

CLASSIC MINERALS LIMITED

ACN: 119 484 016

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014**

CLASSIC MINERALS LIMITED

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CLASSIC MINERALS LIMITED

CORPORATE DIRECTORY

DIRECTORS

Justin Douch
Kent Hunter
Stan Procak

COMPANY SECRETARY

Jeffrey Nurse

A.B.N.

77 119 484 016

PRINCIPAL OFFICE

Suite 7, 30 Hasler Road
OSBORNE PARK WA 6021

REGISTERED OFFICE

Suite 7, 30 Hasler Road
OSBORNE PARK WA 6021

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
Level 1, 12 Kings Park Road
WEST PERTH WA 6005

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/about/CorporateGovernance_AA2.shtm

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior executives to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Managing Director and other senior executives in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

1.2 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Managing Director ("MD") as well as reviewing the performance of the Managing Director and monitoring the performance of senior management in their implementation of the Company's strategy.

- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

1.3 Remuneration Committee

1.3.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole board consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full board for focusing the Company on specific issues.

1.3.2 Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, viewing the remuneration of both Executive and Non- Executive Directors' and making recommendations on any proposed changes and undertaking reviews of the Managing Director's performance, including, setting with the Managing Director goals and reviewing progress in achieving those goals.

1.4 Remuneration Policy

Directors' Remuneration for the majority of Directors was approved at a Board meeting held after the ASX listing of the Company.

1.4.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders and in accordance with thresholds set in plans approved by shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

There are no retirement benefits for senior executives.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

Where shares and options are granted to senior executives the value would be calculated using the Black-Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

1.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company;
- a copy of the Corporate Governance Statement, Charters, Policies and Memos; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**2.1 Composition of the Board**

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors' and the external perspective and advice that Non-Executive Directors can offer. Kent Hunter and Stanislaw Procak are Non-Executive Directors and are both independent Directors as they meet the following criteria for independence adopted by the Company:

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or another group member and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has no material contractual relationship with the Company or other group member other than as a Director of the Company.

Justin Douch is the Managing Director of the Company and does not meet the Company's criteria for independence.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Directors' Report.

The term in office of each Director in office at the date of this report is as follows:

<i>Name</i>	<i>Term in Office</i>
Justin Douch	Since 16 September 2011
Stanislaw Procak	Since 7 November 2012
Kent Hunter	Since 29 November 2013

2.2 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Managing Director as well as reviewing the performance of the Managing Director and monitoring the performance of senior management in their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

2.3 Nomination Committee**2.3.1 Role**

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole board consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the Managing Director and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role. Matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all Directors, who are experienced public company Directors.

2.4 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least two Directors with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience. The Nomination Committee is responsible for implementing a program to identify, assess and enhance director competencies. In addition, the Nomination Committee puts in place succession plans to ensure an appropriate mix of skills; experience, expertise and diversity are maintained on the Board.

2.5 Performance Review/Evaluation

It is the policy of the Board to conduct a regular evaluation of its own performance, the committees' performances and the Directors' performances against appropriate measures. The evaluation process was first introduced via the Board Charter adopted on 14 September 2011. It was implemented for the financial year ended 30 June 2013. The objective of this evaluation is to provide ongoing best practice corporate governance to the Company.

2.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**3.1 Role of the Board**

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior executives to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Managing Director and other senior executives in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

3.2 Trading in Company Shares

On 14 September 2011 the Board reviewed and adopted a Share Trading Policy which included restrictions on trading in closed periods, complying with the ASX Listing Rule requirements. The Board periodically reminds Directors, senior executives and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds Directors of their obligations to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met.

3.3 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.
- If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

3.4 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

3.5 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

3.6 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

3.7 Diversity Policy

The Company recognises and respects the value of diversity at all levels of the organisation.

The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation.

As at the date of this report, the Company has the following proportion of women appointed:

- to the Board – 0%
- to senior management – 0%
- to the organisation as a whole – 12.5%

The Company's objective is to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising skills are not gender specific.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor. Below is a summary of the role and responsibilities of an Audit Committee.

4.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. As the Company moves towards becoming a mining company, an audit committee will be formed consisting primarily of Independent Directors.

4.1.2 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

4.2 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for overseeing and managing risk. As the whole Board only consists of three (3) members, the Company does not have a Risk Management Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The Board sets aside time at meetings to discuss any risk management issues and Directors are encouraged to give priority to such issues. The Company has developed a Risk Assessment Record in order to assist with the risk management of the Company.

In developing its risk management policies, the Board has taken into consideration any legal obligations and the reasonable expectations of its stakeholders in relation to risk management. The Chair is accountable to the Board for effective risk management. The Board undertakes to review the management of material business risks at least annually.

The Board has received assurance from the Managing Director that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**5.1 Continuous Disclosure**

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules. The Board and Senior Executives have designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**6.1 Shareholder Communication**

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Risk Management

7.1.1 Risk Management Policies

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company;
- balance risk to reward;
- ensure regulatory compliance is achieved; and
- ensure senior executives, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular Board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company has developed a Risk Assessment Record in order to assist with the risk management of the Company. The Company's risk management strategy was formally reviewed by the Board on 14 September 2011 and was considered a sound strategy for addressing and managing risk.

7.2 Attestations by Managing Director and Chief Financial Officer

It is the Board's policy, that the Managing Director and the Chief Financial Officer make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. These roles are performed by the Managing Director and Chief Financial Officer. The Managing Director and Chief Financial Officer have declared to the Board that the Company's management of its material business risks is effective.

PRINCIPLE 8: RENUMERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

8.1.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole board consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full board for focusing the Company on specific issues.

8.1.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Director's, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the Managing Director's performance, including, setting with the Managing Director goals and reviewing progress in achieving those goals.

8.2 Remuneration Policy

Directors' Remuneration for the majority of Directors was approved at a Board meeting held after the ASX listing of the Company.

8.2.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders and in accordance with thresholds set in plans approved by shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- long term incentives in the form of shares or options in the Company;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

There are no retirement benefits for senior executives.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

Where shares and options are granted to senior executives the value would be calculated using the Black-Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

8.2.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation. There are no retirement benefits for Non-Executive Directors.

8.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

Principle / Recommendation	Requirement	Compliance	Reference
Principle 1	Lay Solid Foundations for Management and Oversight		
Recommendation 1.1	Functions of the Board and Senior Executives	Yes	1.1, 1.2,
Recommendation 1.2	Performance Evaluation of Senior Executives	Yes	1.4
Recommendation 1.3	Reporting on Principle 1	Yes	1.1, 1.2,
Principle 2	Structure the Board to Add Value		
Recommendation 2.1	Independent Directors	Yes	2.1

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Recommendation 2.2	Independent Chair	No	2.1
Recommendation 2.3	Role of the Chair and CEO	Yes	2.1, 1.2
Recommendation 2.4	Establishment of Nomination Committee	No	2.3
Recommendation 2.5	Performance Evaluation Process	Yes	2.5
Recommendation 2.6	Reporting on Principle 2	Yes	2.1, 2.6, 2.3.2, 2.5
Principle 3	Promote Ethical and Responsible Decision Making		
Recommendation 3.1	Directors' and Senior Executives' Code of Conduct	Yes	3.1, 3.2
Recommendation 3.2	Diversity Policy	Yes	3.7
Recommendation 3.3	Diversity Policy Objectives	Yes	3.7
Recommendation 3.4	Diversity Reporting	Yes	3.7
Recommendation 3.5	Reporting on Principle 3	Yes	3.1, 3.2, 3.7
Principle 4	Safeguard Integrity in Financial Reporting		
Recommendation 4.1	Establishment of Audit Committee	No	4.1
Recommendation 4.2	Structure of Audit Committee	No	4.1.2
Recommendation 4.3	Audit Committee Charter	No	4.1
Recommendation 4.4	Reporting on Principle 4	No	4.1, 4.1.1, 4.2
Principle 5	Make Timely and Balanced Disclosure		
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	Yes	5.1
Recommendation 5.2	Reporting on Principle 5	Yes	5.1
Principle 6	Respect the Rights of Shareholders		
Recommendation 6.1	Communications Strategy	Yes	6.1
Recommendation 6.2	Reporting on Principle 6	Yes	6.1
Principle 7	Recognise and Manage Risk		
Recommendation 7.1	Policies on Risk Oversight and Management of Material Business Risks	Yes	7.1.1
Recommendation 7.2	Attestations by Chief Executive Officer and Chief Financial Officer	Yes	7.2
Recommendation 7.3	Risk Management and Internal Control	Yes	7.1.1
Recommendation 7.4	Reporting on Principle 7	Yes	7.1.1
Principle 8	Renumerate Fairly and Responsibly		
Recommendation 8.1	Establishment of Remuneration Committee	No	8.1, 8.3

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Recommendation 8.2	Structure of Remuneration Committee	No	8.1
Recommendation 8.3	Executive and Non-Executive Director Remuneration	Yes	8.2.1, 8.2.2
Recommendation 8.4	Reporting on Principle 8	Yes	8.1, 8.2.1

CLASSIC MINERALS LIMITED

DIRECTORS' REPORT

The directors of Classic Minerals Limited submit herewith the financial report for the financial year ended 30 June 2014.

