,000 | 58.2 |
| Shaun Stone (ii) | 16,000 | - | - | 10,000 | - | - | - | - | 26,000 | - |
| Robert Hodby (ii) | 16,000 | - | - | 10,000 | - | - | - | - | 26,000 | - |
| **Other key management personnel** | | | | | | | | | | |
| Peter Bolitho (iii) | 11,753 | - | - | 10,000 | - | - | - | - | 21,753 | - |
| | 293,753 | - | - | 30,000 | - | - | - | 1,344,000 | 1,667,753 | |

i. Mr Craig McGuckin and Mr Peter Youd do not receive directors fees however are compensated in accordance with their respective consultant agreement.
ii. Mr Shaun Stone and Mr Robert Hodby resigned as directors on the 10 December 2012.
iii. Mr Peter Bolitho resigned as company secretary on 10 December 2012. Remuneration received by Mr Bolitho related to his company secretarial and advisory roles in pursing the Company's contingent assets

### Service agreements

Remuneration and other terms of employment for the executives are formalised in service agreements. These agreements specify the components of remuneration, benefits and notice periods. The material terms of service agreements with the executive Directors are noted as follows:

| Name | Term of agreement and notice period | Base fee | Termination payment (3) |
|---|---|---|---|
| Mr Craig McGuckin | No fixed term; 12 months (1) | $292,000 (2) | None |
| Mr Peter Youd | No fixed term; 12 months (1) | $292,000 (2) | None |

1. The twelve month notice period applies only to the Company. The executive is required to give three months notice.
2. Base fees quoted are for the period ended 30 June 2014. They are reviewed annually by the Board.
3. Notice period or termination benefit in lieu of notice (on behalf of the employer), other than for gross misconduct.

There are no other service agreements in place.

## Shares-based compensation

### Shares issued as part of remuneration for the year ended 30 June 2014

No shares were issued to directors and other key management personnel as part of compensation during the year.

### Options issued as part of remuneration for the year ended 30 June 2014

The Black Scholes Model - Simple European Call Option method was used as the basis for valuation of the options granted. The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in the previous and current financial year or future reporting years are as follows:

| Grant Date | Vesting date and exercisable date | Date of Expiry | Exercise price | Fair value per option at grant date | Fair value of options granted | % Vested |
|---|---|---|---|---|---|---|
| 9 Jan 2013 | 9 Jan 2013 | 17 Oct 16 | $0.20 | $0.128 | 1,344,000 | 100 |
| 28 April 2014 | 28 April2014 | 21 May 2017 | $0.10 | $0.033 | $430,333 | 100 |

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

| | Number of options granted during the year | Number of options vested during the year | Value of options granted | Value of options exercised | Value of options lapsed or forfeited |
|---|---|---|---|---|---|
| Directors | | | | $ | $ |
| Peter Reilly | 1,000,000 | 1,000,000 | 33,103 | - | - |
| Peter Youd | 5,000,000 | 5,000,000 | 165,512 | - | - |
| Craig McGuckin | 5,000,000 | 5,000,000 | 165,512 | - | - |
| Denis Geldard | 1,000,000 | 1,000,000 | 33,103 | - | - |
| Peter Hepburn-Brown | 1,000,000 | 1,000,000 | 33,103 | - | - |
| | | | | | |
| Total | 13,000,000 | 13,000,000 | 430,333 | - | - |

These share options do not have service or performance vesting criteria as they have been granted to directors for their commitment and contributions to the Group to date.

# DIRECTOR'S REPORT *continued*

*Options and rights holdings held by key management personnel*

| Directors | Balance 01.07.13 | Granted | Exercised | Acquired via capital raising | Balance 30.06.14 | Total vested 30.06.14 | Vested & exercisable 30.06.14 | Vested & un-exercisable 30.06.14 |
|---|---|---|---|---|---|---|---|---|
| P Reilly | 1,351,795 | 1,000,000 | - | 500,000 | 2,851,795 | 2,851,795 | 2,851,795 | - |
| C McGuckin (i) | 5,620,109 | 5,000,000 | - | 650,000 | 11,270,109 | 11,270,109 | 11,270,109 | - |
| P Youd (i) | 5,620,109 | 5,000,000 | - | 1,150,000 | 11,770,109 | 11,770,109 | 11,770,109 | - |
| D Geldard | - | 1,000,000 | - | 500,000 | 1,500,000 | 1,500,000 | 1,500,000 | - |
| P Hepburn-Brown | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |

| Directors | Balance 01.07.12 | Granted | Exercised | Consolidation | Acquired via capital raising | Balance 30.06.13 | Total vested 30.06.13 | Vested & exercisable 30.06.13 | Vested & un-exercisable 30.06.13 |
|---|---|---|---|---|---|---|---|---|---|
| P Reilly | 14,071,750 | 500,000 | - | (13,719,955) | 500,000 | 1,351,795 | 1,351,795 | 1,351,795 | - |
| C McGuckin (i) | - | 5,000,000 | - | - | 620,109 | 5,620,109 | 5,620,109 | 5,620,109 | - |
| P Youd (i) | - | 5,000,000 | - | - | 620,109 | 5,620,109 | 5,620,109 | 5,620,109 | - |
| S Stone (ii) | 20,000 | - | - | - | - | 20,000 | 20,000 | 20,000 | - |
| R Hodby (iii) | - | - | - | - | - | - | - | - | - |

(i) Appointed 10 December 2012
(ii) Resigned 10 December 2012
(iii) Appointed 16 August 2011, Resigned 10 December 2012
(iv) P Bolitho resigned as company secretary 10 December 2012

*Shareholdings held by key management personnel*

| Directors | Balance 01.07.13 | Granted | On Exercise of options | Consolidation | Other | Balance 30.06.14 |
|---|---|---|---|---|---|---|
| P Reilly | 1,399,179 | - | - | - | 1,819,344 | 3,218,523 |
| C McGuckin | 3,100,547 | - | - | - | 3,985,239 | 7,085,786 |
| P Youd | 3,100,550 | - | - | - | 2,994,244 | 6,094,794 |
| D Geldard | - | - | - | - | 1,716,800 | 1,716,800 |
| P Hepburn-Brown | - | - | - | - | 201,600 | 201,600 |

There were no loans or other transactions with key management personnel.

No remuneration consultants were utilised as at this point in the Company's development as this would be a waste of shareholders' valuable funds.

### Voting Rights

At the 2013 Annual General Meeting held on 18 December 2013 there were 63.7% of the votes against the adoption of the remuneration report. This arose due to there being two disgruntled ex-directors who chose this forum to vent their spleen. In the absence of their votes only 0.007% of the votes were against the adoption of the remuneration report.

**End of audited Remuneration Report**

# DIRECTOR'S REPORT *continued*

### Auditor independence

The Directors received the independence declaration from the auditor of MRL Corporation Limited as stated on page 19.

### Non-audit services

The current Auditors have not received, or are due to receive any remuneration pertaining to non-audit services during the year. Refer to Note 25 for further details.

Signed in accordance with a Resolution of the Directors.

**Craig McGuckin**

Managing Director

Dated at Perth this 26th day of September 2014.

# CORPORATE GOVERNANCE STATEMENT

MRL Corporation Ltd (**Company**) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (**Principles & Recommendations**), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

## Board

### Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

### Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out above under the section headed Board of Directors.

### Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. Given the current size and composition of the Company, the Board believes that the Company does not have the resources nor a sufficient number of non-executive directors on the Board to have a majority of independent directors in compliance with this Recommendation. Additional directors would need to be appointed to the Board to have a sufficient number of independent directors to comply with this Recommendation. This would increase the remuneration costs of the Board to the Company and represent a significant and disproportionate compliance cost for the Company without providing outweighing benefits to the Company.

The independent director of the Company is Peter Reilly. He is independent as he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgement.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Statement of Financial Position items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on Statement of Financial Position or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Craig McGuckin and Peter Youd.

The independent Chair of the Board is Peter Reilly.

The Managing Director is Craig McGuckin who is not Chair of the Board.

### Independent professional advice (Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

### Selection and (Re) Appointment of Directors (Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website.

### Board committees
### Nomination Committee
### (Recommendations: 2.4, 2.6)

The Company has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

The Company has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. A copy of the Nomination Committee Charter is available on the Company's website.

### Audit Committee
### (Recommendations: 4.1, 4.2, 4.3, 4.4)

The Company has established a separate Audit Committee.

Members of the Audit Committee are Peter Reilly, Denis Geldard and Peter Youd. The Audit Committee does not comply with Recommendation 4.2 in that the committee does not consist of only non-executive directors.

The Board considers the directors to be the most appropriate members to constitute the Audit Committee given their technical, finance and accounting expertise and broad knowledge of the industry within which the Company operates.

Details of each of the director's qualifications are set out above under the section headed Board of Directors.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

### Remuneration Committee
### (Recommendations: 8.1, 8.2, 8.3, 8.4)

The Company has established a separate Remuneration Committee.

Members of the Remuneration Committee are Peter Reilly, Denis Geldard and Peter Hepburn-Brow. The Remuneration Committee complies with Recommendation 8.2 in that the committee consists of only non-executive directors.

