



# ANNUAL REPORT

for the year ended 30 June 2014

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for the year ended 30 June 2014

	Page
Corporate Directory .....	1
Directors' Report .....	2
Auditor's Independence Declaration to the Directors of Naracoota Resources Ltd .....	15
Directors' Declaration .....	16
Independent Audit Report to the Members of Naracoota Resources Ltd .....	17
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014.....	19
Statement of Financial Position as at 30 June 2014 .....	20
Statement of Changes in Equity for the year ended 30 June 2014 .....	21
Statement of Cash Flows for the year ended 30 June 2014 .....	22
Notes to the Financial Statements for the year ended 30 June 2014.....	23

## CORPORATE DIRECTORY

### Board of Directors

George Cameron-Dow	Non-Executive Director
Christian Cordier	Non-Executive Director
Gavin Wates	Non-Executive Director
Dr Eric Lilford	Non-Executive Director
Josh Puckridge	Company Secretary

### Principal Office

Level 9, 105 St Georges Terrace  
Perth, Western Australia 6000

### Registered Office

Level 9, 105 St Georges Terrace  
Perth, Western Australia 6000

### Postal Address

GPO Box 2575  
Perth, Western Australia 6001

### Contact Details

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[enquiries@naracoota.com.au](mailto:enquiries@naracoota.com.au)  
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ABN 77 143 142 410

### Share Registry

Computershare  
Level 2, 45 St George's Terrace  
Perth, Western Australia, 6000  
1300 557 010 (Telephone)  
[www.computershare.com.au](http://www.computershare.com.au)

### Auditors

Stantons International  
Level 2, 1 Walker Avenue  
West Perth, Western Australia 6005

### Lawyers

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth, Western Australia 6000

# DIRECTORS' REPORT

The directors of Naracoota Resources Ltd ("Naracoota" or "the Company") submit their annual financial report of the Company for the year ended 30 June 2014.

## Directors

The names and particulars of the directors of the Company in office during the year and until the end of the financial year are as follows. Directors were in office for this entire year unless otherwise stated.

### Mr George Cameron-Dow, Non-Executive Director

George has held several executive and non-executive, listed and private company directorships across a variety of industries. From 2001 to 2005 he was a director of corporate advisory and investment firm Churchill Capital Services.

He is a founding director of investment advisory firm St George Capital Pty Ltd and investment fund manager Fleming SG Capital Pty Ltd. George has advised on and completed a number of corporate transactions, including ASX listings, reverse takeovers, capital raisings, underwritings, divestments and acquisitions.

*Other Listed Public Company Directorships in the last 3 years:*

Windward Resources Limited - Non-Executive Director (appointed 18 May 2012) and

Bioxyne Limited – Non-Executive Director (appointed 21 July 2014).

### Mr Christian Cordier, Non-Executive Director

Christian has had considerable involvement and investments in both public and private mining and exploration companies for over 15 years. His portfolio includes joint ventures with major international mining houses, investments in listed companies in the United Kingdom, Australia and Southern Africa and private mining operations.

He has extensive experience in sourcing natural resource projects and nurturing them through the value curve by packaging and arranging venture funding, managing the permitting and exploration process, negotiating off-take agreements and the formation of a strong management team.

*Other Listed Public Company Directorships in the last 3 years:*

Nil

### Mr Gavin Wates, Non-Executive Director

Gavin is a corporate finance executive with a leading Australian stockbroking firm. He has been involved in the corporate finance industry for over 14 years and has extensive experience in mergers and acquisitions, equity capital markets and corporate restructures.

Gavin has worked as an investment banker in both Australia and London, is chartered accountant by training and has completed a graduate diploma of applied finance.

*Other Listed Public Company Directorships in the last 3 years:*

Nil

### Dr Eric Lilford, Non-Executive Director

Eric is a highly credentialed, internationally experienced mining executive and mineral economist with extensive resources investment and operating knowledge. He was formerly National Head of Mining for Deloitte Touche Tohmatsu and was a Partner of Deloitte in the Corporate Finance Division. He has over 25 years of operational and investment experience across the global resources sector, including mine production experience at large underground gold, platinum, copper and coal mines.

Eric's experience includes the completion of prefeasibility and bankable feasibility studies in numerous jurisdictions, mine production experience as well as, while in the employ of investment banks, experience in corporate advisory, debt arranging and capital raisings for mining companies.

*Other Listed Public Company Directorships in the last 3 years:*

Atrum Coal Limited - Non-Executive Director (appointed 24 July 2012);

Atrum Coal Limited - Managing Director (appointed 1 July 2013);

ZYL Limited – Managing Director (appointed 15 August 2010, resigned January 2012);

ZYL Limited – Non-Executive Director (appointed January 2012, resigned July 2012); and

Segue Resources Limited – Non-Executive Chairman (appointed October 2011, resigned 15 February 2012).

# DIRECTORS' REPORT

## Directors (cont'd)

### Mr Josh Puckridge, Company Secretary (Appointed 24 August 2012)

Josh Puckridge has participated in a range of business and corporate advisory ventures and projects for a number of public resource companies. Prior to joining Fleming SG Capital Pty Ltd as a specialist Equity Capital Markets Advisor, Josh worked for a national stockbroking and corporate advisory firm.

*Other Listed Public Company Directorships in the last 3 years:*

Discovery Resources Limited - Non-Executive Director (appointed 13 December 2010);

Discovery Resources Limited - Executive Director (appointed 11 November 2013);

Discovery Resources Limited - Company Secretary (appointed 13 December 2010; resigned 8 November 2013); and

Windward Resources Limited - Non-Executive Director and Company Secretary (appointed 18 May 2012; resigned 1 February 2014).

At the date of this report the following table sets out the current directors' relevant interests in shares and options of Naracoota Resources Ltd and the changes since the 2013 Annual Report.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current holding	Net increase/(decrease)	Current holding	Net increase/(decrease)
George Cameron-Dow	1,500,000	1,500,000	-	-
Christian Cordier	8,410,714	125,000	-	-
Gavin Wates	2,141,509	200,000	2,022,566	200,000
Dr Eric Lilford	-	-	-	-

During and since the end of the financial year the following share options were granted to directors as part of their remuneration by Naracoota Resources Ltd.

Director	Number of Unlisted Options Granted	Number of Unlisted Options Held
George Cameron-Dow	-	-
Christian Cordier	-	-
Gavin Wates	-	-
Dr Eric Lilford	-	-

## Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### A. Principles used to determine the nature and amount of remuneration

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Company.

# DIRECTORS' REPORT

## A. Principles used to determine the nature and amount of remuneration (cont'd)

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- The directors and executives receive a superannuation guarantee contribution required by the government, which for the year ended 30 June 2014 is 9.25% of base salary and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Company and expensed.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance based remuneration component built into director and executive remuneration packages.