Directors

The names of directors in office at any time during or since the end of the financial year are:

Justin Douth	
Kent Hunter	(appointed 29 November 2013)
Paul Lambrecht	(resigned 29 November 2013)
Stanislaw Procak	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The name of secretary in office at any time during or since the end of the financial year is:

Kent Hunter (resigned 22 April 2014)

Mr Jeffrey S Nurse CA, MBA, ACIS was appointed to the position of Company Secretary in 22 April 2014. Mr Nurse is a Chartered Accountant and an Associate of the Chartered Institute of Secretaries. Previously, Mr Nurse worked in several mid-tier chartered accounting firms.

Current Directors' qualifications and experience

Justin Douth (Executive Director)

Age: 32 years old

Qualifications and Experience	Mr Douth has served in the resource industry in Western Australia for the past 11 years, where he has gained extensive experience in the areas of drilling, mineral exploration and project financing. More recently Mr Douth has been serving as a Non-Executive Director of Ironstone Resources Ltd, actively involved in the exploration and acquisition of a diverse range of tenements in Western Australia. Justin's experience in exploration and the development of processes to expediently access and explore Classic's tenements is invaluable as is its alignment to the process of marketing its value to investors and end-users alike.
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Shareholdings	2,750,004 ordinary shares (500,000 ordinary shares are indirectly held by Ironstone Resources Limited) 500,000 Options exercisable at \$0.20 on or before 30 June 2015.
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DIRECTORS' REPORT

Kent Hunter (Non-Executive Director)

Age: 47 years old

Qualifications and Experience

B.Bus CA

Mr Hunter is a Chartered Accountant with over 16 years in corporate and company secretarial services, capital raisings, ASX Compliance and regulatory requirements and involvement in listing over 20 Companies. Mr Hunter founded Mining Corporate in 2000 which identified industrial, technology and exploration companies requiring a route to ASX Listing. Mr Hunter is a director of Cazaly Resources Limited.

Shareholdings

1,300,002 ordinary shares

Stanislaw Procak (Non-Executive Director)

Age: 71 years old

Qualifications and Experience

Mr Procak is an experienced manager with over 35 years of mining industry experience in Western Australia. His specific area of experience comprises the coordinating of the complete set-up for mining projects from grass roots including staffing, operating budgets, financial management, mining techniques and methods and staff motivation to attain significant project milestones including throughput and grades. Immediately prior to joining Classic, Mr Procak was project manager at Golden West Resources Limited and prior to that General Manager Operations with Mawson West Limited. Mr. Procak's experience includes employment in senior positions at Telfer Gold Mine, Big Bell Gold Mine, Golden Grove Polymetallic Mine and Kambalda Nickel Operations.

Shareholdings

1,712,502 ordinary shares

825,001 Options exercisable at \$0.20 on or before 30 June 2015.

Meetings of directors

During this financial year, the Directors met regularly to discuss the affairs of the Company.

The number of Directors' meetings (including committees) held during the financial period, each Director held office during the financial year, and the number of meetings attended by each director were as follows:

Director	Board of Directors	
	Meetings. Attended	Number Eligible to Attend
Justin Douth	2	2
Paul Lambrecht	2*	2*
Stan Procak	2	2
Kent Hunter	2**	2**

*: Mr Paul Lambrecht attended both Board Meetings prior to his resignation on 29 November 2013.

** : Mr Kent Hunter attended the Board Meetings in his capacity as Company Secretary.

Principal activities

The principal activity of Classic Minerals Limited during the financial year was the exploration of mineral resource based projects, focussing on nickel, copper and gold metals.

CLASSIC MINERALS LIMITED

DIRECTORS' REPORT

Operating results

The loss of the Company for the year ended 30 June 2014 amounted to \$3,102,505 (2013- loss of \$3,206,916).

Dividends

No dividends were paid or declared for payment since the incorporation of the Company.

Review of operations

A comprehensive description of the Company's exploration and research and development activities appears in other Sections of this Annual Report.

The company has been engaged in acquiring tenements, conducting aeromagnetic surveys, conducting geological assessment of other tenements as well as sourcing and gathering information on prospective new tenements.

The company also conducted RC drilling activities and continued its geological assessment of its Fraser Range tenement as part of its research and development activities.

In July 2014, the Company commenced RC Drilling on four new targets which were identified from the high power Sub Audio Magnetics (SAM) Fixed Loop Electromagnetic (FLEM) survey, which was carried out in May.

Significant changes in state of affairs

On 18 December 2013, the Company completed its non-renounceable Option Entitlement issue and raised \$1,005,126 before expenses of the issue. Shareholders as at 28 August 2013 were entitled to receive one Option exercisable at 20 cents on or before 30 June 2015 for every two fully paid ordinary shares held. Shareholders were required to pay \$0.01 for each Option.

On 19 February 2014, the company issued 25m shares to sophisticated investors and raised \$1.5m ("Private Placement"). Proceeds from this Private Placement were used to advance the company's exploration activities at its Alpha and Mammoth discoveries at Fraser Range.

On 9 June 2014, the Company successfully completed its first Share Purchase Plan ("SPP") and issued 5,212,500 shares at \$0.04 per share and raised \$208,500.

There were no other significant changes in the state of affairs of the Company during the year ended 30 June 2014.

After reporting date events

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

Future developments

The Company will continue to explore its exploration areas and look to establish its exploration interest in prospective fields.

Environmental regulation

The Company is aware of its environmental obligations and acts to ensure its environmental commitments are met. The directors are not aware of any significant breaches during the year.

DIRECTORS' REPORT

Options Premium Reserve

The Option Premium reserve had a balance of \$1,005,126 as at 30 June 2014.

Non-Audit Services

No non-audit services were provided in this financial year (2013 - \$15,250). In 2013, the Company's previous auditors, Stantons International received non-audit fees for the preparation of an Investigating Accountants Report for the Company's Initial Public Offering ("IPO").

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2014 has been received, forms part of the Director's Report, and can be found on page 24.

Indemnification of Officers

In accordance with the Company's constitution, except as may be prohibited by the Corporations Act 2001, every Officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

During the financial year, the Company paid premiums for Directors and Officers liability insurance of \$14,190 (2013: \$12,672).

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company has not a party to any such proceedings during the year.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and executives of Classic Minerals Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director.

The remuneration report is set out in the Table.

Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate directors.

Due to the current size of the Company and number of directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted.

(a) Details of key management personnel ("KMP")**(i) Directors**

Justin Douth	
Stanislaw Procak	
Kent Hunter	(appointed 29 November 2013)
Paul Lambrecht	(resigned 29 November 2013)

(ii) Senior Executives

Jacob Douth	
James Passaris	
Jeffrey Nurse	(from 1 July 2013)

Details of Remuneration for Year Ended 30 June 2014 and 30 June 2013

The remuneration for each key management personnel of the Company during the year was as follows:

CLASSIC MINERALS LIMITED

DIRECTORS' REPORT

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENT		TOTAL	REPRE- SENTED BY EQUITY/ OPTIONS
	Salary	Other	Non- Monetary	Superann- uation	Retirement Benefits	Equity	Options	\$	%
Directors									
Kevin Robertson									
2014	-	-	-	-	-	-	-	-	-
2013	100,000	-	-	-	-	-	-	100,000	-
Kent Hunter									
2014	31,862	-	-	-	-	-	-	31,862	-
2013	-	-	-	-	-	-	-	-	-
Stanislaw Procak									
2014	50,000	-	-	4,625	-	-	-	54,625	-
2013	84,366	21,300	-	375	-	-	-	106,011	-
Justin Douch									
2014	250,000	-	21,330 (i)	23,125	-	-	-	294,455	-
2013	133,963	52,100	-	11,049	-	-	-	197,112	-
Jacob Douch (ii)									
2014	173,042	-	-	16,006	-	-	-	189,048	-
2013	149,422	-	-	12,205	-	60,000 (ii)	-	221,627	27%
Paul Lambrecht									
2014	18,939	-	-	-	-	-	-	18,939	-
2013	58,288	-	-	375	-	-	-	58,663	-
James Passaris									
2014	227,854	265,289 (iii)	-	-	-	-	-	493,143	-
2013	169,521	-	-	-	-	-	-	169,521	-
Jeffrey Nurse									
2014	110,000	-	-	10,175	-	-	-	120,175	-
2013	-	-	-	-	-	-	-	-	-
Total Remuneration Key Management Personnel									
2014	861,697	265,289	21,330	53,931	-	-	-	1,202,247	-
2013	695,560	73,400	-	24,004	-	60,000	-	852,964	-

- i) Included in Mr. Justin Douch's remuneration are non-monetary benefits being a motor vehicle that he is entitled to under his services agreement.
- ii) In 2013, an aggregate amount of \$221,627 was paid or was due and payable to Mr. Jacob Douch in his capacity as tenement manager and included the granting of 2,000,000 shares at nil consideration.
- iii) As at 30 June 2013, a total of \$248,681 was outstanding from Mr. Passaris, a member of the Company's key management personnel. During the period interest accrued on this loan balance amounted to \$16,608. On 30 December 2013 the directors resolved to forgive the total loan amount, including accrued interest, of \$265,289 to Mr Passaris. This loan forgiveness has been treated as part of Mr Passaris's remuneration for the current financial period.