The Company has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive Directors, subject to obtaining the relevant approvals. This Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. From time to time the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide non-executive Directors with additional incentive to continue those efforts for the benefit of the Company. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website.

### Performance evaluation
### Senior executives
### (Recommendations: 1.2, 1.3)

The Nomination Committee (or its equivalent) annually reviews the performance of senior executives. The Managing Director conducts a performance evaluation of senior executives by interview with each senior executive and provides a written report to the Nomination Committee (or its equivalent).

### Board, its committees and individual directors (Recommendations: 2.5, 2.6)

The Chair evaluates the performance of the Board and of its committees by way of informal round table discussions and a questionnaire completed annually by all directors regarding the following:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management;
- management's performance in assisting the Board to meet its objectives; and
- assessing the performance of each committee and identifying areas where improvements can be made.

Individual director's performance evaluations are completed by the Chair. The Chair meets with each individual director for informal discussion.

The Managing Director's performance evaluation is reviewed by the Nomination Committee (or its equivalent). The Nomination Committee (or its equivalent) conducts a performance evaluation annually of the Managing Director by way of informal round table discussions based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

### Ethical and responsible decision making Code of Conduct (Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders, and practices necessary to allocate the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website.

### Diversity (Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

A summary of the Company's Diversity Policy is available on the Company's website.

The Board has not set measurable objectives for achieving gender diversity at this stage given the current size and composition of the Company.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

| | Proportion of women |
|---|---|
| Whole organisation | 0 out of 5 (0%) |
| Senior Executive positions | 0 out of 2 (0%) |
| Board | 0 out of 4 (0%) |

### Continuous Disclosure (Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website.

**Shareholder Communication (Recommendations: 6.1, 6.2)**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A summary of the Company's Shareholder Communication Policy is available on the Company's website.

**Risk Management Recommendations: 7.1, 7.2, 7.3, 7.4)**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

A summary of the Company's Risk Management Policy is available on the Company's website.

# AUDITORS INDEPENDENCE DECLARATION

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**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF MRL CORPORATION LIMITED**

As lead auditor of MRL Corporation Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of MRL Corporation Limited and the entities it controlled during the period.

**Phillip Murdoch**
Director

**BDO Audit (WA) Pty Ltd**

Perth, 26 September 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*for the year ended 30 June 2014*

| | Note | 2014 | 2013 |
|---|---|---|---|
| **Continuing operations** | | **A$** | A$ |
| Other revenue | 4(a) | **32,579** | - |
| **Revenue** | | **32,579** | - |
| Other income | 4(b) | **-** | 117,086 |
| Administration expense | 4(c) | **(1,021,356)** | (739,118) |
| Insurance | | **(19,776)** | (21,841) |
| Legal fees | | **(74,807)** | (21,939) |
| Employee benefits expense | 4(d) | **(15,028)** | - |
| Occupancy costs | | **(148,189)** | (52,796) |
| Communication costs | | **(20,908)** | (2,016) |
| Projects assessment expense | | **(353,082)** | (125,758) |
| Impairment of exploration & evaluation assets | 12 | **-** | (1,872,293) |
| Depreciation | | **(4,745)** | (2,684) |
| Write down of property, plant & equipment | | **-** | (3,617) |
| Impairment of receivables | | **-** | (2,551) |
| Share based payments expense | 4(e) | **(430,333)** | (1,664,000) |
| **Operating loss** | | **(2,088,224)** | (4,391,527) |
| Finance income | 4(f) | **12,353** | 22,827 |
| Finance expense | | **(4,079)** | - |
| **Loss before tax** | | **(2,047,371)** | (4,368,700) |
| Income tax (expense)/benefit | 5 | **-** | - |
| **Loss after income tax** | | **(2,047,371)** | (4,368,700) |
| Attributable to: | | | |
| Equity holders of the parent | | **(2,047,371)** | (3,804,752) |
| Non-controlling interests | | **-** | (563,948) |
| **Loss for the financial year** | | **(2,047,371)** | (4,368,700) |
| **Loss per share for the year attributable to the members of MRL Corporation Ltd** | | | |
| Basic loss per share (cents per share) | 6 | **(2.59)** | (13.69) |
| Diluted loss per share (cents per share) | 6 | **(2.59)** | (13.69) |

*The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the year ended 30 June 2014*

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| Loss for the year | **(2,047,371)** | (4,368,700) |
| | | |
| **Other comprehensive income** | | |
| **Items that may be reclassified to profit and loss** | | |
| Exchange differences arising on translation of foreign operations | 143,923 | (31,393) |
| Other comprehensive income/(loss) for the year | 143,923 | (31,393) |
| | | |
| **Total comprehensive loss for the year** | (1,903,448) | (4,400,093) |
| | | |
| Attributable to: | | |
| Equity holders of the parent | (1,903,448) | **(3,836,145)** |
| Non-controlling interests | - | **(563,948)** |
| | (1,903,448) | **(4,400,093)** |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*at 30 June 2014*

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | **A$** | A$ |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | **1,230,499** | **1,065,139** |
| Trade and other receivables | 9 | **26,700** | **7,944** |
| Deposits | 10(a) | **-** | **535,221** |
| Other current assets | 10(b) | **204,902** | **45,958** |
| **Total current assets** | | **1,462,101** | **1,654,262** |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 12 | **1,333,325** | **-** |
| Property, plant and equipment | 13 | **25,808** | **5,139** |
| **Total non-current assets** | | **1,359,133** | **5,139** |
| **Total assets** | | **2,821,234** | **1,659,401** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | **226,196** | **289,273** |
| **Total current liabilities** | | **226,196** | **289,273** |
| Non-current liabilities | | | |
| Loans from related parties | 15 | **-** | **253,558** |
| Loans from shareholders | 15 | **-** | **176,079** |
| **Total Non-current liabilities** | | **-** | **429,637** |
| **Total liabilities** | | **226,196** | **718,910** |
| **Net assets** | | **2,595,038** | **940,491** |
| **Equity** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | 16 | **58,281,263** | **55,212,885** |
| Share based payments reserve | | **2,094,333** | **1,664,000** |
| Translation reserve | | **112,530** | **(31,393)** |
| Accumulated losses | | **(57,893,088)** | **(55,809,568)** |
| | | **2,595,038** | **1,035,924** |
| Non-controlling interests | | **-** | **(95,433)** |
| **Total equity** | | **2,595,038** | **940,491** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 30 June 2014*

| | Issued capital | Options reserve | Share based payments reserve | Translation reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Consolidated Group** | | | | | | | | |
| **As at 1 July 2013** | **55,212,885** | **-** | **1,664,000** | **(31,393)** | **(55,809,568)** | **1,035,924** | **(95,433)** | **940,491** |
| Loss for the year | | | | | (2,047,371) | (2,047,371) | - | (2,047,371) |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation | | | | 143,923 | - | 143,923 | - | 143,923 |
| **Total comprehensive loss for the year** | | | | **112,530** | (2,047,371) | (1,903,448) | - | (1,903,448) |
| **Transactions with owners in their capacity as owners** | | | | | | | | |
| Share placement during the year | 2,800,000 | - | - | - | - | 2,800,000 | - | 2,800,000 |
| Share issue costs | (1,224,084) | - | - | - | - | (1,224,084) | - | (1,224,084) |
| Rights issue during the year | 1,492,462 | - | - | - | - | 1,492,462 | - | 1,492,462 |
| Minority interests disposed | - | - | - | - | (36,149) | (36,149) | 95,433 | 59,284 |
| Issue of options | - | - | 430,333 | - | - | 430,333 | - | 430,333 |
| **30 June 2014** | **58,281,263** | **-** | **2,094,333** | **112,530** | **(57,893,088)** | **2,595,038** | **-** | **2,595,038** |
| As at 1 July 2012 | 52,234,717 | 126,453 | - | - | (51,690,222) | 670,948 | - | 670,948 |
| Loss for the year | - | - | - | - | (3,804,752) | (3,804,752) | (563,948) | (4,368,700) |
| Other comprehensive loss | - | - | - | (31,393) | - | (31,393) | - | (31,393) |
| **Total comprehensive loss for the year** | - | - | - | (31,393) | (3,804,752) | (3,836,145) | (563,948) | (4,400,093) |
| **Transactions with owners in their capacity as owners** | | | | | | | | |
| Share placement during the year | 3,560,000 | - | - | - | - | 3,560,000 | - | 3,560,000 |
| Share issue costs | (582,116) | - | - | - | - | (582,116) | - | (582,116) |
| Minority interests acquired | - | - | - | - | (441,047) | (441,047) | 468,515 | 27,468 |
| Transfer of reserves | - | (126,453) | - | - | 126,453 | - | - | - |
| Issue of options | - | - | 1,664,000 | - | - | 1,664,000 | - | 1,664,000 |
| Conversion of options into shares | 284 | - | - | - | - | 284 | - | 284 |
| **30 June 2013** | **55,212,885** | **-** | **1,664,000** | **(31,393)** | **(55,809,568)** | **1,035,924** | **(95,433)** | **940,491** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