## B. Details of remuneration

Details of remuneration of the directors and key management personnel (as defined in *AASB 124 Related Party Disclosures*) of Naracoota Resources Ltd are set out in the following table.

The key management personnel of Naracoota Resources Ltd are the directors as listed on pages 2 and 3.

Given the size and nature of operations of Naracoota Resources Ltd, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

The table below shows the 2014 figures for remuneration received by the Company's directors.

	Short Term			Post-employment		Share-based payments- Equity settled		Other benefits (D&O Insurance) (ii)	Total	Percentage of total remuneration for the year that consists of options
	Salary & fees	Bonus	Other benefits	Super- annua- tion	Pre- scribed benefits	Shares	Options (i)			
2014	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>										
George Cameron-Dow	40,000	-	-	-	-	-	-	1,734	41,734	-
Christian Cordier (iii)	49,167	-	-	-	-	-	-	1,734	50,901	-
Gavin Wates	36,697	-	-	3,395	-	-	-	1,734	41,826	-
Dr Eric Lilford	36,697	-	-	3,395	-	-	-	1,734	41,826	-
<b>Executives</b>										
Nil	-	-	-	-	-	-	-	-	-	-
Total	162,561	-	-	6,790	-	-	-	6,936	176,287	-

(i) These amounts are accounting valuations of options issued as remuneration and are not cash payments.

(ii) For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage.

(iii) Mr Cordier was appointed as Executive Director – Business Development from 1 November 2012 to 31 July 2013 after which he returned to the position of Non-Executive Director of the Company.

# DIRECTORS' REPORT

## B. Details of remuneration (cont'd)

The table below shows the 2013 figures for remuneration received by the Company's directors and executives.

2013	Short Term			Post-employment		Share-based payments- Equity settled		Other benefits (D&O Insurance) (ii)	Total	Percentage of total remuneration for the year that consists of options
	Salary & fees	Bonus	Other benefits	Super- annua- tion	Pre- scribed benefits	Shares	Options (i)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>										
George Cameron-Dow	27,762	-	-	-	-	-	-	1,435	29,197	-
Christian Cordier (iii)	101,061	-	-	-	-	-	-	1,435	102,496	-
Gavin Wates	25,470	-	-	2,292	-	-	-	1,435	29,197	-
Dr Eric Lilford	9,272	-	-	838	-	-	-	494	10,604	-
Steve Crabbe (iv)	3,144	-	-	283	-	-	-	651	4,078	-
Steve Woods (v)	9,318	-	-	839	-	-	-	642	10,799	-
Wayne Fernie (vi)	12,576	-	-	1,132	-	-	-	651	14,359	-
<b>Executives</b>										
Martin Dormer (vii)	101,688	-	-	-	-	-	10,482	-	112,170	9.3
Dan Hewitt (viii)	57,134	-	-	5,058	-	-	-	344	62,536	-
Total	347,425	-	-	10,442	-	-	10,482	7,087	375,436	-

(iv) Mr Crabbe resigned as director on 23 October 2012.

(v) Mr Woods resigned as director on 22 October 2012.

(vi) Mr Fernie resigned as director on 23 October 2012.

(vii) Mr Dormer fulfilled the role of Acting Chief Executive Officer from 24 August 2012 to 11 January 2013. Fees are as paid during the period to Unearthed Elements Pty Ltd, a company in which Mr Dormer has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

(viii) Mr Hewitt resigned as acting Chief Executive Officer and Company Secretary on 24 August 2012 and finished employment with the Company on 31 August 2012.

## C. Service Agreements

The Company had an executive services agreement with Mr Christian Cordier to act in the position of Business Development Director. Mr Cordier was entitled to a monthly fee of \$12,500 (inclusive of superannuation and exclusive of GST). The agreement was effective from 1 November 2012 for an initial fixed period to 30 April 2013 and was subsequently extended to 31 July 2013 on the same terms and conditions.

The Company has a corporate service agreement with SG Corporate Pty Ltd to provide management, administrative, financial and company secretarial services from 1 December 2012. SG Corporate Pty Ltd is partly owned (50% share) by Mr George Cameron-Dow. The Company pays monthly fees of \$13,000 to SG Corporate Pty Ltd. Three months' notice of termination is required.

## D. Share-based Compensation

Options can be issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders.

There were no options granted or other share-based compensation issued to directors or executives during the year.

No options were exercised, lapsed or expired during or since the end of the financial year. All options granted in previous years vested at grant date.

# DIRECTORS' REPORT

## E. Directors' equity holdings

### (a) Fully paid ordinary shares of Naracoota Resources Ltd

Key management personnel	Balance at 1 July No.	Grant as remuneration No.	Net other change No.	Balance at 30 June No.
<b>2014</b>				
<b>Directors</b>				
George Cameron-Dow	-	-	1,500,000	1,500,000
Christian Cordier	8,285,714	-	125,000	8,410,714
Gavin Wates	1,941,509	-	200,000	2,141,509
Dr Eric Lilford	-	-	-	-
	10,227,223	-	1,825,000	12,052,223

### 2013

#### Directors

George Cameron-Dow (i)	-	-	-	-
Christian Cordier (ii)	-	-	8,285,714	8,285,714
Gavin Wates (iii)	-	-	1,941,509	1,941,509
Dr Eric Lilford (iv)	-	-	-	-
	-	-	10,227,223	10,227,223

(i) Mr Cameron-Dow was appointed as Non-Executive Director on 23 October 2012.

(ii) Mr Cordier was appointed as Non-Executive Director on 23 October 2012 and subsequently as Executive Director – Business Development from 1 November 2012 to 31 July 2013, after which he returned to the position of Non-Executive Director.

(iii) Mr Wates was appointed as Non-Executive Director on 23 October 2012.

(iv) Dr Lilford was appointed as Non-Executive Director on 4 April 2013.

### (b) Share options of Naracoota Resources Ltd

	Bal at 1 Jul No.	Granted as remuneration No.	Exercised No.	Net other change No.	Bal at 30 Jun No.	Bal vested at 30 Jun No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
<b>2014</b>									
<b>Directors</b>									
George Cameron-Dow	-	-	-	-	-	-	-	-	-
Christian Cordier	-	-	-	-	-	-	-	-	-
Gavin Wates	1,822,566	-	-	200,000	2,022,566	-	-	2,022,566	-
Dr Eric Lilford	-	-	-	-	-	-	-	-	-
	1,822,566	-	-	200,000	2,022,566	-	-	2,022,566	-

### 2013

#### Directors

George Cameron-Dow	-	-	-	-	-	-	-	-	-
Christian Cordier	-	-	-	-	-	-	-	-	-
Gavin Wates	-	-	-	1,822,566	1,822,566	1,822,566	-	1,822,566	1,822,566
Dr Eric Lilford	-	-	-	-	-	-	-	-	-
	-	-	-	1,822,566	1,822,566	1,822,566	-	1,822,566	1,822,566



# DIRECTORS' REPORT

## F. Additional information

### Performance income as a proportion of total compensation

No performance based bonuses have been paid to directors or executives during the year.