DIRECTORS' REPORT

Employment Details of Members of Key Management Personnel

On 19 November 2012, the Company entered into a services agreement with Mr. Justin Douth effective from 9 November 2012. Under this Agreement, Mr Douth has been engaged by the Company to provide services to the Company in the capacity of Managing Director. There is no fixed term to this Agreement.

Under this Agreement there are standard termination provisions under which the Company can give notice of termination, or alternatively, payment in lieu of services. In addition, Mr Douth is entitled to all unpaid remuneration and entitlements up to the date of termination. Mr. Douth was paid an annual remuneration of \$180,000 plus statutory superannuation and is entitled to the supply of a motor vehicle. Following the Company's successful Initial Public Offering ("IPO"), Mr. Douth's salary has been increased to \$250,000 plus statutory superannuation. This increase was approved at a Director's Meeting by the Board. Upon termination or after a period of 5 years, the motor vehicle ownership will be transferred to Mr. Douth at nil consideration at which point all running costs will be at the expense of Mr. Douth. Mr. Douth will also be reimbursed for reasonable expenses incurred in carrying out his duties.

In the event that Mr Justin Douth's contract is terminated after one year of service, he will be entitled to an additional week's notice and any annual leave and long service leave entitlements will be paid.

Non-Executive Director Letter Agreements

The Company has entered into non-executive director letter agreements with Kent Hunter, and Stan Procak, as well as previous director, Paul Lambrecht to provide for the terms and conditions on which the Non-Executive Directors would carry out their duties to the Company and the Non-Executive Directors agreed to act as non-Executive Directors to the Company. Mr. Hunter and Mr. Procak were paid an annual remuneration of \$60,000 and \$50,000 plus statutory superannuation respectively and are reimbursed for reasonable expenses incurred in carrying out their duties.

Executive Agreements

The Company has entered into an employment contract with Jacob Douth as Tenement Manager effective from 15 June 2012 at an agreed salary of \$133,328 inclusive of superannuation. Following the Company's successful Initial Public Offering, Jacob Douth's salary has been increased to \$165,000 plus superannuation and during this financial year was increased to \$195,000 plus superannuation.

In the event that Mr Jacob Douth's employment is terminated after one year of service, he will be entitled to receive an additional week's notice and any annual leave and long service leave entitlements will be paid.

The Company has entered into an employment contract with Jeffrey Nurse as the Company's Chief Financial Officer effective from 1 April 2012. Following the Company's successful IPO, Jeffrey Nurse's salary was increased to \$110,000 plus superannuation. On 22 April 2014, Mr Nurse accepted the additional role of Company Secretary.

Consultancy Agreement

The company has entered into a consultancy agreement with Aneles Consulting Pty Ltd, a company in which James Passaris has an interest to provide business services at the rate of \$2,500 per week plus GST. Following the Company's successful IPO this was increased to \$4,820 (GST inclusive) per week.

Either party may terminate the Agreement at any time by providing the other Party with a written notice of termination equal to the Notice period and in the case of the principal paying the Contractor an amount equal to the Fee the contractor would otherwise earn during the Notice period. The Notice period is 90 days.

CLASSIC MINERALS LIMITED

DIRECTORS' REPORT

Shareholdings of Key Management Personnel

(a) Number of ordinary shares held by key management personnel during the year

	<i>Balance 1 July 2013</i>	<i>Received as remuneration</i>	<i>Net Change Other</i>	<i>Balance 30 June 2014</i>
Stanislaw Procak	1,650,002	-	62,500	1,712,502
Justin Douth	2,000,004	-	250,000	2,250,004
Kent Hunter	1,300,002	-	-	1,300,002
Paul Lambrecht	1,200,002	-	-	1,200,002*
Jacob Douth	1,960,000	-	-	1,960,000
James Passaris	2,240,010	-	-	2,240,010
Jeffrey Nurse	500,000	-	-	500,000
	10,850,020	-	312,500	11,162,520

(i) Number of shares held at time of Resignation

	<i>Balance 1 July 2012</i>	<i>Received as remuneration</i>	<i>Net Change Other</i>	<i>Balance 30 June 2013</i>
Kevin Robertson(i)	600,000	-	-	600,000
Angelo Ikononou(i)	1,000,000	-	-	1,000,000
Gary Lyons (i)	1,000,000	-	-	1,000,000
Stanislaw Procak	1,650,000	-	2	1,650,002
Justin Douth	2,000,000	-	4	2,000,004
Paul Lambrecht	1,200,000	-	2	1,200,002
Jacob Douth	-	1,960,000	-	1,960,000
James Passaris	2,240,000	-	10	2,240,010
	9,690,000	1,960,000	18	11,650,018

Options to subscribe for unused fully paid ordinary shares in the Company at the date of this report held by directors and other Key Management Personnel.

Status	Number		Exercise Price	Expiry Date
Directors				
Justin Douth	500,000	Options	\$0.20	On or before 30 June 2015
Kent Hunter	600,001	Options	\$0.20	On or before 30 June 2015
Paul Lambrecht	600,001	Options	\$0.20	On or before 30 June 2015
Stan Procak	825,001	Options	\$0.20	On or before 30 June 2015
Senior Executives				
Jacob Douth	Nil	Options	\$0.20	On or before 30 June 2015
James Passaris	20,000	Options	\$0.20	On or before 30 June 2015
Jeffrey Nurse	<u>250,000</u>	Options	\$0.20	On or before 30 June 2015
	<u>2,795,003</u>	Options		

Options to subscribe for unused fully paid ordinary shares in the Company at the date of this report held by other option holders:

Status	Number		Exercise Price	Expiry Date
Other Option holders	98,342,604	Options	\$0.20	On or before 30 June 2015

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

DIRECTORS' REPORT

Transactions with Directors, Director Related Entities and other Related Entities are:

In 2014, an aggregate amount of \$55,000 was paid or due and payable to Guide Resources Pty Ltd, these payments related to Options over several mining tenements covered by a Tenement Sourcing Agreement. Mr. James Passaris is a director of Guide Resources Pty Ltd. In addition to these payments, the Company made a \$100,000 fully refundable deposit to Guide to carry out due diligence on three tenements E28/2370, E28/2371 and E25/454 all located in the Cowarna Rocks area, to acquire the marketing of iron ore rights on these tenements.

Additionally, the Company acquired the Marketing Rights to iron ore over the Cowarna Rocks tenement (E28/2238) for \$400,000 (cash) and 5 million shares valued at \$800,000 from Guide Resources Pty Ltd. In June 2014, an independent valuation of the Cowarna Rocks tenement was prepared by an Independent Geologist, Al Maynard & Associates and valued the Cowarna Rocks tenement between \$0.8 million and \$1.4 million.