*for the year ended 30 June 2014*

| | Note | Consolidated 2014 | Consolidated 2013 |
|---|---|---|---|
| | | **A$** | A$ |
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (1,877,434) | (1,424,879) |
| Interest received | | 12,353 | 22,827 |
| **Net cash outflow from operating activities** | 20(a) | (1,864,991) | (1,402,052) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of financial assets | | - | 39,302 |
| Proceeds from disposal of subsidiary | | 57,649 | 10 |
| Acquisition of mining assets | | (20,658) | - |
| Payments of deposit for investment | | - | (535,221) |
| Payments for property, plant and equipment | | (31,093) | - |
| Payment of security deposit | | - | (15,300) |
| Repayment of loans to related parties | | (319,628) | - |
| Cash acquired on acquisition of Kumai group | | - | 3,065 |
| **Net cash outflow from investment activities** | | (313,730) | (508,144) |
| **Cash flow from financing activities** | | | |
| Proceeds from rights issue/placement of shares | | 2,526,462 | 2,448,000 |
| Payment for share issue/capital raising costs | | (158,084) | (228,828) |
| Proceeds from issue of shares from exercise of options | | - | 284 |
| **Net cash inflow from financing activities** | | 2,368,378 | 2,219,456 |
| Net increase in cash and cash equivalents | | 189,657 | 309,260 |
| Cash and cash equivalents at beginning of the year | | 1,065,139 | 673,496 |
| Effect of exchange rate fluctuations on cash held | | (24,297) | 82,383 |
| **Cash and cash equivalents at end of year** | 8 | 1,230,499 | 1,065,139 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Authorisation of financial statements and statement of compliance with IFRS**

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of MRL Corporation Limited and controlled entities (**Group**). MRL Corporation Limited (**MRL**) is a listed public Company, incorporated and domiciled in Australia.

The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of preparation**

The Group is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which fair value basis of accounting has been applied.

These consolidated financial statements are presented in Australian Dollars (A$), which is the Company's functional currency.

Changes in accounting policies

**Exploration and Evaluation**

For the year ending 30 June 2014, the Group changed its accounting treatment of exploration and evaluation expenditure in accordance with standard AASB 6 Exploration for and Evaluation of Mineral Resources. Prior to the Group making this change, accumulated exploration and evaluation expenditure was capitalised and carried forward to the extent they were expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. The result of this accounting change means that the Group will expense exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until such a time where a JORC 2012 compliant resource is announced in relation to the identifiable area of interest. Costs associated with the acquisition of areas of interest continue to be capitalised. There are no adjustments made to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on implementation of the new accounting policy. There is no impact to the Consolidated Statement of Financial Position disclosed in the 30 June 2014 financial statements.

## 1 Accounting policies

### a) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of account is used to account for business combinations by the Group.

Intercompany transactions, balance and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheets respectively.

## 1 Accounting policies *(continued)*

### b) Foreign currency translation

The financial report is presented in Australian dollars, which is MRL Corporation Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### c) Taxes

*Income taxes*

The charge for current income tax expense is based on the profit for the period adjusted for any non- assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for taxable temporary differences arising on the recognition of indefinite life intangibles including goodwill and trademarks.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

MLR formed an income tax Group under the Tax Consolidation Regime effective 1 July 2003, and its wholly-owned Australian subsidiaries were members of the tax consolidated group. Under Australian Accounting Interpretation 1052, each entity in the Group recognises its own current and deferred tax amounts, except for any deferred tax assets resulting from unused tax losses and tax credits assumed by the head entity. A new subsidiary, MRL Corporation Pty Ltd was incorporated in December 2011 and joined as a member of the existing tax consolidated group.

*Goods and services tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST 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 statement of financial position are shown inclusive of GST.

### d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### e) Financial Instruments

*Recognition*

Financial instruments are initially measured at fair value on trade date, which includes transaction costs for financial assets and liabilities not at fair value through the profit and loss, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

*Impairment*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit and loss in Statement of profit or loss.

### f) Exploration and evaluation assets

Costs associated with the acquisition of areas of interest continue to be capitalised.

The Company will expense exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until such a time where a JORC 2012 compliant resource is announced in relation to the identifiable area of interest.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

i) The expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

ii) Activities in the area of interest have not at the reporting date, 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 areas of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide it is not commercial, and accumulated costs in respect of the area are written off in the financial period the decision is made.

## 1 Accounting policies *(continued)*

### g) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible 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 profit and loss in Statement of profit or loss.

Impairment testing is performed annually for goodwill and other intangible assets.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### h) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment 3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity Gains and losses between the carrying amount and the disposal proceeds are taken to the profit and loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### i) Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the Group's share of post acquisition reserves of its associates.

### j) Contributed equity

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

### k) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### l) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

### n) Cash and cash equivalents

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

Cash flows are presented in the statement of cash flows on a gross basis, except for customer account transactions and the GST component of investing and financing activities, which are disclosed as operating cash flows.

### o) Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

## p) Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

## q) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## r) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements 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 Group.

*Key estimates - impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to the impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined.

*Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

## s) Share-based payments transactions

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share the expected dividend yield and the risk free interest rate for the term of the option together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

## 1 Accounting policies *(continued)*

### s) Share-based payments transactions *(continued)*

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

### t) Share-based payments transactions

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Where equity instruments are granted to persons other than directors or employees the consolidated income statement is charged with the fair value of any goods or services received.

### u) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- 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.

### v) Accounting Policy on New and amending standards and interpretations adopted by the Group – Financial year ended 30 June 2014

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- AASB 119: Employee Benefits; and
- AASB 127: Separate Financial Statements

### Account Standard and Interpretation

- *AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

a) it has power over an investee;

b) it is exposed, or has rights, to variable returns from its involvement with the investee; and

c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements. There have been no changes to the treatment of investees compared to prior year.

- *AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 11 replaces AASB 131 'Interests in Joint Ventures. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. Application of this standard has not impacted on the financial statements of the Group.

- *AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'*

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

- *AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'*

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

- *AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'*

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Application is AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

### New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *Other standards not yet applicable*

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2014. They have not been adopted in preparing the financial statements for the year ended 30 June 2014 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

| AASB reference | Title and Affected Standard(s): | Nature of Change | Application date: | Impact on Initial Application |
|---|---|---|---|---|
| AASB 9 (issued December 2009 and amended December 2010 and June 2014 | *Financial Instruments* | Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:<br>• Amortised cost<br>• Fair value through profit or loss<br>• Fair value through other comprehensive income.<br>The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:<br>• Classification and measurement of financial liabilities; and<br>• Derecognition requirements for financial assets and liabilities.<br>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. | Annual reporting periods beginning on or after 1 January 2018 | Adoption of AASB 9 is only mandatory for the year ending 30 June 2019. The entity has not yet made an assessment of the impact of these amendments. |

| AASB reference | Title and Affected Standard(s): | Nature of Change | Application date: | Impact on Initial Application |
|---|---|---|---|---|
| AASB 2013-9 (issued December 2013) | *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* | Makes two amendments to AASB 9:<br>• Adding the new hedge accounting requirements into AASB 9, and<br>• Making available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities under the fair value option without early applying the other AASB 9 requirements.<br>Under the new hedge accounting requirements:<br>• The 80-125% highly effective threshold has been removed<br>• Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable<br>• An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure<br>• When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI<br>• When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes be recognised in OCI<br>• Net foreign exchange cash flow positions can qualify for hedge accounting. | Annual reporting periods beginning on or after 1 January 2018 | The application date of AASB 9 has been deferred to 1 January 2018. The entity has not yet made an assessment of the impact of these amendments. |
| IFRS 15 (issued June 2014) | Revenue from Contracts with Customers | An entity will recognise 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. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*. | Annual reporting periods beginning on or after 1 January 2017 | Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*

| AASB reference | Title and Affected Standard(s): | Nature of Change | Application date: | Impact on Initial Application |
|---|---|---|---|---|
| AASB 2 | Share-based Payment | Definition of vesting condition<br>The amendment clarifies the definition of vesting conditions and market conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition without themselves being specifically defined. | Share-based payments transactions for which grant date is on or after 1 July 2014 | There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014. |
| AASB 3 | Business Combinations | Accounting for contingent consideration in a business combination<br>The amendment clarifies that contingent consideration is assessed as either a liability or an equity instrument on the basis of AASB 132 Financial Instruments: Presentation.<br>The amendment also requires contingent consideration that is not classified as equity to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss. | Business combinations occurring on or after 1 July 2014 | There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014. |
| AASB 8 | Operating Segments | Aggregation of operating segments<br>When operating segments have been aggregated in determining reportable segments, additional disclosures are required regarding judgments made by management in applying the aggregation criteria used to assess that the aggregated segments have similar economic characteristics, including:<br>• A description of the operating segments that have been aggregated<br>• The economic indicators considered in determining that the aggregated operating segments share similar economic characteristics.<br>Reconciliation of the total of a reportable segment's assets to the entity's assets<br>The amendment clarifies that a reconciliation of the total of reportable segments' assets to the entity's assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker (CODM). | Annual periods beginning on or after 1 July 2014 | There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. However, as the group currently aggregates operating segments in determining reportable segments, additional disclosures regarding judgments made by management in applying the aggregation criteria will be required when this amendment is adopted for the first time in the financial statements for the year ended 30 June 2015. |

| AASB reference | Title and Affected Standard(s): | Nature of Change | Application date: | Impact on Initial Application |
|---|---|---|---|---|
| AASB 124 | Related Party Disclosures | *Key management personnel*<br>The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity.<br>The amendment also requires separate disclosure of amounts recognised as an expense for key management personnel services provided by a separate management entity (but not in the categories set out in AASB 124.17). | Annual periods beginning on or after 1 July 2014 | There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. However, as the group currently engages the services of a management entity, additional disclosures will be required when this amendment is adopted for the first time for the year ended 30 June 2015. |
| AASB 2 2012-6 (issued September 2012) | Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transaction Disclosures | Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required. | Annual reporting periods beginning on or after 1 January 2015 | As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statement. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition, |
| AASB 2013-3 (issued June 2013) | Amendments to AASB 136 - Recoverable Amount Discolsures for Non-Financial Assets | Clarifies the disclosure requirements for cash-generating units (CGUs) with significant amounts of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell. | Annual reporting periods beginning on or after 1 January 2014 | As this standard amends disclosure requirements only, there will be no impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been reocgnised. However, there will be additional disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell. |

## 2 Financial Risk Management

### (a) Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency risk and interest rate risk). The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, deposits with banks, local money market instruments and short-term investments. The accounting policy with respect to these financial instruments is described in note 1.