## END OF REMUNERATION REPORT

### Directors Meetings

The following table sets out information in relation to Board meetings held during the year:

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
George Cameron-Dow	3	3	2	5
Christian Cordier	3	3	2	5
Gavin Wates	3	3	2	5
Dr Eric Lilford	3	2	2	4

Dates of Board Meetings and Circulating Resolutions

Board Meetings	Circulating Resolutions
22 August 2013	5 December 2013
10 October 2013	5 February 2014
24 March 2014	

## Projects

The Company's remaining project is constituted by the following tenement:

Project	Tenement Number	Interest %
Fraser Project	P52/1213	100

## Capital

Naracoota Resources Ltd's issued capital is as follows:

### Ordinary Fully Paid Shares

At the date of this report there are the following number of Ordinary fully paid shares

Number of shares	
Ordinary fully paid shares	138,263,829

# DIRECTORS' REPORT

## Capital (cont'd)

### Shares Under Option

At the date of this report there are 53,036,676 unissued ordinary shares in respect of which options are outstanding.

	Number of options
<b>Balance at the beginning of the year</b>	
Unlisted options	5,500,000
Listed options	47,536,676
	<b>53,036,676</b>
Movements of share options during the year and to the date of this report	-
<b>Total number of options outstanding at the date of this report</b>	<b>53,036,676</b>

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options	Listed/unlisted
3 August 2011	2 August 2016	30	1,000,000	Unlisted
20 October 2011	19 October 2016	30	4,000,000	Unlisted
23 August 2012	23 August 2017	7.5	500,000	Unlisted
5 October 2012	30 September 2015	9	47,536,676	Listed
<b>Total number of options outstanding at the date of this report</b>			<b>53,036,676</b>	

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

### Substantial Shareholders

Naracoota Resources Ltd has the following substantial shareholders as at 28 August 2014:

Name	Number of shares	Percentage of issued capital
Fleming SG Capital Special Opportunities Pty Ltd <Fleming SG Spec Opp Fund A/C>	27,500,000	19.89
Coreks Super Pty Ltd <Coreks Super Fund A/C>	8,285,714	5.99

### Range of Shares as at 28 August 2014

Range	Total Holders	Units	% Issued Capital
1 - 1,000	5	329	0.00
1,001 - 5,000	11	47,968	0.03
5,001 - 10,000	96	922,017	0.67
10,001 - 100,000	198	10,120,780	7.32
100,001 - > 100,001	163	127,172,735	91.98
<b>Total</b>	<b>473</b>	<b>138,263,829</b>	<b>100.00</b>

# DIRECTORS' REPORT

## Capital (cont'd)

### Unmarketable Parcels as at 28 August 2014

	Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.024 per unit	20,833	148	1,590,640

### Top 20 holders of Ordinary Shares as at 28 August 2014

Rank	Name	Units	% of Issued Capital
1	FLEMING SG CAPITAL SPECIAL OPPORTUNITIES PTY LTD <FLEMING SG SPEC OPP FUND A/C>	27,500,000	19.89
2	COREKS SUPER PTY LTD <COREKS SUPER FUND A/C>	8,285,714	5.99
3	MRS MARTHA CHRISTINA STEENKAMP	5,376,514	3.89
4	MGL CORP PTY LTD	4,000,000	2.89
5	MR TERRENCE PETER WILLIAMSON + MS JONINE MAREE JANCEY <THE WILJAN SUPER FUND A/C>	3,247,776	2.35
6	SJ CRUSHING PTY LTD	3,108,950	2.25
7	UPSKY EQUITY PTY LTD <UPSKY INVESTMENT A/C>	2,141,509	1.55
8	TCH HOLDINGS PTY LTD <THE TRAVIS INVESTMENT A/C>	2,000,000	1.45
9	MR GRAHAM JOHN WOOLFORD	2,000,000	1.45
10	MR STEPHEN WOODS	1,711,939	1.24
11	MR WAYNE CLIFTON FERNIE + MRS LESLIE KAREN FERNIE <W L FERNIE SUPER FUND A/C>	1,666,000	1.20
12	NEFCO NOMINEES PTY LTD	1,577,490	1.14
13	MR STEVEN CRABBE	1,500,000	1.08
14	DOW SUPER PTY LTD <THE XAVIER SUPER FUND A/C>	1,500,000	1.08
15	TT NICHOLLS PTY LTD <SUPERANNUATION FUND A/C>	1,485,931	1.07
16	KERNOW TRADING PTY LTD <THE COHIBA A/C>	1,250,000	0.90
17	MR RAYMOND WRIGHT <HORSESHOE>	1,250,000	0.90
18	MR ROBERT GEMELLI	1,191,608	0.86
19	BOVINE HOLDINGS PTY LTD <GREENER PASTURES S/FUND A/C>	1,183,118	0.86
20	AM-AUSTRALIAN MINERALS EXPLORATION PTY LTD <THE LEGENDRE SUPER FUND A/C>	1,118,333	0.81
<b>Total of Top 20 Holders of ORDINARY SHARES</b>		<b>73,094,882</b>	<b>52.87</b>

# DIRECTORS' REPORT

## Review of operations

Following completion of the divestment of the Horseshoe and Fraser Range projects in May 2013, the Company concentrated its efforts on reviewing acquisition opportunities within Australia and overseas. Whilst a number of projects have been reviewed during the year, an appropriate acquisition opportunity has not been identified.

The Company examined the possibility of converting the retained Fraser Range prospecting licence to an exploration licence but this is not possible due the size of the area. Naracoota continues to assess suitable additional tenements that will achieve appropriate scale for an exploration project. This process is ongoing.

Please refer to ASX announcements for further details on the Company's exploration and corporate activities during the course of the year.

## Financial Review

The Company began the financial year with cash reserves of \$3,868,047.