- In 2014, an aggregate amount of \$985,919 was paid or due and payable to Denarda Holdings Pty Ltd ("Denarda"). Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates. An amount of \$264,609 remains as a prepayment as at 30 June 2014.
- In 2014, an aggregate amount of \$39,394 was paid or due and payable to MCAS Corporate Advisory Services Pty Ltd, ("MCAS") of this amount \$7,532 related to the provision of corporate advisory services, and corporate secretarial services while Mr. Kent Hunter, acted as Company Secretary. The remaining \$31,862 related to Directors Fees payable to Mr Hunter in his capacity as Non-Executive Director. Mr Hunter has an interest in MCAS Corporate Advisory Services Pty Ltd.
- In the financial year ended 30 June 2014, an aggregate amount of \$18,939 was paid, or due and payable to Alouisus Pty Ltd, a company related to Mr. Paul Lambrecht, this amount represented Directors' Fees for the five months that Mr Lambrecht was a Non-Executive Director of the Company. Mr Lambrecht resigned as a Non-Executive Director with effect from 29 November 2013.
- In 2013, an aggregate amount of \$313,166 was paid or due and payable to Denarda Holdings Pty Ltd ("Denarda"), a company in which John Douch has a beneficial interest. Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates.
- In 2013, an aggregate amount of \$74,372 was paid or due and payable to Mining Corporate Pty Ltd, ("Mining Corporate") in regard to the provision of corporate advisory services, assistance with the Company's IPO and corporate secretarial services. Mr. Kent Hunter, the Company Secretary at that time had an interest in Mining Corporate.
- In 2013, an aggregate amount of \$407,527 was paid or due and payable to Jett Holdings Pty Ltd in relation to commissions as part of the Company's IPO.
- In 2013, an aggregate amount of \$187,000 was paid or due and payable to Guide Resources Pty Ltd, these payments related to the renewal of options over several mining tenements. Mr. James Passaris is a director of Guide Resources Pty Ltd. In addition to these payments, the Company acquired the rights to market iron ore to potential purchasers, consideration for this transaction was a \$225,000 refundable deposit paid 21 June 2013, of which \$25,000 has been expensed, and five million shares in this Company.
- On 26th September 2013, the Company received a \$220,000 (cash) (GST inclusive) payment relating to the sale of mining tenements to Ironstone Resources Limited. The details of this transaction have been disclosed in Notes 8(i).
- As at 30 June 2013, an amount of \$4,180 was due to Philip Capital Limited, this amount represented commissions relating to the raising of capital in the Company's IPO. Mr. Paul Lambrecht, a director of the Company at that time was an employee of Philip Capital.
- As at 30 June 2013, an amount of \$14,339 was due from John Douch, Justin Douch's father. This amount has been repaid in full.
- In 2013, an aggregate amount of \$201,336 was paid or due and payable to Justin Douch and included an amount of \$52,100 was paid to a company related to Justin Douch.
- In the financial year ended 30 June 2013, an aggregate amount of \$62,887 was paid, or due and payable to Alouisus Pty Ltd, a company related to Mr. Paul Lambrecht as Directors' Fees, for the preceding fifteen month period.
- In the financial year ended 30 June 2013, an aggregate amount of \$110,265 was paid, or due and payable to Mr. Procak for consulting services and Directors' Fees for the fifteen months ended 30 June 2013;
- In financial year ended 30 June 2013, an aggregate amount of \$100,000 was paid or due and payable to Mr. Kevin Robertson as Director's Fees for the 24 months ending November 2012;

END OF REMUNERATION REPORT

CLASSIC MINERALS LIMITED

DIRECTORS' REPORT

This report of the directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Justin Douth
Executive Director

Dated this 29th day of September 2014

CLASSIC MINERALS LIMITED

DIRECTOR'S DECLARATION

It is the opinion of the directors of Classic Minerals Limited (the "Company");

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position of the Company as at 30 June 2014 and of the performance as represented by the results of its operations and its cashflows for the year ended on that date;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

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



Justin Douth
Executive Director

Dated this 29th day of September 2014

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Classic Minerals Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 29th day of September 2014

Independent Auditor's Report

To the Members of Classic Minerals Limited

We have audited the accompanying financial report of Classic Minerals Limited ("the Company"), which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of accounting policies, other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standards 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. These Auditing 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 judgment, 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Opinion

In our opinion:

- a. The financial report of Classic Minerals 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 statements also comply with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of matter on Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the Company incurred a loss before income tax of \$3,102,505 during the year ended 30 June 2014. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

Dated at Perth this 29th day of September 2014

CLASSIC MINERALS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

		30 June 2014	30 June 2013
	Note	\$	\$
Revenue from continuing operations	3	50,000	45,659
Profit on sale of shares in listed company	3	399,319	-
Profit on the sale of mining tenements	3	-	334,000
Research & Development rebate	3	2,830,198	-
Other Income	3	37,755	-
Employee benefits and consultants expense		(1,743,810)	(1,216,836)
Legal expenses & professional fees		(545,987)	(77,890)
Commissions paid		(277,514)	(9,569)
Depreciation expense	11	(65,341)	(18,527)
Exploration expense		(2,738,361)	(1,116,475)
Share-based payments	28	(433,065)	(258,545)
Travel expenses		(85,933)	(176,643)
Occupancy expenses		(152,995)	(64,274)
Provision for diminution in value of shares received as consideration		-	(275,000)
Administration expenses	4	(111,482)	(372,816)
Loan Forgiveness	8	(265,289)	-
Loss before income tax expense		(3,102,505)	(3,206,916)
Income tax benefit	5	-	-
Loss for the year		(3,102,505)	(3,206,916)
Other Comprehensive Income			-
Items that may subsequently be reclassified to profit or loss			
- sale of financial asset		(66,667)	66,667
Income tax on other comprehensive Income		-	-
Total Other Comprehensive Income		(66,667)	66,667
Total Comprehensive loss for year		(3,169,172)	(3,140,249)
Loss for the year			
Attributable to members of Classic Minerals Limited		(3,102,505)	(3,206,916)
Attributable to non-controlling interest		-	-
		(3,102,505)	(3,206,916)
Total Comprehensive loss for year			
Attributable to members of Classic Minerals Limited		(3,169,172)	(3,140,249)
Attributable to non-controlling interest		-	-
		(3,169,172)	(3,140,249)
Basic loss per share (cents per share)	6	(1.51)	(1.821)

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		30 June 2014 \$	30 June 2013 \$
	<i>Note</i>		
CURRENT ASSETS			
Cash and cash equivalents	7	339,807	1,284,830
Trade and other receivables	8	3,054,814	588,702
Financial Assets	9	-	566,667
Other	10	264,609	75,000
TOTAL CURRENT ASSETS		3,659,230	2,515,199
NON-CURRENT ASSETS			
Plant and equipment	11	350,578	213,274
Exploration, evaluation and development	12	131,300	-
Intangibles	13	1,200,000	-
Other assets	14	35,642	215,642
Financial assets	9	-	-
TOTAL NON-CURRENT ASSETS		1,717,520	428,916
TOTAL ASSETS		5,376,750	2,944,115
CURRENT LIABILITIES			
Trade and other payables	15	1,342,567	663,259
Employee provision	16	54,477	29,753
Borrowings	17	852,676	13,368
TOTAL CURRENT LIABILITIES		2,249,720	706,380
NON-CURRENT LIABILITIES			
Borrowings	17	108,905	62,898
TOTAL NON CURRENT LIABILITIES		108,905	62,898
TOTAL LIABILITIES		2,358,625	769,278
NET ASSETS/ (LIABILITIES)		3,018,125	2,174,837
EQUITY			
Issued capital	18	11,943,381	8,936,046
Reserves	19	1,005,126	66,667
Accumulated losses		(9,930,382)	(6,827,877)
TOTAL EQUITY		3,018,125	2,174,837

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	<i>Issued Capital \$</i>	<i>Financial Asset Reserve \$</i>	<i>Accumulated Losses \$</i>	<i>Total Equity \$</i>
Balance at 30 June 2012	2,466,974	-	(3,620,961)	(1,153,987)
Total Comprehensive Loss for the year				
Loss for the year	-	-	(3,206,916)	(3,206,916)
Other Comprehensive Income	-	66,667	-	66,667
Total Comprehensive Income/(Loss)	-	66,667	(3,206,916)	(3,140,249)
Transactions with owners recorded directly in equity				
Shares issued (net of expenses) during the year	6,469,072	-	-	6,469,072
Balance at 30 June 2013	8,936,046	66,667	(6,827,877)	2,174,836

	<i>Issued Capital \$</i>	<i>Financial Asset Reserve \$</i>	<i>Option Premium Reserve</i>	<i>Accumulated Losses \$</i>	<i>Total Equity \$</i>
Balance at 30 June 2013	8,936,046	66,667	-	(6,827,877)	2,174,836
Total Comprehensive Loss for the year					
Loss for the year	-	-	-	(3,102,505)	(3,102,505)
Other Comprehensive Income	-	(66,667)	-	-	(66,667)
Total Comprehensive Income/(Loss)	-	(66,667)	-	(3,102,505)	(3,169,172)
Transactions with owners recorded directly in equity					
Shares issued (net of expenses) during the year	3,007,335	-	1,005,126	-	1,005,126
Balance at 30 June 2014	11,943,381	-	1,005,126	(9,930,382)	3,018,125

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	<i>Note</i>	30 June 2014 \$	30 June 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(5,184,901)	(3,210,989)
Interest received		1,159	45,659
Net cash (outflows) from operating activities	23(a)	(5,183,742)	(3,165,330)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(202,645)	(123,406)
Proceeds from the sale of shares in a listed company		699,319	-
Purchase of shares in listed company Fairstar Resources Ltd		(100,000)	(200,000)
Exercise of Option to acquire Doherty's		(80,000)	-
Purchase of Marketing Rights at Cowarna Rocks	13	(200,000)	-
Loans to employees/consultants		-	(248,681)
Loans to related entities		14,339	(14,339)
Return of Refundable Deposit		350,000	(300,000)
Refundable Deposit received subject to due diligence		200,000	-
Payments for other assets		-	(75,000)
Net cash (outflows) from investing activities		681,013	(961,426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share Capital received (net)		1,722,970	5,850,777
Proceeds from Option Entitlement Issue		1,005,126	-
Repayment of Loans received/(repaid)		(520,000)	(533,128)
Proceeds of short term loans and convertible note		1,349,610	-
Net cash inflows from financing activities		3,557,706	5,317,649
Net increase/ (decrease) in cash held		(945,023)	1,190,893
Cash and cash equivalents at the beginning of the year		1,284,830	93,937
Cash and cash equivalents at the end of the year	23(b)	339,807	1,284,830

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Corporate Information

The financial report of Classic Minerals Limited (the Company) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 29th September 2014.