***Financial risk management structure:***

*Board of Directors*

The Board is ultimately responsible for ensuring that there are adequate policies in relation to risk oversight and management and internal control systems. The Group's policies are designed to ensure that financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

### (b) Financial risks

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Group. Credit risk is managed on a group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparties. The Group has no significant concentrations of credit risk.

It is the Group's policy to place funds generated internally and from deposits with clients with high quality financial institutions. The Group does not employ a formalised internal ratings system for the assessment of credit exposures. Amounts due from and to clients and dealers represents receivables sold and payables for securities purchased that have been contracted for but not yet settled on the reporting date, respectively. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

*Exposure to credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the statement of financial position and the notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group's maximum exposure to credit risk without taking account of any collateral or other credit enhancements at the reporting date was $1,462,101 (2013: $1,654,262).

The Company banks with Westpac Banking Corporation (Westpac). Westpac is rated AA- and Stable by Standard and Poor's rating agency.

| | Group | |
|---|---|---|
| | **2014** | **2013** |
| | **A$** | A$ |
| Cash and cash equivalents | **1,230,499** | 1,065,139 |
| Trade and other receivables | **26,700** | 7,944 |
| Deposits | **-** | 535,221 |
| Other current assets | **204,902** | 45,958 |
| | **1,462,101** | 1,654,262 |

*Impairment and provisioning policies*

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date, based on objective evidence of impairment. All credit exposures are reviewed at least annually. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at the reporting date. For the purposes of the Group's disclosures regarding credit quality, its financial assets have been analysed as follows:

| | Neither Past Due nor individually impaired | Past due but not individually impaired | Individually impaired | Total | Impairment allowance | Total carrying amount |
|---|---|---|---|---|---|---|
| **Consolidated 30 June 2014** | **$** | **$** | **$** | **$** | **$** | **$** |
| Cash and cash equivalents | 1,230,499 | - | - | 1,230,499 | - | 1,230,499 |
| Trade and other receivables | 26,700 | - | - | 26,700 | - | 26,700 |
| Deposits | - | - | - | - | - | - |
| Other current assets | 204,902 | - | - | 204,902 | - | 204,902 |
| | 1,462,101 | - | - | 1,462,101 | - | 1,462,101 |
| **Consolidated 30 June 2013** | | | | | | |
| Cash and cash equivalents | 1,065,139 | - | - | 1,065,139 | - | 1,065,139 |
| Trade and other receivables | 7,944 | - | - | 7,944 | - | 7,944 |
| Deposits | 535,221 | - | - | 535,221 | - | 535,221 |
| Other current assets | 45,958 | - | - | 45,958 | - | 45,958 |
| | 1,654,262 | - | - | 1,654,262 | - | 1,654,262 |

*Financial assets past due but not individually impaired*

For the purpose of this analysis an asset is considered past due when any payment due under the contractual terms is received one day past the contractual due date. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis. Credit risk is also mitigated as securities held for the counterparty by the Group can ultimately be sold should the counterparty default. There were no renegotiated financial assets during the year.

*Collateral pledged or held*

There is no collateral held as security by the Group or its controlled entities.

***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash requirements and cash flows.

The primary objective of the Group is to manage short-term liquidity requirements in such a way as to minimise financial risk. The Group maintains sufficient cash resources to meet its obligations, cash deposits are repayable on demand.

The tables below present the cash flows receivable and payable by the Group under financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed are the contractual, undiscounted cash flows.

## 2 Financial Risk Management *(continued)*

***Interest rate risk***

| | Weighted average effective interest rate | Floating interest rate | Fixed interest | | Non-interest bearing | | |
|---|---|---|---|---|---|---|---|
| | | Within one year | Within one year | 1 – 5 years | Within one year | 1 – 5 years | Total |
| **30 June 2014** | **%** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 2.72 | 1,230,499 | - | - | - | - | 1,230,499 |
| Trade and other receivables | n/a | - | - | - | 26,700 | - | 26,700 |
| Deposits | n/a | - | - | - | - | - | - |
| Other current assets | n/a | - | - | - | 204,902 | - | 204,902 |
| **Total financial assets at 30 June 2014** | | 1,230,499 | - | - | 231,602 | - | 1,462,101 |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | n/a | - | - | - | 226,196 | - | 226,196 |
| Loans from related parties and shareholders | n/a | - | - | - | - | - | - |
| **Total financial liabilities at 30 June 2014** | | - | - | - | 226,196 | - | 226,196 |
| **30 June 2013** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 1.82 | 1,065,139 | - | - | - | - | 1,065,139 |
| Trade and other receivables | n/a | - | - | - | 7,944 | - | 7,944 |
| Deposits | n/a | - | - | - | 535,221 | - | 535,221 |
| Other current assets | n/a | - | - | - | 45,958 | - | 45,958 |
| **Total financial assets at 30 June 2013** | | 1,065,139 | - | - | 589,123 | - | 1,654,262 |
| Financial liabilities | | | | | | | |
| Trade and other payables | n/a | - | - | - | 289,273 | - | 289,273 |
| Loans from related parties and shareholders | n/a | - | - | - | - | 429,637 | 429,637 |
| **Total financial liabilities at 30 June 2013** | | - | - | - | 289,273 | 429,637 | 718,910 |

Trade and other payables and loans to related parties and shareholders are expected to be paid as follows:

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| **30 June 2014** | **A$** | **A$** | **A$** | **A$** |
| Trade and other payables (refer note 14) | **226,196** | **-** | **-** | **-** |
| Loans from related parties and shareholders (refer note 15) | **-** | **-** | **-** | **-** |
| | **226,196** | **-** | **-** | **-** |
| **30 June 2013** | | | | |
| Trade and other payables (refer note 14) | 289,273 | - | - | - |
| Loans from related parties and shareholders (refer note 15) | - | 429,637 | - | - |
| | 289,273 | 429,637 | - | - |

***Market Risk***

Market risk is the risk that fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group's activities expose it primarily to the financial risks of changes in equity prices.

*(i) Foreign exchange risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange fluctuations.

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

The Group's profitability can be significantly affected by movements in the $US/$A exchange rates, and to a lessor degree, though movements in the Mongolian Tukrik and Sri Lankan Rupee verses the Australian dollar. Through reference to industry standard practices, and open market foreign currency trading patterns within the past 12 months, the group set the level of acceptable foreign exchange risk.

The Group seeks to manage this risk by holding foreign currency in $US.

*Sensitivity analysis*

The following table does not include intra group financial assets and liabilities. It summaries the sensitivity of the Group's financial assets and liabilities to external parties at 30 June 2014 to foreign exchange risk, based on foreign exchange rates as at 30 June 2014 and sensitivity of +/-10%:

| | 30 June 2014 rate (cents) | -10% (cents) | +10% (cents) |
|---|---|---|---|
| US$/A$ | 92.71 | 83.44 | 101.98 |
| SLR/A$ | 123 | 111 | 135 |

## 2 Financial Risk Management *(continued)*

***Market Risk*** *(continued)*

| 2014 | Carrying amount | Foreign exchange risk -10.0% Profit or loss | Foreign exchange risk +10.0% Profit or loss |
|---|---|---|---|
| | **A$** | **A$** | **A$** |
| **Financial assets** | | | |
| Cash at bank – USD | 257,418 | 28,602 | (23,402) |
| Cash at bank – SKR | 281,024 | 31,225 | (25,548) |
| **Financial liabilities** | | | |
| Trade and other payables – SKR | 31,615 | (3,522) | 2,881 |
| **Total increase/(decrease)** | | 56,305 | (46,069) |

| 2013 | Carrying amount | Foreign exchange risk -10.0% Profit or loss | Foreign exchange risk +10.0% Profit or loss |
|---|---|---|---|
| | **A$** | **A$** | **A$** |
| **Financial assets** | | | |
| Cash at bank – USD | 395,266 | 43,918 | (35,933) |
| **Financial liabilities** | | | |
| Trade and other payables – USD | 2,714 | (302) | 247 |
| Loans from shareholders – USD (see note 15) | 176,079 | (19,564) | 16,007 |
| **Total increase/(decrease)** | | 24,052 | (19,679) |

*(ii) Interest rate risk*

**Group**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash position. A change of 100 basis points in interest rates at the reporting date would result in a change of profit or loss by the amounts shown below. This analysis assumes that all other factors remain constant.