During the year total exploration expenditure incurred by the Company amounted to \$26,198 (2013: \$239,009). In line with the Company's accounting policies, all exploration expenditure is expensed as incurred, while tenement acquisition costs are capitalised. Net administration expenditure incurred amounted to \$252,113 (2013: \$1,737,564), which includes a net profit on the disposal of investment securities of \$136,267, following the sale of the Company's investment securities in Resource and Investment NL and Argentina Mining Limited. The Company also successfully received a Research and Development based tax rebate of \$129,723 (2013: \$782,784) for work conducted during the 2013 financial year. This has resulted in an operating loss after income tax for the year ended 30 June 2014 of \$148,588 (2013: \$1,193,789 loss).

The substantial decrease in exploration expenditure is a direct result of a decrease in exploration activities due to the disposal of tenements in the previous year as noted above.

Naracoota also achieved notable savings in administration and employment expenses following a comprehensive review of all corporate and operating costs in the previous year which saw the Company moving registered offices and securing fixed cost arrangements for the provision of certain corporate services. The Company is ever mindful of the current lack of equity market support for junior explorers and has continued its rigorous focus on cost management in the interest of preserving cash.

The Company's net asset position decreased from \$4,175,336 to \$4,026,748, primarily due to administration and corporate expenses which were partly offset by a gain on disposal of investment securities. The disposal of investment securities and some fixed assets resulted in an increase in cash and cash equivalents of \$153,896 compared to the prior year.

As at 30 June 2014 cash and cash equivalents totalled \$4,021,943.

### Summary of Financial Information as at 30 June

	2014	2013	2012
Cash and cash equivalents (\$)	4,021,943	3,868,047	1,251,721
Net assets/equity	4,026,748	4,175,336	2,526,150
Loss from ordinary activities after income tax credit (\$)	(148,588)	(1,193,789)	(3,108,021)
No of issued shares	138,263,829	138,263,829	47,536,676
Share price (\$)	0.022	0.019	0.05
Market capitalisation (Undiluted) (\$)	3,041,804	2,627,013	2,376,834

# DIRECTORS' REPORT

## Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and Board monitoring of the progress against budgets.

## Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Company occurred during the financial year.

## Significant Events after the Balance Date

No matters or circumstances besides those disclosed at note 23 have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or state of affairs of the Company in future financial years.

## Likely Developments and Expected Results

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the Company's operations.

## Environmental Regulation and Performance

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it's aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

## Insurance of Directors and Officers

During or since the financial year, the Company has paid premiums insuring all the directors of Naracoota Resources Ltd against costs incurred in defending conduct involving:

- a) A breach of duty,
- b) A contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

Naracoota has agreed to indemnify all directors and executive officers of the Company against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of Naracoota, except where the liability has arisen as a result of a wilful breach of duty in relation to the Company. The agreement stipulates that Naracoota will meet the full amount of any such liabilities, including costs and expenses. The Company has paid a total of \$6,936 in insurance premiums, relating to Director and Officer insurance, during the financial year.

## Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

## Non-Audit Services

During the year Stantons International or any of its associated entities did not provide any non-audit services to the Company.

# DIRECTORS' REPORT

## ASX Announcements

Date	Announcements
25/07/2014	Quarterly Activities and Cash Flow Statement
14/04/2014	Quarterly Activities and Cash Flow Statement
10/02/2014	Half Yearly Report and Accounts
28/01/2014	Quarterly Activities and Cash Flow Statement
21/11/2013	Results of Annual General Meeting
13/11/2013	Change of Director's Interest Notice
21/10/2013	Dispatch of Notice of Annual General Meeting and Proxy Form
14/10/2013	Quarterly Activities and Cash Flow Statement
22/08/2013	Annual Report to shareholders
15/08/2013	Response to Query 3Y
13/08/2013	Change of Director's Interest Notice
26/07/2013	Quarterly Activities and Cash Flow Statement
16/07/2013	Change of Director's Interest Notice
10/07/2013	Change of Director's Interest Notice
05/07/2013	Change of Director's Interest Notice

## Compliance

### Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document "*Corporate Governance Principles and Recommendations 2<sup>nd</sup> Edition*" published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Guidelines can be viewed at [www.asx.com.au](http://www.asx.com.au).

The Board has assessed the Company's current practice against the Guidelines and other than the matters specified below under "*If Not, Why Not*" Disclosure, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

In relation to departures by the Company from the best practice recommendations, Naracoota makes the following comments:

#### **Principle 2: Structure the Board to add value**

##### **2.1 *The majority of the Board should be independent directors***

The Board consists of four Non-Executive Directors, of which three are independent. The Board considers that the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.

##### **2.2 *The chair should be an independent director***

The Company's Corporate Governance Plan states that, where practical, the Chairman should be a non-executive director and if a Chairman ceases to be an independent director then the Board will consider appointing a lead independent director. Mr George Cameron-Dow (Non-Executive Director), is acting as the Chairman of the Company. Due to the size of the Company and Mr Cameron-Dow's experience, the Board believes that Mr Cameron-Dow is the most appropriate person to act as Chairman.

# DIRECTORS' REPORT

## Corporate Governance Statement (cont'd)

### Principle 2: Structure the Board to add value (cont'd)

#### 2.3 *The roles of chair and chief executive officer should not be exercised by the same individual*

The Company's Corporate Governance Plan outlines that, where practical, the Chief Executive Officer should not be the Chairman of the Company during his term as Chief Executive Officer. Due to the size of the Company, the Board is of the opinion that a Managing Director or Chief Executive Officer is not required to be appointed.

#### 2.4 *The Board should establish a nomination committee*

Given the current size and structure of the Board, the Board as a whole serves as a nomination committee. The Board has adopted a formal Nomination Committee Charter which is available on the Company's website under the Corporate Governance Plan. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

#### 2.5 *Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors*

Given the current size of the Company, Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of individual directors or committees, but will consider the implementation of formal processes in future, particularly as the size of the Company, Board and level of activity of the Company increase.

### Principal 3: Promote ethical and responsible decision-making

*3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.*

The Company's Corporate Governance Plan does not include an express policy specifically addressing diversity. Due to the current size of the Company's operations, the Board does not consider it necessary to have a diversity policy but will consider implementing a policy in the future.

Under the Company's Corporate Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender status. Such harassment or discrimination may constitute an offence under legislation. Managers should understand and apply the principles of Equal Employment Opportunity.

*3.3 Companies should disclose in each annual report the measureable objectives for achieving set by the Board in accordance with the diversity policy and progress in achieving them*

As noted above, the Company's Corporate Governance Plan does not include an express policy specifically addressing diversity. The Company will evaluate in future annual reports how this can be met in considering future Board and key executive appointments.

*3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board*

As noted above, the Company's Corporate Governance Plan does not include an express policy specifically addressing this matter. The Company will evaluate in future annual reports how this can be met in considering future Board and key executive appointments.