2. Summary of Significant Accounting Policies

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company incurred a loss of \$3,102,505 for the year ended 30 June 2014 (2013: \$3,206,916).

The net working capital position of the Company at 30 June 2014 was \$1,409,510 (2013: \$1,808,819) and the net decrease in cash held during the year was \$945,023 (2013: increase of \$1,190,893).

The Company has expenditure commitments relating to exploration expenditure obligations for their projects of \$105,300 which potentially could fall due in the twelve months to 30 June 2015. Furthermore, the Company has finance and operating lease commitments of \$192,122 payable in the next 12 months.

The Directors have prepared a cashflow forecast which indicates that the Company will have sufficient cashflows to meet all commitments and workings capital requirements for the period 12 months from the date of signing this report. The Company intends to finance the future operations through the following actions:

- the completion of planned share placements to raise funds from the market
- the receipt of the research and development rebate for the 2014 financial year
- the continued support of shareholders in relation to loans provided
- containing cash outflows

Should the Company not achieve the matters set out above, there is material uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

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

Provisions made 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.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as 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.

(c) 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.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

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.

Available-for-sale financial assets

Shares and options held by the company are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the Statement of Profit or Loss and Other Comprehensive Income for the year.

Financial assets at fair value through the Statement of Profit or Loss and Other Comprehensive Income

The Company classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year.

Loans and receivables

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

(d) 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.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(d) Financial instruments issued by the company (continued)

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.

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 (i.e. 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

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(d) Financial instruments issued by the company (continued)

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.

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 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.

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 Group 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 Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(e) 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.

(f) 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 entity 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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 the Statement of Profit or Loss and Other Comprehensive Income 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.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income tax 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 years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(g) Income tax (continued)

Deferred tax

Deferred tax is accounted for using the 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(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 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.

(h) 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.

(i) Presentation currency

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

(j) Plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(j) Plant and equipment

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Motor vehicles, Caravan and Quad Bikes	18.75% - 37.5%
Office equipment	7.5% - 100%

(k) Exploration and Evaluation Expenditure

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are written off.

Acquired exploration assets are not written down below acquisition cost until such time as the acc cost is not expected to be recovered through use or sale.

(l) Intangible assets

Intangible assets with indefinite lives that are acquired separately are carried at cost less accumulated impairment losses.

(m) Provisions

Provisions are recognised when the entity 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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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.

(n) Revenue recognition

Interest revenue

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

(o) Equity based compensation

The Company expenses equity based compensation such as share and option issues after ascribing a fair value to the shares and/or options issued. If options vest at date of grant, the expense is taken up at date of grant and a corresponding Option Reserve is credited.

(p) Issued capital

Issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(p) Leases

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

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the years in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(q) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Critical accounting judgments, estimates and assumptions

Share based payments

The Company measures the cost of equity-settled transactions principally with its creditors by reference to the fair value of the equity instruments at the date at which they are granted. Share based payments are disclosed at Note 28.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(s) Critical accounting judgments, estimates and assumptions (continued)

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current.

These costs are carried forward in respect of an area that has not at statement of financial position date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Impairment of intangible assets

During the year, the directors considered the recoverability of the intangible asset by obtaining an independent valuation to support the carrying value of the asset as described in Note 13.

The valuation resulted in a range between \$0.8 million and \$1.4 million. The directors believe that the carrying value of \$1,200,000 is not impaired.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Comparative figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(t) Adoption of New and Revised Accounting Standard

New and revised AASB's affecting amounts reported and/or disclosures in the financial statements

In the current year, the Company has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective from an accounting period on or after 1 January 2013.

The Company has applied AASB 13 'Fair Value Measurement' 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.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(t) Adoption of New and Revised Accounting Standard (continued)

In addition, standards on consolidation, joint arrangements, associates and disclosures were adopted. The impact of the application of these standards is not material.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

The Company does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
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 135 – Recoverable Amount Disclosures for Non - Financial Assets"	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

NOTE 3: REVENUE FROM CONTINUING OPERATIONS

	30 June 2014 \$	30 June 2013 \$
Interest on due diligence deposit	50,000	-
Research & Development Rebate 2012/13	966,230	-
Research & Development Rebate 2013/14	1,863,968	-
Profit on the sale of shares in a listed company	399,319	-
Other Income	35,854	-
Interest Income	1,159	45,659
Profit on the disposal of Motor vehicle	742	-
Profit on sale of mining tenements	-	334,000
	<u>3,317,272</u>	<u>379,659</u>

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: LOSS BEFORE INCOME TAX

The loss before income tax has been arrived at after charging the following expenses:

	30 June 2014 \$	30 June 2013 \$
Insurance expenses	32,868	25,765
Telephone expenses	14,733	12,290
Other administration expenses	63,881	334,761
	<u>111,482</u>	<u>372,816</u>

NOTE 5: INCOME TAX

(a) Current tax expense

	30 June 2014 \$	30 June 2013 \$
Current year	-	-
	<u>-</u>	<u>-</u>

(b) Numerical reconciliation between tax expense and pre tax net profit

Loss before tax	(3,102,505)	(3,206,916)
Income tax benefit calculated at 30%	(930,751)	(962,075)
Tax effect of:		
- Non-deductible expenses	153,729	80,085
- Current year revenue losses for which no deferred tax asset has been recognised	847,540	881,990
- Unrecognised timing differences	29,682	-
Capital losses utilised	(100,200)	-
Income tax expense on pre-tax net profit	<u>-</u>	<u>-</u>

(c) Unrecognised deferred tax balances

The following deferred tax assets (at 30%) have not been brought to account:

Unrecognised deferred tax asset – tax losses	1,740,819	1,913,652
Unrecognised deferred tax asset- unrealised capital losses	-	82,500
Unrecognised deferred tax asset- other timing differences	240,607	332,406
Net deferred tax assets	<u>1,981,426</u>	<u>2,328,558</u>

The net deferred tax assets not brought into account will only be of a benefit to the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company are able to meet the continuity of ownership and/or continuity of business tests.

During the year ended 30 June 2014, the Company applied for and has been assessed as being eligible to receive a rebate from the Australian Taxation Office of \$966,230 representing the tax value of research and development costs for the year 30 June 2013 this was received on 9 September 2014 and has been shown as a receivable at 30 June 2014. The estimated research and development tax rebate in respect of expenditure incurred for the year ended 30 June 2014 of \$1,863,968 is also shown as a receivable as at 30 June 2014 (Refer to Note 8).

NOTE 6: EARNINGS PER SHARE

	30 June 2014 \$	30 June 2013 \$
a. Loss for the year	(3,102,505)	(3,206,916)
Loss attributable to ordinary shareholders	<u>(3,102,505)</u>	<u>(3,206,916)</u>
b. Weighted average number of ordinary shares at 30 June	204,837,678	176,120,830
Earnings per share – cents	(1.51)	(1.821)

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: CASH AND CASH EQUIVALENTS

	30 June 2014	30 June 2013
	\$	\$
Cash at bank	339,807	1,284,830

NOTE 8: TRADE AND OTHER RECEIVABLES

	30 June 2014	30 June 2013
	\$	\$
Current		
Research & Development Rebate 2012/13(i)	966,230	-
Research & Development Rebate 2013/14	1,863,968	-
Receivable from Ironstone Resources Limited	-	200,000
Refundable Deposit for Marketing Rights paid to Guide Resources Pty Ltd (ii)	100,000	-
Bonds and Security Deposits	42,477	-
Loan to Related Parties (iii)	-	263,020
Other receivables	82,139	125,682
	3,054,814	588,702

As at 30 June 2014 trade and other receivables do not contain impaired assets and are not past due.