*Profile*

At reporting date the interest rate profile of the Group's financial instruments was:

| | 2014 A$ | Interest rate risk -10bps Profit | Equity | +10bps Profit | Equity |
|---|---|---|---|---|---|
| Floating rate instruments | | | | | |
| Cash at bank | **1,230,499** | (1,728) | - | 1,728 | - |
| | **1,230,499** | (1,728) | - | 1,728 | - |

| | 2013 A$ | Interest rate risk -10bps Profit | Equity | +10bps Profit | Equity |
|---|---|---|---|---|---|
| Floating rate instruments | | | | | |
| Cash at bank | **1,065,139** | (1,926) | - | 1,926 | - |
| | **1,065,139** | (1,926) | - | 1,926 | - |

### (c) Net fair values

*Fair value versus carrying amount*

**Fair value of financial instruments**

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

**Methodologies and assumptions**

For financial assets and liabilities that are liquid or have short term maturities it is assumed that the carrying amounts approximate to their fair value.

| | | **30 June 2014** | | 30 June 2013 | |
|---|---|---|---|---|---|
| | Note | **Carrying amount** | **Net fair value** | Carrying amount | Net fair value |
| | | **A$** | **A$** | A$ | A$ |
| **Assets carried at amortised cost** | | | | | |
| Trade and other receivables | 9 | 26,700 | 26,700 | 7,944 | 7,944 |
| Deposits | 10(a) | - | - | 535,221 | 535,221 |
| Other current assets | 10(b) | 204,902 | 204,902 | 45,958 | 45,958 |
| Total financial assets | | 231,602 | 231,602 | 589,123 | 589,123 |
| **Liabilities carried at amortised cost** | | | | | |
| Trade and other payables | 14 | 226,196 | 226,196 | 289,273 | 289,273 |
| Loans from related parties and shareholders | 15 | - | - | 429,637 | 429,637 |
| Total financial liabilities | | 226,196 | 226,196 | 718,910 | 718,910 |

## 3 Segment reporting

### (a) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The existing operating segments are identified by management based on the manner in which the Group's operations were carried out during the financial year. Discrete financial information about each of these operating businesses is reported to the Board on a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the asset base and revenue or income streams, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group's segment information for the current reporting period is reported based on the following segments:

*Mining and exploration activities*

The Board has determined that the Company has one reportable segment, being mineral exploration in Sri Lanka. As the Company is focused on mineral exploration, the Board monitors the Company based on actual verses budgeted exploration expenditure incurred by area of interest.

*Corporate*

This segment reflects the overheads associated with maintaining the ASX listed MRL corporate structure, identification of new assets and general management of an ASX listed entity.

Total revenues and assets are within two geographical areas, being Australia and Asia.

| Business Segment | Mining & Exploration | | Corporate services | | Total | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **A$** | A$ | **A$** | A$ | **A$** | A$ |
| Revenue from external customers | **32,579** | - | **-** | 23,107 | **32,579** | **23,107** |
| Operating loss | **(335,572)** | (562,768) | **(1,711,799)** | (3,805,932) | (2,047,371) | (4,368,700) |
| Interest revenue | **1,109** | - | **11,244** | 22,827 | 12,353 | 22,827 |
| Interest expense | **-** | - | **-** | - | - | - |
| Depreciation expense | **2,922** | - | **1,823** | 2,684 | 4,745 | 2,684 |
| | | | | | | |
| Segment assets | **1,494,545** | 564,677 | **1,326,689** | 2,192,039 | 2,821,234 | 2,756,716 |
| Segment liabilities | **31,696** | (1,660,320) | **194,500** | (155,905) | 226,196 | (1,816,225) |

### (b) Geographical areas

In presenting the information on the basis of geographical areas, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Geographical segments | **Revenue** | **Total assets** | Revenue | Total assets |
| Australia | **11,244** | **1,326,689** | 23,107 | 2,192,039 |
| Asia * | **33,688** | **1,494,545** | - | 564,677 |
| Total | **44,932** | **2,821,234** | 23,107 | 2,756,716 |

* includes Sri Lanka, Singapore, Mongolia and Indonesia

### (c) Reconciliation of segment assets and liabilities to the Statement of financial Position

*Reconciliation of segment assets to the Statement of Financial Position*

| | 2014 | 2013 |
|---|---|---|
| Total segments assets | **4,703,992** | 2,756,716 |
| Inter-segment elimination | **(1,882,758)** | (1,097,315) |
| Total assets per statement of financial position | **2,821,234** | 1,659,401 |

*Reconciliation of segment liabilities to the Statement of Financial Position*

| | 2014 | 2013 |
|---|---|---|
| Total segments liabilities | **3,109,761** | 1,816,225 |
| Inter-segment elimination | **(2,883,565)** | (1,097,315) |
| Total liabilities per statement of financial position | **226,196** | 718,910 |

## 4 Operating profit and finance income and expense

Revenue and expenses from continuing operations

| | Notes | 2014 | 2013 |
|---|---|---|---|
| | | **A$** | A$ |
| **(a) Other revenue** | | | |
| Profit from sale of subsidiary | | **32,579** | - |
| | | **32,579** | - |
| **(b) Other income** | | | |
| Fair value movements on held for trading assets | | **-** | 370 |
| Foreign exchange gains | | **-** | 116,806 |
| Other | | **-** | (90) |
| | | **-** | 117,086 |
| **(c) Other administrative expenses includes:** | | | |
| Financial administration and other consultancy | | **285,365** | 132,249 |
| Directors fee and directors consulting fee | | **314,419** | 308,000 |
| Audit and accounting fees | | **52,710** | 69,960 |
| Other accounting services | | **14,206** | 9,204 |
| ASX listing and share registry fees | | **135,585** | 126,114 |
| Travel and accommodation | | **144,262** | 78,302 |
| **(d) Employee benefits expense** | | | |
| As at 30 June 2014 six (6) employees remained within the group. | | **15,028** | - |
| **(e) Share based payments expense (note 17)** | | **430,333** | 1,664,000 |
| **(f) Finance income and expense** | | | |
| Interest income on bank deposits | | **12,353** | 22,827 |

## 5 Income tax

The major components of income tax expense are:

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| Total loss before income tax from all activities | (2,047,371) | (4,368,700) |
| Prima facie tax expense/ (benefit) on profit or loss before income tax at 30% (2013: 30%) | (614,211) | (1,310,610) |
| Unrecognised temporary differences | 14,235 | - |
| Unrecognised tax losses | 599,976 | 1,310,610 |
| Income tax expense attributable to activities | - | - |
| Income tax expense from continuing operations | - | - |
| Income tax expense from discontinued operations | - | - |
| Total income tax expense | - | - |

| | | |
|---|---|---|
| Unused tax losses for which no deferred tax has been recognised | 8,248,451 | 6,248,531 |
| Potential tax benefit at 30% | 2,474,535 | 1,874,559 |

The Group has Australian revenue losses from previous years for which no deferred tax assets have been recognised. The availability to utilise these losses in future periods is subject to review in the relevant jurisdictions.

## 6 Earnings per share

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| Net loss used in calculating basic loss per share | **(2,047,371)** | (4,368,700) |
| Net loss used in calculating diluted loss per share | **(2,047,371)** | (4,368,700) |
| | **Number of shares** | Number of shares |
| Weighted average ordinary shares used in calculating basic earnings per share | **79,097,345** | 31,919,071 |
| Weighted average ordinary shares used in calculating diluted earnings per share | **79,097,345** | 31,919,071 |
| Basic loss per share (cents per share) | **(2.59)** | (13.69) |
| Diluted loss per share (cents per share) | **(2.59)** | (13.69) |

Further, share options issued (refer to Note 16(b)) have not been included in the calculation of diluted earnings per share as they are anti-dilutive.

## 7 Dividends paid and proposed

Distributions proposed and paid:

No final dividend has been proposed or paid during the year (2013: $nil).

## 8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| Cash at bank and in hand | **1,230,499** | 1,065,139 |
| | **1,230,499** | 1,065,139 |

## 9 Trade and other receivables

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| GST receivables | **26,700** | 7,944 |
| | **26,700** | 7,944 |

## 10 Other current assets

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| **(a) Deposits (i)** | **-** | 535,221 |
| | **-** | 535,221 |
| **(b) Other current assets** | | |
| Security deposit | **7,040** | 15,300 |
| Other receivable | **10,000** | 30,658 |
| Prepayments of corporate and engineering fees | **187,862** | - |
| | **204,902** | 45,958 |
| Total other current assets | **204,902** | 581,179 |

(i) The Company paid US$500,000 (A$535,521) in the prior year to enable the acquisition of MRL Graphite (Private) Limited. This acquisition was subject to shareholder's approval at a General Meeting to be held on 9 October 2013. Full details of the acquisition are contained in Note 21 (b).