### Principal 4: Safeguard integrity of financial reporting

#### 4.1 *The Board should establish an Audit Committee*

*4.2 The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair who is not chair of the Board and has at least three members*

#### 4.3 *The audit committee should have a formal charter*

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board of Naracoota will carry out any necessary audit committee functions.

### Principle 8: Remunerate fairly and responsibly

#### 8.1 *The Board should establish a remuneration committee*

#### 8.2 *The remuneration committee should be structured so that it:*

- *consists of a majority of independent directors*
- *is chaired by an independent director*
- *has at least three members*

# DIRECTORS' REPORT

## Corporate Governance Statement (cont'd)

### Principle 8: Remunerate fairly and responsibly (cont'd)

The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of Naracoota will carry out any necessary remuneration committee functions.

### Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Company's expense obtain independent professional advice to properly discharge his responsibilities.

### Board Composition

The Board consists of four Non-Executive Directors. Details of their skills, experience and expertise and the year of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are set out in the Directors' Report.

The Board will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate nomination committee. Until the situation changes the Board of Naracoota will carry out any necessary nomination committee functions.

### Share Trading Policy

Directors, officers and employees are prohibited from dealing in Naracoota shares when they possess inside information. The Board is to be notified promptly of any trading of shares in the Company by any director or officer of the Company.

### Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 15.

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the directors

  
George Cameron-Dow  
Non-Executive Director  
Perth, Western Australia this 29<sup>th</sup> day of August 2014



# INDEPENDENCE DECLARATION TO THE DIRECTORS OF NARACOOTA RESOURCES LTD

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

PO Box 1908  
West Perth WA 6872  
Australia

Level 2, 1 Walker Avenue  
West Perth WA 6005  
Australia

Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204

ABN: 84 144 581 519  
www.stantons.com.au

29 August 2014

Board of Directors  
Naracoota Resources Limited  
Level 9, 105 St Georges Tce,  
PERTH, WA, 6000

Dear Directors

**RE: NARACOOTA RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Naracoota Resources Limited.

As Audit Director for the audit of the financial statements of Naracoota Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)



**John P Van Dieren**  
Director

West Perth, Western Australia

## DIRECTORS' DECLARATION

The directors declare that:

- (a) 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;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 2 and giving a true and fair view of the financial position and performance of the Company for the year ended on that date;
- (c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Act and Regulations 2001; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001 for the year ended 30 June 2014.

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

On behalf of the directors

  
George Cameron-Dow  
Non-Executive Director  
29 August 2014

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NARACOOTA RESOURCES LTD

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**

Chartered Accountants and Consultants

PO Box 1908  
West Perth WA 6872  
Australia

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NARACOOTA RESOURCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Naracoota Resources Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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.

#### *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 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, 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 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

*Opinion*

In our opinion:

- (a) the financial report of Naracoota Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 2.


**Report on the Remuneration Report**

We have audited the remuneration report included in pages 3 to 7 of 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 Naracoota Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  


**John P Van Dieren**  
Director

West Perth, Western Australia  
29 August 2014

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2014

	Note	2014 \$	2013 \$
Interest revenue - bank		127,711	110,245
Other income – gain on disposal of shares		136,267	–
<b>Revenue</b>		<b>263,978</b>	<b>110,245</b>
Employee and contractors expenses		(169,346)	(283,806)
Depreciation expense	13	(2,204)	(25,600)
Consultants expenses		(159,744)	(174,206)
Occupancy expenses		–	(39,539)
Marketing expenses		–	(1,420)
Exploration and evaluation expenses		(26,198)	(239,009)
Finance costs	4	(4,003)	(69,479)
Loss on sale of tenements		–	(990,356)
Impairment expense		(13,750)	–
Other expenses		(167,044)	(263,403)
<b>Loss from continuing operations before income tax benefit/(expense)</b>	5	<b>(278,311)</b>	<b>(1,976,573)</b>
Income tax credit (Research and Development rebate)	6	129,723	782,784
<b>Loss from continuing operations attributable to members of the parent entity</b>		<b>(148,588)</b>	<b>(1,193,789)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss		–	–
Items that may be subsequently reclassified to profit or loss		–	–
<b>Total comprehensive loss for the year</b>		<b>(148,588)</b>	<b>(1,193,789)</b>
<b>Loss attributable to owners of the Company</b>		<b>(148,588)</b>	<b>(1,193,789)</b>
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(148,588)</b>	<b>(1,193,789)</b>
<b>Loss per share:</b>			
Basic (cents per share)	18	(0.11)	(1.07)
Diluted (cents per share)	18	(0.11)	(1.07)

The accompanying notes form part of the financial statements.



# STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Note	2014 \$	2013 \$
<b>Current assets</b>			
Cash and cash equivalents	24 (a)	4,021,943	3,868,047
Trade and other receivables	10	5,692	13,843
Other financial assets	11	–	209,305
<b>Total current assets</b>		<b>4,027,635</b>	<b>4,091,195</b>
<b>Non-current assets</b>			
Other financial assets	12	–	35,000
Property, plant and equipment	13	267	62,367
Mining Properties	14	13,172	13,172
<b>Total non-current assets</b>		<b>13,439</b>	<b>110,539</b>
<b>TOTAL ASSETS</b>		<b>4,041,074</b>	<b>4,201,734</b>
<b>Current liabilities</b>			
Trade and other payables	15	14,326	26,398
<b>Total current liabilities</b>		<b>14,326</b>	<b>26,398</b>
<b>TOTAL LIABILITIES</b>		<b>14,326</b>	<b>26,398</b>
<b>NET ASSETS</b>		<b>4,026,748</b>	<b>4,175,336</b>
<b>Equity</b>			
Issued capital	16 (a)	8,689,184	8,689,184
Reserves	16 (b)	509,619	509,619
Accumulated losses	17	(5,172,055)	(5,023,467)
<b>TOTAL EQUITY</b>		<b>4,026,748</b>	<b>4,175,336</b>

The accompanying notes form part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Attributable to equity holders		
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$
<b>For the year ended 30 June 2014</b>			
Balance at beginning of year	8,689,184	509,619	(5,023,467)
<b>Total comprehensive income</b>			
Loss for the year	-	-	(148,588)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	-	(148,588)
<b>Transactions with owners recorded direct to equity</b>			
Issue of shares	-	-	-
Issue of options	-	-	-
Shares issue expenses	-	-	-
Total transactions with owners	-	-	-
<b>Balance as at 30 June 2014</b>	<b>8,689,184</b>	<b>509,619</b>	<b>(5,172,055)</b>