- (i) On 9 September 2014, the Company received the Research & Development Rebate for 2012/13 of \$966,230 and \$19,627 in interest.
- (ii) On 4 March 2014, under the Company's Tenement Sourcing Agreement with Guide Resources Pty Ltd, the Company entered into an agreement to potentially acquire the marketing rights over three tenements. The price of the acquisition was to be negotiated within a due diligence period of six months from the date of acceptance with a fully refundable deposit of \$100,000 paid by the Company. As at the date of this report, the Company is in negotiations to extend the due diligence period. Refer to Note 25 for disclosure of Related Party transactions.

(iii) Loans to Key Management Personnel ("KMP") and Related Parties

	30 June 2014	30 June 2013
	\$	\$
Loan to John Douch	-	14,339
Loan to James Passaris (iv)	-	248,681

- (iv) As at 30 June 2013, a total of \$248,681 was outstanding from Mr. Passaris, a member of the Company's key management personnel. During the period interest accrued on this loan balance amounted to \$16,608.
On 30/12/2013 the directors resolved to forgive the total loan amount including accrued interest of \$265,289 to Mr Passaris. This loan forgiveness has been treated as part of Mr Passaris's remuneration for the current financial period.

NOTE 9: FINANCIAL ASSETS

	30 June 2014	30 June 2013
	\$	\$
Current		
Refundable Deposit with Nex Metals Exploration Limited (i)	-	300,000
Investment in shares in a listed company (ii)	-	266,667
	-	566,667

- (i) On 11 November 2013, the Company received the refundable deposit from Nex Metals Exploration Limited ("Nex Metals").
- (ii) As at 30 June 2014, the Company had sold all of its shareholding in Fairstar Resources Limited. The Company realised a profit of \$399,319 on the sale of these shares.

Non-Current

Shares received in consideration for the sale of mining tenements (at fair value) (iii)	275,000	275,000
Less: Provision for diminution in values of shares	(275,000)	(275,000)
	-	-

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: FINANCIAL ASSETS (continued)

(iii) As at 30 June 2014 and 30 June 2013, the Company held 2,750,000 shares in Ironstone Resources Limited, a public unlisted company. A provision for the diminution in value of these shares has been made.

NOTE 10: OTHER ASSETS

	30 June 2014 \$	30 June 2013 \$
Current		
Prepaid Drilling Expenses	264,609	75,000
	<u>264,609</u>	<u>75,000</u>

The Company has a contract with Denarda Holdings Pty Ltd for the provision of drilling services. Pursuant to this Agreement the Company has pre-paid drilling expenses. This prepayment will be recovered from future services provided by Denarda. Refer to Note 25 for further explanation.

NOTE 11: PLANT AND EQUIPMENT

	30 June 2014 \$	30 June 2013 \$
Gross Carrying Amount		
Motor Vehicles, Caravan and Quad Bikes		
Opening balance	192,466	83,350
Acquisitions	74,273	109,116
Disposals	(22,709)	-
Closing balance	<u>244,030</u>	<u>192,466</u>
Plant & Equipment		
Opening balance	62,800	49,957
Acquisitions	83,676	12,843
Disposals	-	-
Closing balance	<u>146,476</u>	<u>62,800</u>
Motor Vehicle under Hire Purchase		
Opening balance	77,500	-
Acquisitions	139,853	77,500
Disposals	(77,500)	-
Closing balance	<u>139,853</u>	<u>77,500</u>
Total Cost	<u>530,359</u>	<u>332,766</u>
	30 June 2014 \$	30 June 2013 \$
Accumulated Depreciation		
Motor Vehicles, Caravan and Quad Bikes		
Opening balance	69,031	57,999
Depreciation charge for year	24,239	11,032
Impairment losses	-	-
Disposals	-	-
Closing balance	<u>93,270</u>	<u>69,031</u>
Plant & Equipment		
Opening balance	46,828	43,179
Depreciation charge for year	24,387	3,649
Impairment losses	-	-
Disposals	-	-
Closing balance	<u>71,215</u>	<u>46,828</u>

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11: PLANT AND EQUIPMENT (continued)

	30 June 2014	30 June 2013
Motor Vehicle under Hire Purchase		
Opening balance	-	-
Depreciation charge for year	18,929	3,633
Disposals	(3,633)	-
Closing balance	15,296	3,633
	179,781	119,492
Carrying Amount		
Motor vehicles, Caravan and Quad Bikes		
At 1 July	123,435	25,351
At 30 June	150,763	123,435
Plant & Equipment		
At 1 July	15,972	6,778
At 30 June	75,261	15,972
Motor Vehicle under Hire Purchase		
At 1 July	73,867	-
At 30 June	124,557	73,867
Total Carrying Amount	350,581	213,274

NOTE 12: EXPLORATION, EVALUATION AND DEVELOPMENT

	30 June 2014 \$	30 June 2013 \$
Non-Current		
Acquisition of Doherty's tenement (i)	131,300	-
	131,300	-

- (i) On 31 July 2013, pursuant to an Option agreement with GWR Group Limited (formerly known as Golden West Resources Limited) the Company exercised its option and acquired 100% of Doherty's (M57/619) for \$93,130 (GST Inclusive) and 570,000 shares valued at \$51,300.

NOTE 13: INTANGIBLES

	30 June 2014 \$	30 June 2013 \$
Non-Current		
Acquisition of Marketing Rights over Cowarna Rocks (i)	1,200,000	-
	1,200,000	-

- (i) The Company acquired the Marketing Rights to iron ore over the Cowarna Rocks tenement (E28/2238) for \$400,000 (cash) and 5 million shares valued at \$800,000 from Guide Resources Pty Ltd. In June 2014, an independent valuation of the Cowarna Rocks tenement was prepared by an Independent Geologist, Al Maynard & Associates and valued the Cowarna Rocks tenement between \$0.8 million and \$1.4 million. Refer to Note 25 for disclosure of related party transactions.

NOTE 14: OTHER ASSETS

	30 June 2014 \$	30 June 2013 \$
Non-Current		
Prepaid Deposit with Guide Resources Pty Ltd (i)	-	200,000
Option agreements (ii)	32,000	12,000
Bond on tenements	3,642	3,642
	35,642	215,642

- (i) Under an agreement with Guide Resources Pty Ltd ("Guide"), Classic has been granted the rights to market the iron ore rights owned by Guide over exploration license E28/2238. Pursuant to this agreement the Company deposited a sign-on deposit of \$225,000 with Guide of which \$25,000 was not refundable and has been expensed. In January 2014, an additional \$200,000 was paid to Guide and the total consideration for the acquisition of \$1.2m has been recognised as an Intangible Asset in Note 13.

- (ii) The Company has been granted options to acquire interests in mineral prospects under a Tenement Sourcing Agreement with Guide Resources Pty Ltd. The terms of the Tenement Sourcing Agreement can be found in Note 21.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: TRADE AND OTHER PAYABLES

	30 June 2014 \$	30 June 2013 \$
Current		
Trade and other payables (i)	588,961	419,770
Accruals	533,606	243,489
	<u>1,122,567</u>	<u>663,259</u>
Refundable deposit - received subject to due diligence (ii)	220,000	-
	<u>220,000</u>	<u>-</u>

- (i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms. The amount of payables at balance date exceeding normal trading terms is estimated at \$250,000
- (ii) On 4 January 2014, the Company Entered into a Sale Agreement with Nex Metals Exploration Ltd for the sale of a tenement, subject to due diligence. As at the date of this report, Nex Metals Exploration Limited is not proceeding with the sale agreement and the balance is due and payable.

NOTE 16: PROVISION FOR EMPLOYEE BENEFITS

	30 June 2014 \$	30 June 2013 \$
Current		
Provision for Annual Leave	54,477	29,753
	<u>54,477</u>	<u>29,753</u>

NOTE 17: BORROWINGS

	30 June 2014 \$	30 June 2013 \$
Current		
Loans from shareholders (iii)	820,000	-
Loans from Related Parties (ii)	9,610	-
Hire Purchase contract (i)	23,066	13,368
	<u>852,676</u>	<u>13,368</u>
Non-Current		
Hire purchase contract (i)	108,905	62,898
	<u>108,905</u>	<u>62,898</u>

(i) The hire purchase contract is secured by a motor vehicle.

(ii) Short-term loans for \$3,010 and \$6,600 were advanced to the Company by Mr Justin Douth and Mr James Passaris respectively. Both of these loans were repaid after the end of the financial year. The loan from James Passaris accrued \$600 in interest.