## 11 Interests in Other Entities

| **Subsidiaries** | **Principal activity in the year** | **Proportion of voting rights and shares held** | | **Class of share held** | **Place of incorporation** |
|---|---|---|---|---|---|
| | | **2014** | 2013 | | |
| Kumai Energy Pty Ltd | Holding company | 100% | 100% | Ordinary | Australia |
| Kumai Energy Pvt Ltd | Holding company | 100% | 100% | Ordinary | Singapore |
| PT Kumai Energy Indonesia | Dormant | - | 100% | Ordinary | Indonesia |
| Khangi Prospecting LLC | Exploration company | - | 70% | Ordinary | Mongolia |
| MRL Investments (Pvt) Ltd | Holding company | 100% | 100% | Ordinary | Sri Lanka |
| MRL Graphite (Pvt) Ltd | Exploration company | 100% | - | Ordinary | Sri Lanka |

## 12 Exploration and evaluation assets

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **A$** | A$ |
| **Non-current exploration and evaluation assets:** | | |
| **Brought forward balance** | **-** | - |
| Exploration and evaluation recognised on acquisition of Kumai group | **-** | 1,802,077 |
| Impairment | | (1,872,293) |
| Cash paid for acquisition of exploration interest (i) | **594,142** | - |
| Share based payments for acquisition of exploration interest (i) | **700,000** | - |
| Foreign currency translation adjustment | **39,183** | 70,214 |
| Carrying amount | **1,333,325** | - |

(i) During the reporting period, MRL acquired exploration properties in Sri Lanka valued at $1,333,325 through the acquisition of the ultimate parent entity of the license holding entity. The acquisition of MRL Investments and its controlled entity, was deemed an asset acquisition rather than a business combination due to both companies not meeting the definition of a business under the accounting standards. Consideration paid comprised cash of $535,221 and the issue of shares valued at $700,000.

The recoverability of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

## 13 Property, plant and equipment

| | **2014** | 2013 |
|---|---|---|
| | **A$** | A$ |
| **Year ended 30 June 2014** | | |
| At 1 July, net of | | |
| accumulated depreciation and impairment | **5,139** | - |
| Purchase of plant and equipment | **31,093** | - |
| Property, plant and equipment recognised on acquisition of Kumai group (i) | **-** | 11,402 |
| Depreciation and amortisation expense | **(4,745)** | (2,684) |
| Assets written off | **-** | (3,617) |
| Foreign currency translation adjustment | **(5,679)** | 38 |
| At 30 June 2014, net of accumulated depreciation and impairment | **25,808** | 5,139 |

(i) During the reporting period, MRL acquired plant and equipment in Sri Lanka.

## 14 Trade and other payables

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| **Current** | | |
| Trade and other payables | **226,196** | 289,273 |
| | **226,196** | 289,273 |

Trade payables are non-interest bearing, unsecured and are normally settled on 30 day terms from end of month in which the invoice is received.

## 15 Loans from related parties and shareholders

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| **Non-current** | | |
| Loans from related parties (refer Note 24(b)) | - | 253,558 |
| Loans from shareholders | - | 66,070 |
| Loans from minority shareholders | - | 110,009 |
| | - | 429,637 |

## 16 Issued capital

**Company**

| (a) Ordinary shares | 2014 | 2013 | 2014 | 2013 |
|---|---|---|---|---|
| | **A$** | A$ | **Number** | Number |
| Issued and fully paid | **58,281,263** | 55,212,885 | **149,191,587** | 58,773,104 |
| *Movement in shares on issue* | | | | |
| At the beginning of the period | **55,212,885** | 52,234,717 | **58,773,104** | 456,278,415 |
| Shares issued in accordance with Share Sale Deed to Supreme Solutions (Pvt) Ltd (a) | **700,000** | - | **5,000,000** | - |
| Shares issued via Prospectus dated 12 September 2013 | **1,100,000** | - | **5,500,000** | - |
| Placement/management fee to consultants (b) | **1,000,000** | - | **5,000,000** | - |
| Entitlement issue | **1,492,462** | - | **59,418,483** | - |
| Placement approved by shareholders 28 April 2014 | **-** | - | **15,500,000** | - |
| Consolidation (40:1) | **-** | - | **-** | (444,871,242) |
| Shares issued via Prospectus dated 11 December 2013 | **-** | 2,500,000 | **-** | 12,500,000 |
| Shares issued in accordance with Share Sale Deed to Kumai Energy Limited Shareholders | **-** | 750,000 | **-** | 24,666,670 |
| Placement/management fee to consultants | **-** | 310,000 | **-** | 10,198,551 |
| Conversion of options | **-** | 284 | **-** | 710 |
| Share issue costs | **(1,224,084 )** | (582,116) | **-** | - |
| At the end of the period | **58,281,263** | 55,212,885 | **149,191,587** | 58,773,104 |

During the year, the Company completed the following:

(a) Share based payment was valued at the time of the transactions at the fair value for the goods and services acquired.

(b) Share based payment was valued at the time of the transactions at the fair value of the instruments issued as the Company was unable to fair value the services acquired.

| (b) Share options | 2014 | 2013 |
|---|---|---|
| | **Number** | Number |
| *Listed share options* | | |
| As at 1 July: Listed share options expiring 31 December 2014 – exercise price A$0.01 | **19,554,053** | 282,188,557 |
| Consolidation (40:1) | **-** | (275,133,794) |
| Options issued (a) | **5,500,000** | 12,500,000 |
| Exercise of options | **-** | (710) |
| As at 30 June 2014 | **25,054,053** | 19,554,053 |

## 16 Issued capital *(continued)*

During the year, the Company completed the following:

(a) Issued 5,500,000 listed options, as free attaching to the 5,500,000 placement shares as per the Prospectus dated 12 September 2013, exerciseable at 20 cent on or before 17 October 2016.

Refer to part (a) of this Note for details of the associated ordinary share movements.

| *Unlisted share options* | **2014** | **2013** |
|---|---|---|
| As at 1 July | **23,198,551** | 25,290,593 |
| Expired | **-** | (25,290,593) |
| Options issued (a) | **25,500,000** | 23,198,551 |
| Exercise of options | **-** | - |
| As at 30 June | **48,698,551** | 23,198,551 |

13,000,000 options issued to directors , exercisable at 10 cents on or before 21 May 2017;

12,500,000 options were issued as free attaching to shares issued to the corporate advisor of the Prospectus dated 12 September 2013 for the successful facilitation of the Company's capital raising. The options are exercisable at 10 cents on or before 21 May 2017.

Refer to Note 17 for further details

## 17 Share based payments

### (a) Employee Share Option Plan

The Company provides directors, certain employees and advisors with share options. The options are exercisable at set prices and the vesting and exercisable terms varied to suit each grant of options.

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price (cents)** | Number of options | Weighted average exercise price (cents) |
| ***Outstanding at 1 July*** | **23,198,551** | **20.0** | 25,290,583 | 2.0 |
| Issued (i) | **13,000,000** | **10.0** | 23,198,551 | 20.0 |
| Forfeited | **-** | | - | - |
| Exercised | **-** | | - | - |
| Lapsed | **-** | | (25,290,583) | 2.0 |
| Outstanding at 30 June | **36,198,551** | **.164** | 23,198,551 | 20.0 |

(i) An additional 13,000,000 unlisted options were granted to directors, with an exercise price of 10 cents in accordance with the Employee Share Option Plan. The options expire 21 May 2017. The weighted average remaining life of the options is 2.51 years.

The pricing on the unlisted options at the time of issue was calculated using the Black-Scholes option valuation method applying the following inputs:

| | |
|---|---|
| Exercise price range | **$0.10** |
| List of options range | **3.07 years** |
| Underlying share price | **$0.055** |
| Expected share price volatility | **115%** |
| Dividend yield | **0%** |
| Risk free interest rate | **2.92%** |
| Fair value of options | **$0.033** |

Historical volatility has been the basis for determining expected share price volatility as it assumes that this is indicative of future tender, which may not eventuate. When applicable, market conditions have been built into the options pricing model to reflect the likelihood of those conditions being met. Historical data has been used to determine dividend yield and option life. The fair value of the consultant's and directors option is not based on the fair value of the services provided but on the Black Scholes option pricing model.

### Share-based payments and options issued to directors and consultants

The Group recognised total expenses of $430,333 (2013: $1,344,000) related to director and consultant share based payment transactions in the year.

The table below summaries options granted to directors, employees and consultants:

| Grant Date | Expiry Date | Exercise price | Balance at start of the year Number | Granted at start of the year Number | Exercised during the year Number | Expired during the year Number | Balance during the year Number | Vested and exercisable during the year Number |
|---|---|---|---|---|---|---|---|---|
| 9 Jan 2013 | 17 Oct 2016 | $0.20 | 13,000,000 | - | - | - | 13,000,000 | 13,000,000 |
| 28 Apr 2014 | 21 May 2017 | $0.10 | - | 13,000,000 | - | - | 13,000,000 | 13,000,000 |

### Other grants of options

The Group recognised total expenses of $Nil (2013: $256,000) related to options issued to the retiring directors of the Kumai Energy Limited at the time of the acquisition of the Kumai Energy Limited.