	Attributable to equity holders		
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$
<b>For the year ended 30 June 2013</b>			
Balance at beginning of year	5,856,691	499,137	(3,829,678)
<b>Total comprehensive income</b>			
Loss for the year	-	-	(1,193,789)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	-	(1,193,789)
<b>Transactions with owners recorded direct to equity</b>			
Issue of shares	3,174,784	-	-
Issue of options	-	10,482	-
Shares issue expenses	(342,291)	-	-
Total transactions with owners	2,832,493	10,482	-
<b>Balance as at 30 June 2013</b>	<b>8,689,184</b>	<b>509,619</b>	<b>(5,023,467)</b>

The accompanying notes form part of the financial statements

# STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Payments for exploration and evaluation		(26,003)	(260,919)
Payments to suppliers and employees		(446,626)	(801,677)
Interest received		127,711	110,245
Research and Development rebate received		129,723	782,784
<b>Net cash (used in) operating activities</b>	<b>24 (b)</b>	<b>(215,195)</b>	<b>(169,567)</b>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		9,909	4,400
Payment for tenement acquisition		–	(40,000)
Proceeds from sale of investment securities		359,182	–
<b>Net cash provided by/(used in) investing activities</b>		<b>369,091</b>	<b>(35,600)</b>
Cash flows from financing activities			
Proceeds from issues of equity securities		–	3,163,784
Payment for share issue costs		–	(342,291)
<b>Net cash provided by financing activities</b>		<b>–</b>	<b>2,821,493</b>
<b>Net increase in cash and cash equivalents</b>		<b>153,896</b>	<b>2,616,326</b>
Cash and cash equivalents at the beginning of the financial year		3,868,047	1,251,721
Cash and cash equivalents at the end of the financial year	24(a)	4,021,943	3,868,047

The accompanying notes form part of the financial statements



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 1. General Information

Naracoota Resources Limited (the Company) is a listed public Company, incorporated in Australia.

The Company's registered office and its principal place of business are as follows:

### Registered office

Level 9, 105 St Georges Terrace  
Perth, Western Australia 6000

### Principal place of business

Level 9, 105 St Georges Terrace  
Perth, Western Australia 6000

## 2. Statement of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the financial statements of the Company.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the Company financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 August 2014.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The principal accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014.

### (a) *Basis of preparation*

The financial report has been prepared on an accruals basis and is based on historical cost, as modified by the measurement at fair value of certain assets, where appropriate. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

#### Going concern basis of preparation

Based upon the Company's existing cash resources, the ability to modify expenditure outlays if required, and the directors' confidence of sourcing additional funds, the directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the Company's 2014 financial report.

In the event that the Company is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in its financial report.

### (b) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and term deposits with a maturity of less than 3 months, net of outstanding bank overdrafts.

### (c) *Employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (d) *Financial assets*

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss and other comprehensive income.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

#### Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

### (e) *Financial instruments issued by the Company*

#### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

### (f) *Earnings per share*

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (g) *Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (h) *Impairment of assets*

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (i) *Tax*

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (i) *Tax (cont'd)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### (j) *Intangible assets*

#### Exploration, evaluation and development expenditure

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of acquisition may be expensed but will be assessed on a case by case basis and will be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

### (k) *Interests in joint arrangements*

#### Jointly controlled assets and operations

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Company's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Company makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

### (l) *Operating cycle*

The operating cycle of the entity coincides with the annual reporting cycle.

### (m) *Payables*

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

### (n) *Presentation currency*

The entity operates entirely within Australia and the presentation currency is Australian dollars.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (o) *Property, plant and equipment*

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting year.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
Buildings (Transportables)	20
Computer equipment	25 – 66.67
Furniture and fittings	5
Motor vehicles	25
Plant and equipment	40

### (p) *Provisions*

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### (q) *Revenue recognition*

#### Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (r) *Share-based payments*

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

### (s) *Segment reporting policy*

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Company's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (t) *Fair value of assets and liabilities*

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### Valuation techniques

In the absence of an active market for an identical asset or liability, the Company selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

#### Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

##### *Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

##### *Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

##### *Level 3*

Measurements based on unobservable inputs for the asset or liability.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (t) *Fair value of assets and liabilities (cont'd)*

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Company would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Company recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

### (u) *New accounting standards and interpretations*

The Company 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 11: Joint Arrangements;
- AASB 13: Fair Value Measurement; and
- AASB 119: Employee Benefits

#### Accounting Standard and Interpretation

*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 Company.

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

The Company 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 of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (u) New accounting standards and interpretations (cont'd)

The Company has not adopted the following new standards and amendments to standards issued by the Australian Accounting Standards Board (AASB) as they currently are not relevant to the Company's operations:

- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

*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.

Application of AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards' have not impacted on the financial statements for the year ended 30 June 2014.

*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.

Application of this standard has not impacted on the financial statements of the Company.

### 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 Company have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

- AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 2. Statement of significant accounting policies (cont'd)

### (u) New accounting standards and interpretations (cont'd)

- Other standards not yet applicable

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2017	30 June 2018
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

## 3. Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

### Key estimates — impairment

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

The company has capitalised tenement acquisition expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

The future recoverability of capitalised tenement acquisition expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related tenement acquisition costs through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

No impairment has been recognised for the year ended 30 June 2014.

### Key estimates — share-based payments

The Company 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

	2014 \$	2013 \$
<b>4. Finance costs</b>		
Interest paid	–	(979)
Net change in fair value of financial assets at fair value through profit or loss	(4,003)	(68,500)
Net finance costs recognised in profit or loss	(4,003)	(69,479)
<b>5. Loss from operations</b>		
Loss before income tax has been arrived at after charging the following gains and (losses) from continuing operations		
Depreciation of non-current assets	(2,204)	(25,600)
Operating lease rental expenses	–	(39,539)
Employee benefit expense includes:		
Post employment benefits:		
Defined contribution plans	(6,790)	(11,336)
Share-based payments:		
Equity settled share-based payments	–	(10,482)
<b>6. Income taxes</b>		
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	–	–
Research and Development rebate received	129,723	782,784
Deferred tax expense relating to the origination and reversal of temporary differences	–	–
Total tax benefit	129,723	782,784
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
(Loss) from operations	(278,311)	(1,976,573)
Income tax benefit calculated at 30%	(83,493)	(592,972)
Research and Development rebate received	129,723	782,784
Effect of expenses that are not deductible in determining taxable profit	15,330	13,060
Net effect of unused tax losses and temporary differences not recognised as deferred tax assets	68,163	579,912
Income tax benefit	129,723	782,784
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.		
<b>Unrecognised deferred tax balances</b>		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	1,154,978	1,507,570
Tax losses – capital	–	–
Net temporary differences	91,663	142,420
	1,246,641	1,649,990

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 7. Key management personnel disclosures

### (a) Details of key management personnel

The directors and executives of Naracoota Resources Ltd during the year were:

#### Directors

George Cameron-Dow (Appointed 23 October 2012)

Christian Cordier (Appointed 23 October 2012)

Gavin Wates (Appointed 23 October 2012)

Dr Eric Lilford (Appointed 4 April 2013)

#### Executives

NIL

### (b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below

	2014 \$	2013 \$
Short-term employee benefits	162,561	347,425
Post-employment benefits	6,790	10,442
Other benefits	6,936	7,087
Share-based payments	–	10,482
	176,287	375,436

The compensation of each member of the key management personnel of the Company is set out in the Directors Remuneration report on pages 3 to 7.