(iii) Two short term loans were advanced to the Company by two of its shareholders. As at 30 June 2014, these unsecured loans amounted to \$720,000. Interest accrued on these loans at 10 per cent per month for a term of 2 months.

A further \$100,000 was advanced to Company via a Convertible Note with one of its shareholders, with interest on this loan at 10% per annum expiring on 26 November 2014.

NOTE 18: ISSUED CAPITAL

	30 June 2013 \$	Number of Shares
Ordinary shares		
At the beginning of the reporting year	2,466,974	99,068,468
Conversion of Performance shares (November 2012)	-	112
Share based payments (refer to Note 28)	653,145	20,154,800
Seed Capital issued at 3 cents (1 August 2012 to 31 December 2012)	660,100	22,003,333
Seed Capital issued at 5 cents (1 August 2012 to 31 December 2012)	1,591,000	31,820,000
Seed Capital issued at 10 cents (1 August 2012 to 31 December 2012)	932,000	9,320,000
Shares cancelled	(2,000)	(40,000)
Capital Raising in Initial Public Offering ("IPO")	3,625,700	18,128,500
Less: expenses related to capital Raisings	(990,873)	-
At the end of the reporting year	<u>8,936,046</u>	<u>200,455,213</u>

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18: ISSUED CAPITAL (continued)

	30 June 2014 \$	Number of Shares
Ordinary shares		
At the beginning of the reporting year	8,936,046	200,455,213
Share based payments (refer to Note 28)	1,284,365	14,196,786
Share Capital issued at 4 cents (January 2014),	50,000	1,250,000
Private Placement of shares at 6 cents (February 2014)	1,500,000	25,000,000
Share Capital issued at 5 cents (February 2014)	20,000	400,000
Share Purchase Plan at 4 cents (June 2014)	208,500	5,212,500
Share Capital issued at 3.2 cents (June 2014)	20,000	625,000
Share Capital issued at 3 cents (June 2014)	14,000	466,667
Less: expenses related to capital raisings	(89,259)	
At the end of the reporting year	11,943,381	247,606,166

NOTE 19: FINANCIAL ASSET RESERVE

The Company held shares in a listed company the movement in the fair value of this asset has been recognised in the Financial Asset Reserve.

NOTE 19a: OPTION PREMIUM RESERVE

The Company issued 100,512,607 Options in December 2013 to existing shareholders. Shareholders were required to pay a premium of \$0.01 to receive this entitlement and this has been recognised as a Reserve.

NOTE 20: EXPENDITURE COMMITMENTS

(a) Exploration Expenditure Commitments

	30 June 2014 \$	30 June 2013 \$
Payable		
Not later than 1 year	105,300	206,038
Later than 1 year but not later than 5 years	189,173	304,768
Later than 5 years	285,082	303,600
	579,555	814,406

(b) Rental Commitments

	30 June 2014 \$	30 June 2013 \$
Payable		
Not later than 1 year	169,056	106,546
Later than 1 year but not later than 5 years	-	26,182
	169,056	132,728

The Company has entered into a contract to lease office premises located at Suite 7, 30 Hasler Road, Osborne Park. The lease commenced from 1 October 2013. The annual rental is for approximately \$67,200 plus variable outgoings of \$ 27,029 per annum and GST. In addition, the lease agreement provides for seven car bays at \$10,500 per annum. The Company also entered into an agreement for the lease of a factory/ warehouse located at Rowallan Street, Osborne Park, this lease commenced on 1 July 2013 for an annual fee of \$28,000 plus GST. This lease agreement is for a term of one year with an option for a further two years.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: EXPENDITURE COMMITMENTS

(c) Finance lease commitments – Company as lessee

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	30 June 2014 \$	30 June 2013 \$
Within one year	23,066	19,608
After one year but not more than five years	134,954	73,529
Total minimum lease repayments	158,020	93,137
Less amounts representing finance charges	(26,049)	(16,871)
Present value of minimum lease payments	131,971	76,266
Included in the financial statements as:		
Current interest-bearing liabilities	23,066	13,368
Non-current interest-bearing liabilities	108,905	62,898
Total included in interest-bearing liabilities	131,971	76,266

(d) Capital Expenditure Commitments

There were no capital expenditure commitments at 30 June 2014.

(e) Remuneration Commitments

There were no remuneration commitments at 30 June 2014.

NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has an Agreement for Sourcing Tenements ("AST") with Guide Resources Pty Ltd ("Guide") whereby if Guide introduces tenements to Classic and Classic enters into arrangements to acquire a relevant interest in such tenements (and other tenements acquired within a 20km radius), Guide Resources is entitled to receive a minimum fee of \$10,000 relating to each tenement. Furthermore, Guide Resources would be entitled to conduct exploration on each relevant tenement for all minerals other than uranium, gold and silver. If production commences from gold, silver or uranium on a relevant tenement, Guide Resources is entitled to a royalty of \$2.50 per wet tonne.

NOTE 22: 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's as one segment. The financial results from this segment are equivalent to the financial statements of the Company's as a whole.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: STATEMENT OF CASH FLOWS

	30 June 2014 \$	30 June 2013 \$
a. Reconciliation of the net loss after income tax to net cash flows from operating activities		
Net loss for the year	(3,102,505)	(3,206,916)
Non-cash Items		
Depreciation expense	65,341	18,527
Share based payments	433,065	258,545
Provision for non-recovery of investment	-	275,000
Profit on sale of shares	(399,319)	-
Gain on sale of mineral tenements	-	(334,000)
Carrying value of mineral tenements sold	-	(41,000)
Changes in assets and liabilities		
(Increase)/decrease in debtors/receivables	(2,730,452)	(225,682)
(Increase)/decrease in Other Assets	(189,609)	(157,142)
(Increase)/decrease in Financial Assets	180,000	-
Increase/(decrease) in trade creditors and accruals	479,308	220,084
Increase/(decrease) in Hire Purchase liability	55,705	-
Increase/(decrease) in provisions	24,724	27,254
Cash outflows from operations	(5,183,742)	(3,165,330)

During the year, non-cash share based payments amounted to \$1,284,365. For further information refer to Note 28.

b. Reconciliation of cash and equivalents

Cash and equivalents comprise		
- cash at bank and in hand	339,807	1,284,830

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made for varying years of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURES

	30 June 2014 \$	30 June 2013 \$
(a) Compensation of key management personnel by category		
Short-term employee benefits	1,148,316	781,632
Post employment benefits	53,931	24,004
Share-based payment	-	60,000
	1,202,247	865,636

Refer to the Remuneration report contained in the Director's Report for details of the remuneration paid to each member of the Company's Key Management Personnel, shares and option holdings.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: RELATED PARTY TRANSACTIONS

Transactions with Directors, Director Related Entities and other Related Entities are:

- In 2014, an aggregate amount of \$55,000 was paid or due and payable to Guide Resources Pty Ltd, these payments related to Options over several mining tenements covered by a Tenement Sourcing Agreement. Mr. James Passaris is a director of Guide Resources Pty Ltd. In addition to these payments, the Company made a \$100,000 fully refundable deposit to Guide to carry out due diligence on three tenements E28/2370, E28/2371 and E25/454 all located in the Cowarna Rocks area, to acquire the marketing of iron ore rights on these tenements. Additionally, the Company acquired the Marketing Rights to iron ore over the Cowarna Rocks tenement (E28/2238) for \$400,000 (cash) and 5 million shares valued at \$800,000 from Guide Resources Pty Ltd. In June 2014, an independent valuation of the Cowarna Rocks tenement was prepared by an Independent Geologist, Al Maynard & Associates and valued the Cowarna Rocks tenement between \$0.8 million and \$1.4 million.
- In 2014, an aggregate amount of \$985,919 was paid or due and payable to Denarda Holdings Pty Ltd ("Denarda"). Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates. An amount of \$264,609 remains as a prepayment as at 30 June 2014.
- In 2014, an aggregate amount of \$39,394 was paid or due and payable to MCAS Corporate Advisory Services Pty Ltd, ("MCAS") of this amount \$7,532 related to the provision of corporate advisory services, and corporate secretarial services while Mr. Kent Hunter, acted as Company Secretary. The remaining \$31,862 related to Directors Fees payable to Mr Hunter in his capacity as Non-Executive Director. Mr Hunter has an interest in MCAS Corporate Advisory Services Pty Ltd.
- In the financial year ended 30 June 2014, an aggregate amount of \$18,939 was paid, or due and payable to Alouisus Pty Ltd, a company related to Mr. Paul Lambrecht, this amount represented Directors' Fees for the five months that Mr Lambrecht was a Non-Executive Director of the Company. Mr Lambrecht resigned as a Non-Executive Director with effect from 29 November 2013.
- In 2013, an aggregate amount of \$313,166 was paid or due and payable to Denarda Holdings Pty Ltd ("Denarda"), a company in which John Douch has a beneficial interest. Denarda is in the business of providing drilling services to mining companies and these services were provided to this Company at commercial rates.
- In 2013, an aggregate amount of \$74,372 was paid or due and payable to Mining Corporate Pty Ltd, ("Mining Corporate") in regard to the provision of corporate advisory services, assistance with the Company's IPO and corporate secretarial services. Mr. Kent Hunter, the Company Secretary at that time had an interest in Mining Corporate.
- In 2013, an aggregate amount of \$407,527 was paid or due and payable to Jett Holdings Pty Ltd in relation to commissions as part of the Company's IPO.
- In 2013, an aggregate amount of \$187,000 was paid or due and payable to Guide Resources Pty Ltd, these payments related to the renewal of options over several mining tenements. Mr. James Passaris is a director of Guide Resources Pty Ltd. In addition to these payments, the Company acquired the rights to market iron ore to potential purchasers, consideration for this transaction was a \$225,000 refundable deposit paid 21 June 2013, of which \$25,000 has been expensed, and five million shares in this Company.
- On 26th September 2013, the Company received a \$220,000 (cash) (GST inclusive) payment relating to the sale of mining tenements to Ironstone Resources Limited. The details of this transaction have been disclosed in Notes 8(i).
- As at 30 June 2013, an amount of \$4,180 was due to Philip Capital Limited, this amount represented commissions relating to the raising of capital in the Company's IPO. Mr. Paul Lambrecht, a director of the Company at that time was an employee of Philip Capital.
- As at 30 June 2013, an amount of \$14,339 was due from John Douch, Justin Douch's father. This amount has been repaid in full.
- In 2013, an aggregate amount of \$201,336 was paid or due and payable to Justin Douch and included an amount of \$52,100 was paid to a company related to Justin Douch.
- In the financial year ended 30 June 2013, an aggregate amount of \$62,887 was paid, or due and payable to Alouisus Pty Ltd, a company related to Mr. Paul Lambrecht as Directors' Fees, for the preceding fifteen month period.
- In the financial year ended 30 June 2013, an aggregate amount of \$110,265 was paid, or due and payable to Mr. Procak for consulting services and Directors' Fees for the fifteen months ended 30 June 2013;
- In financial year ended 30 June 2013, an aggregate amount of \$100,000 was paid or due and payable to Mr. Kevin Robertson as Director's Fees for the 24 months ending November 2012;

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26: FINANCIAL RISK MANAGEMENT AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments; however the Company uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The carrying value of the Company's and the Company's financial instruments are as follows:

	30 June 2014 \$	30 June 2013 \$
Financial assets		
Cash and cash equivalents	339,807	1,284,830
Trade and other receivables	3,054,814	588,702
Other Financial Assets	-	566,667
	3,394,621	2,440,199
Financial liabilities		
Trade and other payables	1,342,567	663,259
Borrowings	961,851	76,266
	2,304,418	739,525

The Company's principal financial instruments comprise cash and short-term deposits, trade and other receivables. The Company has borrowings and a hire purchase liability for a motor vehicle and trade and other payables in the normal course of business.

The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company are cash flow (interest rate risk, liquidity risk and credit risk). The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

The Company's exposure to foreign exchange risk arising from currency exposures is limited.

(ii) Cash flow and interest rate risk

The Company's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Company to cash flow interest rate risk. The Company does not consider this to be material and has therefore not undertaken any further analysis of risk exposure.

(b) Credit risk

Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions.

The maximum exposure to credit risk at reporting date is the carrying amount of the trade and other receivables as summarised at the start of Note 25. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26: FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

Financial assets that are neither past due and not impaired are as follows:-

	30 June 2014 \$	30 June 2013 \$
Cash and cash equivalents		
AA S&P rating	339,807	1,284,830
Trade and Other receivables	3,054,814	588,702
Unsecured	-	-
Financial Assets	-	566,667
Unsecured (i)	-	-

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Company's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The Company does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The directors monitor the cash-burn rate of the Company on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

The Company has completed an Option Entitlement, a private placement and a Share Purchase Plan. In addition, to the Company's Research & Development rebates for 2012/13 and 2013/14 the Company has adequate funding for its operations for the next twelve months.

The financial liabilities the Company had at reporting date were trade payables incurred in the normal course of the business and a hire purchase liability.

The following table sets out the carrying amount, by maturity, of the financial assets and liabilities:

Year ended 30 June 2014	<1 year	1 - 5 Years	Over 5 Years	Total contractual cashflows	Weighted average effective interest rate %
Financial Assets:					
Cash and Cash equivalents	339,807			339,807	2.5
Trade and other Receivables	3,054,814			3,054,814	-
	3,394,621	-	-	3,394,621	
Financial Liabilities:					
Trade and other payables	1,342,567			1,342,567	-
Hire purchase liabilities	23,066	108,905	-	131,971	5.3
Borrowings	829,610	-	-	829,610	105.2
	2,195,243	108,905	-	2,304,148	

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26: FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

Year ended 30 June 2013	<1 year	1 - 5 Years	Over 5 Years	Total contractual cashflows	Weighted average effective interest rate %
Financial Assets:					
Cash and Cash equivalents	1,284,830			1,284,830	2.5
Trade and other Receivables	588,702			588,702	-
Financial Asset	300,000	-	-	300,000	-
Financial Assets	-	266,667	-	266,667	-
	2,173,532	266,667	-	2,440,199	
Financial Liabilities:					
Trade and other payables	663,259			663,259	-
Hire purchase liabilities	13,368	62,898	-	76,266	5.3
Borrowings	-	-	-	-	-
	676,627	62,898	-	739,525	

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The fair value of long term borrowings is not materially different from their carrying value.

The entity's principle financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and loans payable. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

(e) Capital risk

The Company determines capital to be the equity as shown in the statement of financial position plus net debt (being total borrowings less cash and cash equivalents).

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2014, the Company's strategy, which was unchanged from 2013, borrowed funds on a short-term basis to assist in its exploration activities. The company's equity management is determined by funds required to undertake its research & development activities and meet its corporate and other costs.

NOTE 27: SUBSEQUENT EVENTS

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

CLASSIC MINERALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 28: SHARE BASED PAYMENTS

Shares granted to creditors and advisers as share based payments during the year are as follows:

Name	Grant Date	Vesting Date	Number of shares	Total Value	Reason for Issue
GWR Group Limited	31 July 2013	31 July 2013	570,000	\$51,300	Exercise of Option
Guide Resources Pty Ltd	27 August 2013	27 August 2013	5,000,000	\$800,000	Acquisition of Marketing Rights
Mavia Pty Ltd	6 December 2013	6 December 2013	362,500	\$21,750	Payment of Creditor
Lawton Gillon	17 December 2013	17 December 2013	714,286	\$50,000	Payment of Creditor
Al Maynard & Associates	17 December 2013	17 December 2013	585,714	\$41,000	Payment of Creditor
Mrs. Johanne Topping	7 January 2014	7 January 2014	142,857	\$10,000	Payment of Creditor
Mr. Paul Ravesi	30 January 2014	30 January 2014	700,000	\$31,815	Payment of Creditor
Ashmik Pty Ltd	19 February 2014	19 February 2014	250,000	\$12,500	Payment of Creditor
Mrs Johanne Topping	19 February 2014	19 February 2014	71,429	\$ 5,000	Payment of Creditor
Mr Denis McInerney	11 March 2014	11 March 2014	200,000	\$ 12,000	Payment of Creditor
Alpha Securities Pty Ltd	11 March 2014	11 March 2014	500,000	\$ 30,000	Payment of Creditor
Foskin Pty Ltd	14 May 2014	14 May 2014	1,000,000	\$ 50,000	Payment of Creditor
Greywood Holdings Pty Ltd	14 May 2014	14 May 2014	2,000,000	\$100,000	Payment of Creditor
Mrs. Johanne Topping	14 May 2014	14 May 2014	100,000	\$ 5,000	Payment of Creditor
Foskin Pty Ltd	27 June 2014	27 June 2014	2,000,000	\$ 64,000	Payment of Creditor
			<u>14,196,786</u>	<u>\$1,284,365</u>	

NOTE 29: AUDITORS REMUNERATION

	30 June 2014 \$	30 June 2013 \$
Auditors remuneration	30,909	30,411
Other services – Preparation of Investigating Accountant's Report	-	15,250
	<u>30,909</u>	<u>45,661</u>

NOTE 30: COMPANY DETAILS

The principal place of business of the Company is Suite 7, 30 Hasler Road, Osborne Park WA 6017.