## 18 Reserves and accumulated losses

The share based payments reserve holds the directly attributable cost of services provided pursuant to the options issued to corporate advisors, directors, employees and past directors of the Group.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 19 Statement of cash flow reconciliation

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| **(a) Reconciliation of net profit after tax to net cash flows from operations** | | |
| **Net loss** | **(2,047,371)** | (4,368,700) |
| Adjustment for: | | |
| Net unrealised gain in value of investments | - | (370) |
| Net foreign exchange gain | - | (139,382) |
| Depreciation | **4,745** | 2,684 |
| Impairment of other receivables | - | 2,551 |
| Write down of property, plant and equipment | - | 3,617 |
| Impairment of exploration assets | - | 1,872,293 |

## 19 Statement of cash flow reconciliation *(continued)*

| | | |
|---|---|---|
| Options expensed | **430,333** | 1,664,000 |
| (Profit)/Loss on sale of subsidiaries | **(32,579)** | 90 |
| **Changes in assets and liabilities** | | |
| Decrease in trade and other receivables | **30,820** | 4,117 |
| (Increase)/decrease in prepayments | **(187,862)** | 6,725 |
| Decrease in trade and other payables | **(63,078)** | (350,677) |
| Decrease in loans from shareholders | **-** | (99,000) |
| **Net cash used in operating activities** | **(1,864,991)** | (1,402,052) |

### (b) Non-cash investing and financing activities

During the reporting period the company acquired exploration and evaluation properties through the acquisition of 100% interest of MRL Investments Pte Ltd and its controlled entities in consideration for the issue of 5,000,000 shares of MRL as approved at the shareholder meeting on 9 October 2013. A cash component of $535,221 has been paid in the prior year.

MRL also issued 5,500,000 shares of MRL with matching options exercisable at $0.20 on or before 17 October 2016 as consideration to CPS Securities Pty Ltd for the successful facilitation and completion of the prospectus raising in December 2013.

## 20 Commitments and contingencies

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| **(a) Lease expenditure commitments** | | |
| *Operating leases (non-cancellable):* | | |
| Minimum lease payments | | |
| - not later than one year | **17,600** | 66,740 |
| - later than one year and not later than five years | **-** | - |
| - later than five years | **-** | - |
| Total operating leases (non-cancellable) | **17,600** | 66,740 |

The operating leases are entered into for the purposes of leasing company premises.

### (b) Contingent liabilities

On 9 April 2013 the Company announced it had reached agreed terms with The Supreme Group of Sri Lanka for the acquisition of 45km$^2$ of graphite exploration licences representing 45 Grids. The remaining terms of the acquisition are;

1. Issue of a further 5,000,000 vendor shares in MRL on conversion of any of the areas to a mining licence.
2. Payment of US$500,000 at the time of commencement of commercial mining activities.

The Directors do not believe there are any grounds for any other claims of a material nature as at the date of this report and as at reporting date.

## 21 Results of the parent company

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| **Current assets** | | |
| Cash and cash equivalents | **949,124** | 1,062,147 |
| Trade and other receivables | **21,398** | 7,276 |
| Other current assets | **17,040** | 25,300 |
| Other financial assets | **134,500** | 528,596 |
| **Total current assets** | **1,122,062** | 1,623,319 |
| **Non-current assets** | | |
| Property, plant and equipment | 6,283 | - |
| Intercompany loans receivable | 1,660,789 | - |
| **Total non-current assets** | **1,667,072** | - |
| **Total assets** | **2,789,134** | 1,623,319 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | **194,500** | 155,815 |
| **Total current liabilities** | **194,500** | 155,815 |
| **Total liabilities** | **194,500** | 155,815 |
| **Net assets** | **2,594,634** | 1,467,504 |
| **Equity** | | |
| Issued capital | **58,281,263** | 55,212,885 |
| Option reserve | **-** | - |

| | | |
|---|---|---|
| Share based payments reserve | **2,094,333** | 1,664,000 |
| Accumulated losses | **(57,780,962)** | (55,409,381) |
| **Total equity** | **2,594,634** | 1,467,504 |
| Results of the parent entity: | | |
| Loss for the period | **(2,371,581)** | (3,845,612) |
| Other comprehensive income | **-** | - |
| | **(2,371,581)** | (3,845,612) |

## 22 Events since the end of the financial year

There are no known subsequent events of a material nature other than the following:

On 8 September the Company announced it would proceed with a placement of x million shares at an issue price of $0.07 per share to raise $1.148m (before costs). These funds will be applied toward the acceleration of the exploration and development of the Group's graphite projects.

## 23 Discontinued operation

### (a) Description

On 15 November 2013 the Company disposed of the 70% interest it held in Khangi Prospecting LLC in Mongolia. The cash consideration received for the disposal was US$53,789.

### (b) Financial performance and cash flow information

There was no activity in the operation in the financial period up to its disposal.

### (c) Carrying amounts of assets and liabilities

As described in the Company's annual report the carrying value of the interest in Khangi Prospecting LLC had been written off at 30 June 2013.

### (d) Details of sale of operation

| | 2014 |
|---|---|
| Consideration received | $ |
| Proceeds from sale | 84,526 |
| Less settlement costs | (23,905) |
| Loss on foreign exchange | (2,972) |
| Consideration after costs | 57,649 |
| Net assets disposed | 25,070 |
| Gain on sale before income tax | 32,579 |
| Income tax expense | - |
| Gain on sale after income tax | 32,579 |

## 24 Related party transactions

### (a) Compensation for key management personnel

The aggregate compensation made to directors and other key management personnel is set out below:

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| Short term employee benefits | **430,001** | 323,753 |
| Share based payments | **430,333** | 1,344,000 |
| | **860,334** | 1,667,753 |

### (b) Loans payable to Directors and key management personnel

The aggregate compensation made to directors and other key management personnel is set out below:

| | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| Clemm Pty Ltd | **-** | 118,450 |
| Kingston Vale Pty Ltd | **-** | 135,108 |
| | **-** | 253,558 |

### (c) Transactions with Directors and key management personnel

During the reporting period, the group paid director and company secretarial fees to the following companies in which those persons have an interest. These payments were at arms length:

| | | 2014 | 2013 |
|---|---|---|---|
| | | **A$** | A$ |
| Clemm Pty Ltd | Craig McGuckin | **217,666** | 102,000 |
| Kingston Vale Pty Ltd | Peter Youd | **165,000** | 102,000 |
| Parmelia Pty Ltd | Peter Reilly | **32,753** | 46,000 |
| Winkara Pty Ltd | Denis Geldard | **14,582** | - |
| Crowan Consulting Pty Ltd | Peter Bolitho | **-** | 21,753 |

## 25 Auditors' remuneration

***Services provided by the Group's auditor (in tenure as auditor) and associated firms***

During the year, the Group (including its overseas subsidiaries) obtained the following services from Grant Thornton Audit Pty Ltd as detailed below:

| Auditors' remuneration | 2014 | 2013 |
|---|---|---|
| | **A$** | A$ |
| Remuneration of the auditor of the Group for: | | |
| - Auditing or reviewing the financial report – Grant Thornton Audit Pty Ltd | **17,481** | 50,000 |
| - Audit services - BDO Audit (WA) Pty Ltd | **19,697** | 19,960 |
| - Other services - BDO Audit (WA) Pty Ltd | **22,695** | - |
| | **59,873** | 69,960 |

# DIRECTOR'S DECLARATION

The Directors declare that:

1. the financial statements and notes, as set out on pages 20 to 64 are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    b. give a true and fair view of the financial position as at 30 June 2014and of the performance for the year ended on that date of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
    a. the financial records of the group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
    b. the financial statements, and the notes for the financial year comply with the accounting standards; and
    c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. the consolidated group has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards
5. the remuneration disclosures set out in the Directors' Report on pages 10 to 12 (as the audited Remuneration Report) comply with section 300A of the Corporations Act 2001;

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

Craig McGuckin

Managing Director

26 September 2014

# AUDIT REPORT

BDO

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**INDEPENDENT AUDITOR'S REPORT**

To the members of MRL Corporation Limited

## Report on the Financial Report

We have audited the accompanying financial report of MRL Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

**Basis for Qualified Opinion**

As disclosed in Note 23 the consolidated entity disposed of its subsidiary, Khangi Prospecting LLC during the year. The consolidated entity has been unable to access all the books and records for the period 1 July to 15 November 2013 and accordingly we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness and existence of these amounts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary to the statement of financial position as at 30 June 2014 and the statement of profit or loss and other comprehensive income, statement of cash flows and the statement of changes in equity and associated notes for the year ended 30 June 2014.

Attention is drawn to the comparatives figures included in the consolidated statement of financial position at 30 June 2013. We have been unable to obtain sufficient appropriate audit evidence on the amounts included in the consolidated financial statement of financial position at 30 June 2013 relating to Khangi Prospecting LLC as this information could not be obtained from local record holders in Mongolia. Consequently, we have been unable to determine whether any adjustments to the amounts included in the consolidated statement of financial position at 30 June 2013 would be necessary should this information have been available. Accordingly, we do not express an opinion on the accuracy of any financial information included in the consolidated statement of financial position as at 30 June 2013.