## 8. Share-based payments

### Share options and shares

The Company has an ownership-based compensation arrangement for its employees.

Each option issued under the arrangement converts into one ordinary share of Naracoota Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Vesting dates and conditions are dependent on each arrangement as agreed to by the directors.

The number of options granted is at the sole discretion of the directors.

Incentive options issued to directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

The following share-based payments were made during the current and comparative reporting period:

Option series	Number	Grant date	Expiry date	Exercise price \$
<b>2014</b> Share options	NIL	–	–	–
<b>2013</b> Share options 23 August 2017	500,000	23 August 2012	23 August 2017	0.075

There were no options over ordinary shares in the Company provided as remuneration to directors or key management persons during the year. Further information on options on issue are set out in note 16.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 8. Share-based payments (cont'd)

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2014		2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	5,500,000	0.28	5,000,000	0.30
Granted during the financial year	–	–	500,000	0.08
Expired during the financial year	–	–	–	–
Exercised during the financial year	–	–	–	–
Balance at end of the financial year (i)	5,500,000	0.28	5,500,000	0.28
Exercisable at end of financial year	5,500,000	0.28	5,500,000	0.28

(i) Balance at end of the financial year:

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 2.34 years (2013: 3.34 years).

No options were issued, exercised, expired or lapsed during the year.

	2014 \$	2013 \$
<b>9. Remuneration of auditors</b>		
Audit and review of the financial report	19,074	17,069
	19,074	17,069

The auditor of Naracoota Resources Ltd is Stantons International.

## 10. Current trade and other receivables

Net goods and services tax (GST) receivable	4,792	13,843
Sundry accounts receivable	900	–
	5,692	13,843

## 11. Current other financial assets

Equity securities – designated as at fair value through profit or loss (i)	–	209,305
	–	209,305

(i) The investment of 3,805,554 ordinary fully paid shares in Resource and Investment NL was disposed of in its entirety during the year ended 30 June 2014.

The investment in the listed entity was classified as a Level 1 - financial asset in the previous year. Also refer to note 25(h).

## 12. Non-current other financial assets

Investment in (unlisted) 425,000 ordinary fully paid shares in Simba Minerals Ltd. (i)	–	35,000
	–	35,000

(i) The Company previously held an investment of 425,000 ordinary fully paid shares in Simba Minerals Ltd ("Simba"). The Company received two fully paid ordinary shares in the capital of Argentina Mining Limited ("AVK") for each ordinary fully paid share held in Simba following the merger of AVK with Simba, which was completed on 31 December 2013. The investment was fully disposed of during the six months ended 30 June 2014.

The directors have determined that the fair value of the available-for-sale financial asset carried at cost could not be reliably measured, as variability in the range of reasonable fair value estimates was significant. Consequently, the asset was recognised at cost in the previous year.

The investment in the unlisted entity was classified as a Level 3 - financial asset in the previous year. Also refer to note 25(h).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 13. Property, plant and equipment

	Buildings (Transportables) at cost \$	Computer equipment at cost \$	Furniture & fittings at cost \$	Motor vehicles at cost \$	Plant & equipment at cost \$	Total \$
<b>Gross carrying amount</b>						
Balance at 1 July 2012	44,780	38,977	4,502	54,545	10,480	153,284
Disposals/write-offs	–	(14,450)	(4,502)	–	(6,400)	(25,352)
<b>Balance at 1 July 2013</b>	44,780	24,527	–	54,545	4,080	127,932
Disposals/write-offs	(44,780)	(9,639)	–	(54,545)	(4,080)	(113,044)
<b>Balance at 30 June 2014</b>	–	14,888	–	–	–	14,888
<b>Accumulated depreciation and impairment</b>						
Balance at 1 July 2012	(8,271)	(21,899)	(953)	(15,546)	(5,176)	(51,845)
Depreciation expense	(7,322)	(6,897)	(79)	(9,776)	(1,526)	(25,600)
Disposals/write-offs	–	6,694	1,032	–	4,154	11,880
<b>Balance at 1 July 2013</b>	(15,593)	(22,102)	–	(25,322)	(2,548)	(65,565)
Depreciation expense	–	(1,190)	–	(1,014)	–	(2,204)
Disposals/write-offs	15,593	8,671	–	26,336	2,548	53,148
<b>Balance at 30 June 2014</b>	–	(14,621)	–	–	–	(14,621)
<b>Net book value</b>						
At 30 June 2013	29,187	2,425	–	29,223	1,532	62,367
At 30 June 2014	–	267	–	–	–	267

	2014 \$	2013 \$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Buildings (Transportables)	–	7,322
Computer equipment	1,190	6,897
Furniture & fittings	–	79
Motor vehicles	1,014	9,776
Plant & equipment	–	1,526
	2,204	25,600

## 14. Mining properties

Balance at beginning of financial year	13,172	1,230,333
Capitalised tenement acquisition costs	–	51,000
Tenements sold	–	(1,268,161)
<b>Balance at end of financial year</b>	<b>13,172</b>	<b>13,172</b>

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

	2014 \$	2013 \$
<b>15. Current trade and other payables</b>		
Trade payables (i)	2,326	5,590
Other	12,000	20,808
	<u>14,326</u>	<u>26,398</u>

- (i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 16. Issued capital and reserves

### (a) Issued capital

138,263,829 fully paid ordinary shares  
(2013: 138,263,829)

8,689,184	8,689,184
<u>8,689,184</u>	<u>8,689,184</u>

	2014		2013	
	No.	\$	No.	\$
Balance at beginning of financial year	138,263,829	8,689,184	47,536,676	5,856,691
Rights issue	–	–	47,536,676	1,663,784
Share placement	–	–	42,857,143	1,500,000
Issued in consideration for acquisition of tenements	–	–	333,334	11,000
Share issue costs	–	–	–	(342,291)
Balance at end of the financial year	<u>138,263,829</u>	<u>8,689,184</u>	<u>138,263,829</u>	<u>8,689,184</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2014 \$	2013 \$
<b>(b) Reserves</b>		
Balance at beginning of financial year	509,619	499,137
Share-based payment expense	–	10,482
Balance at end of financial year	<u>509,619</u>	<u>509,619</u>