Our audit opinion in the current year's financial report is modified because of the possible effect of the matters outlined above on the current year's figures as we are not able to determine the effect that any adjustments would have, if any, to these amounts in the consolidated financial statements at 30 June 2014.

**Qualified Opinion**

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the financial report of MRL Corporation Limited is in accordance with the Corporations Act, 2001, including:

A. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

B. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

C. complying with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

**Opinion**

In our opinion, the Remuneration Report of MRL Corporation Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO

**Phillip Murdoch**

**Director**

Perth, 26 September 2014

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# ADDITIONAL SECURITIES EXCHANGE INFORMATION

*(note, this information does not form part of the audited financial statements)*

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is complete as at 26 September 2014.

### (a) Substantial Shareholders

Mr Jason Peterson 11,926,890

### (b) Distribution of Shareholdings – Fully Paid Ordinary Shares:

| Size of Holding | Number of Shareholders | Number of Shares |
|---|---|---|
| 1 – 1,000 | 421 | 88,491 |
| 1,001 – 5,000 | 172 | 483,335 |
| 5,001 – 10,000 | 100 | 792,923 |
| 10,001 – 100,000 | 395 | 18,671,387 |
| 100,001 and over | 241 | 145,705,451 |
| | 1,329 | 165,741,587 |

| Equity Security | Quoted | Unquoted |
|---|---|---|
| Fully paid ordinary shares | 131,647,397 | 34,094,190 |
| Options | 25,054,053 | 48,698,551 |

### (c) Top 20 Security Holders Ordinary Fully Paid Shares (MRF)

| | Name of Holder | Number of Shares | % |
|---|---|---|---|
| 1 | McGuckin Family | 7,085,786 | 4.28 |
| 2 | Hallidaf Management Ltd | 6,094,794 | 3.68 |
| 3 | Grande Prosperity Trading Limited | 6,000,000 | 3.62 |
| 4 | Mr Beng Chye Ang | 5,737,328 | 3.46 |
| 5 | Citicorp Nominees Pty Limited | 5,537,749 | 3.34 |
| 6 | Mr Han Keong Ang | 5,000,000 | 3.02 |
| 7 | Mr Chin Yong Chong | 4,814,000 | 2.90 |
| 8 | Supreme Global Holdings (Pvt) Ltd | 3,750,000 | 2.26 |
| 9 | Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C> | 3,165,000 | 1.91 |
| 10 | Miss Ing Ing Chan | 3,000,000 | 1.81 |
| 11 | Bank Julius Baer & Co. Ltd | 2,574,633 | 1.55 |
| 12 | Mr Ryan Jehan Rockwood | 2,500,000 | 1.51 |
| 13 | Redhill Partners Pte Ltd | 2,448,447 | 1.48 |
| 14 | Burwood Investments S.A. | 2,323,445 | 1.40 |
| 15 | Celtic Capital Pty Ltd <The Celtic Capital A/C> | 1,825,000 | 1.10 |
| 16 | Varra Pty Ltd <Farmer Family A/C> | 1,800,000 | 1.09 |
| 17 | Mitchell Grass Holding Singapore Pte Ltd | 1,667,342 | 1.01 |
| 18 | Professional Payment Services Pty Ltd | 1,600,000 | 0.97 |
| 19 | Mr Jason Peterson & Mrs Lisa Peterson <J & L Peterson S/F A/C> | 1,550,000 | 0.94 |
| 20 | Winkara Pty Ltd | 1,466,800 | 0.88 |
| | Total Top 20 shareholders | 69,940,324 | 42.2 |
| | Other shareholders | 95,801,263 | 57.8 |
| | Total Issued shares | 165,741,587 | 100.00 |

# ADDITIONAL SECURITIES EXCHANGE INFORMATION *continued*

Shareholders with less than a marketable parcel

At 26 September 2014, there were 573 shareholders holding less than a marketable parcel of 5,000 shares (10 cents on that date) in the Company totalling 471,826 ordinary shares.

### (d) Top 20 Security Holders - Listed Options (MRFO) expiring 31 December 2014

| | Name of Holder | Number of Shares | % |
|---|---|---|---|
| 1 | Milwal Pty Ltd <The Price Super Fund A/C> | 857,264 | 12.15 |
| 2 | Tisia Nominees Pty Ltd <The Henderson Family A/C> | 857,264 | 12.15 |
| 3 | IML Holdings Pty Ltd | 721,764 | 10.23 |
| 4 | Mr Marcus Steven Ding | 625,000 | 8.86 |
| 5 | Mitchell Grass Holding Singapore Pte Ltd | 446,509 | 6.33 |
| 6 | Celtic Capital Pty Ltd <The Celtic Capital A/C> | 347,501 | 4.93 |
| 7 | Mr Tuan Tran | 256,902 | 3.64 |
| 8 | Samada Street Nominees Pty Ltd <Giles Family No 2 A/C> | 252,068 | 3.57 |
| 9 | G & N Lord Superannuation Pty Ltd <GNR Superannuation Fund A/C> | 220,355 | 3.12 |
| 10 | Port Devon Limited <The Devon A/C> | 212,905 | 3.02 |
| 11 | Mr Charles Lennox Streitch Browne & Ms Gaydrie Browne | 150,000 | 2.13 |
| 12 | Parmelia Pty Ltd | 138,890 | 1.97 |
| 13 | Ross Dix Harvey | 108,577 | 1.54 |
| 14 | Mrs Gaydrie Browne | 103,167 | 1.46 |
| 15 | Giojaz Management Pty Ltd <Giojaz Super Fund No 3 A/C> | 100,000 | 1.42 |
| 16 | Honan Pty Ltd | 91,824 | 1.30 |
| 17 | Mersound Pty Ltd | 90,000 | 1.28 |
| 18 | Mrs Marie-Michele Kyriakopoulos &Mr John Kyriakopoulos | 78,676 | 1.12 |
| 19 | Mr Constantinos Casiou | 75,000 | 1.06 |
| 20 | Ms Thi My Hanh Dang | 62,947 | 0.89 |
| | Total Top 20 Options holder | 5,796,613 | 82.17 |

| | | | |
|---|---|---|---|
| | Other Option holders | 1,257,440 | 17.83 |
| | Total Option Holders | 7,054,053 | 100.00 |

### (e) Top 20 Security Holders - Listed Options (MRFOA) expiring 17 October 2016

| | Name of Holder | Number of Shares | % |
|---|---|---|---|
| 1 | International Business Network(Services) Pty Ltd | 1,000,000 | 5.56 |
| 2 | Celtic Capital Pty Ltd <The Celtic Capital A/C> | 871,450 | 4.84 |
| 3 | Songlake Pty Ltd<Songlake Super Fund A/C> | 805,250 | 4.47 |
| 4 | M & K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/C> | 664,000 | 3.69 |
| 5 | McGuckin Family | 650,000 | 3.61 |
| 6 | Mr David Ian McCall | 630,000 | 3.50 |
| 7 | Saddique Nasser Omar Hassan | 625,000 | 3.47 |
| 8 | Hallidaf Management Ltd | 600,000 | 3.33 |
| 9 | Mr Terrance David Boag & Mrs Joan Melva Boag <Boag Superannuation A/C> | 520,000 | 2.89 |
| 10 | Parmelia Pty Ltd <The Reilly Family Superannuation Fund> | 500,000 | 2.78 |
| 11 | Varra Pty Ltd <Farmer Family A/C> | 500,000 | 2.78 |
| 12 | Supreme Global Holdings (Pvt) Ltd | 500,000 | 2.78 |
| 13 | Professional Payment Services Pty Ltd | 459,540 | 2.55 |
| 14 | Redhill Partners Pte Ltd | 375,000 | 2.08 |
| 15 | Navigator Australia Ltd <MLC Investment Sett A/C> | 325,000 | 1.81 |
| 16 | Vagabond Resources Pty Ltd | 300,000 | 1.67 |
| 17 | Mr Henning Beth | 285,510 | 1.59 |
| 18 | Mr Linton Soderholm | 250,000 | 1.39 |
| 19 | Agens Pty Limited <The Mark Collins Family A/C> | 250,000 | 1.39 |
| 20 | Bell Potter Nominees Ltd <BB Nominees A/C> | 250,000 | 1.39 |
| | Top 20 Option holders | 10,360,750 | 57.56 |
| | Other Option holders | 7,639,250 | 42.44 |
| | Total Option holders | 18,000,000 | 100.00 |

All granted licenses are in good standing and comply with the reporting requirements of the exploration licence.

| License No. | MRL Interest | Status | General Location |
|---|---|---|---|
| EL/225 | 100% | Granted | Central |
| EL/226 | 100% | Granted | Central |
| EL/227 | 100% | Granted | South Central |
| EL/228 | 100% | Granted | Central |
| EL/231 | 100% | Granted | South West |
| EL/243 | 100% | Granted | Central |
| EL/244 | 100% | Granted | South West |
| EL/262 | 100% | Granted | Central |

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