	2014 No. of options	2013 No. of options
<b>(c) Movements in options on issue</b>		
Beginning of the financial year	53,036,676	5,000,000
Issued, exercisable at 7.5 cents each, expiring 23 August 2017 (unlisted)	–	500,000
Issued, exercisable at 9 cents each, expiring 30 September 2015 (listed)	–	47,536,676
End of the financial year	<u>53,036,676</u>	<u>53,036,676</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

	2014 \$	2013 \$
<b>17. Accumulated losses</b>		
Balance at beginning of financial year	(5,023,467)	(3,829,678)
Income/(Loss) attributable to members of the entity	(148,588)	(1,193,789)
Balance at end of financial year	(5,172,055)	(5,023,467)

## 18. Loss per share

	2014 Cents per share	2013 Cents per share
<b>Basic income/(loss) per share (cents):</b>		
From continuing operations	(0.11)	(1.07)
Total basic loss per share	(0.11)	(1.07)

	2014 \$	2013 \$
<b>Basic earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(148,588)	(1,193,789)

	2014 No.	2013 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	138,263,829	111,915,074

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options are non-dilutive as the exercise prices are higher than the Company's share price at 30 June 2014 and the Company has also incurred a loss for the year.

	2014 \$	2013 \$
<b>19. Commitments</b>		
<u>Exploration, evaluation &amp; development (expenditure commitments)</u>		
Not longer than 1 year	6,776	6,768
Longer than 1 year and not longer than 5 years	9,245	17,263
Longer than 5 years	-	-
	16,021	24,031

## 20. Contingent liabilities and contingent assets

In the opinion of the directors, there are no contingent liabilities or contingent assets as at 30 June 2014 and none were incurred in the interval between the year end and the date of this financial report.

## 21. Segment reporting

The Company operates predominantly in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 22. Related party disclosures

### (a) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 7 to the financial statements.

### (b) Loans to key management personnel and their related parties

There have been no loans to key management personnel during the year.

### (c) Other transactions with key management personnel

SG Corporate Pty Ltd, which is partly owned (50% share) by Mr George Cameron-Dow, provided management, administrative, financial and company secretarial services amounting to \$156,000 to Naracoota during the year ended 30 June 2014. The amounts paid were as per a service agreement with SG Corporate Pty Ltd. At 30 June 2014 there are no outstanding amounts owing to SG Corporate Pty Ltd.

## 23. Subsequent events

No matters or circumstances have arisen since 30 June 2014 that may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

	2014 \$	2013 \$
<b>24. Notes to the statement of cash flows</b>		
<b>(a) Reconciliation of cash and cash equivalents</b>		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash at bank	44,180	43,485
Term deposit	3,977,763	3,824,562
	<u>4,021,943</u>	<u>3,868,047</u>
<b>(b) Reconciliation of loss for the year to net cash flows from operating activities</b>		
(Loss) for the year	(148,588)	(1,193,789)
Depreciation of non-current assets	2,204	25,600
Equity settled share-based payments	-	10,482
Net change in fair value of financial assets at fair value through profit or loss	4,003	68,500
Profit on sale of financial assets	(136,267)	-
Brokerage on sale of financial assets	3,638	-
Loss on sale of tenements	-	990,356
Loss on sale of property, plant and equipment	49,986	9,472
Impairment of unlisted investment	13,750	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease in assets:		
Trade and other receivables	8,151	25,823
(Decrease) in liabilities:		
Trade and other payables and provisions	(12,072)	(106,011)
Net cash used in operating activities	<u>(215,195)</u>	<u>(169,567)</u>



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 25. Financial instruments

### (a) Financial risk management objectives

The Company does not enter into or trade financial instruments, including derivative financial instruments. The use of financial derivatives is governed by the Company's Board of Directors.

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

### (c) Foreign currency risk management

The Company does not transact in foreign currencies, hence no exposure to exchange rate fluctuations arise.

### (d) Interest rate risk management

The Company is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

#### Maturity profile of financial instruments

The following table details the Company's exposure to interest rate risk.

Weighted average effective interest rate %	Variable interest rate \$	Fixed maturity dates			Non interest bearing \$	Total \$
		Less than 1 year	1-5 years	5+ years		
			\$	\$		

#### 2014

##### Financial assets:

Cash and cash equivalents	3.2%	-	3,977,763	-	-	44,180	4,021,943
Trade and other receivables/ other financial assets	-	-	-	-	-	5,692	5,692
		-	3,977,763	-	-	49,872	4,027,635
<b>Financial liabilities:</b>		-	-	-	-	-	-
Trade and other payables		-	-	-	-	14,326	14,326
		-	-	-	-	14,326	14,326

Weighted average effective interest rate %	Variable interest rate \$	Fixed maturity dates			Non interest bearing \$	Total \$
		Less than 1 year	1-5 years	5+ years		
			\$	\$		

#### 2013

##### Financial assets:

Cash and cash equivalents	3.5%	-	3,824,562	-	-	43,485	3,868,047
Trade and other receivables/ other financial assets	-	-	-	-	-	258,148	258,148
		-	3,824,562	-	-	301,633	4,126,195
<b>Financial liabilities:</b>		-	-	-	-	-	-
Trade and other payables		-	-	-	-	26,398	26,398
		-	-	-	-	26,398	26,398

### (e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

It is a policy of the Company that creditors are paid within 30 days.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## 25. Financial instruments (cont'd)

### (f) Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

### (g) Market price risk

Given the current level of operations and financial assets held the Company is not exposed to material price risk.

### (h) Fair value of financial instruments

The net fair value of financial assets and liabilities of the Company approximated their carrying amount.

The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

#### Fair value measurement

Fair value measurement amounts and levels of fair value hierarchy within which fair value measurements are categorised are as follows:

*Level 1:* Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

*Level 2:* Measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3:* Measurements based on unobservable inputs for the asset or liability.

	Level 1 \$	Level 2 \$	Level 3 \$	Total
<b>2014</b>				
Financial assets at fair value through profit or loss:				
- held-for-trading Australian listed shares	-	-	-	-
Available-for-sale financial assets:				
- shares in unlisted companies	-	-	-	-
Total financial assets recognised at fair value	-	-	-	-
<b>2013</b>				
Financial assets at fair value through profit or loss:				
- held-for-trading Australian listed shares	209,305	-	-	209,305
Available-for-sale financial assets:				
- shares in unlisted companies	-	-	35,000	35,000
Total financial assets recognised at fair value	209,305	-	35,000	244,305