



**ABN 53 117 086 745**

**ANNUAL REPORT**

**2014**

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## CORPORATE DIRECTORY

### DIRECTORS

Andrew McIlwain, Non-executive Chairman  
 Rob Bills, Chief Executive Officer  
 Simon Andrew, Non-executive Director

### COMPANY SECRETARY

Trevor Verran

### REGISTERED OFFICE

3 Kimberley Street  
 West Leederville WA 6007

PO Box 1573  
 West Perth WA 6872  
 Telephone: +61 (08) 9381 7838  
 Facsimile: +61 (08) 9381 5375  
 Internet: [www.emmersonresources.com.au](http://www.emmersonresources.com.au)

### TENNANT CREEK OFFICE

1230 Standley Street  
 Tennant Creek NT 0860

PO Box 1244  
 Tennant Creek NT 0861  
 Telephone: +61 (08) 8962 1425  
 Facsimile: +61 (08) 8962 3376

### ASX CODE

ERM

### SOLICITORS

Steinepreis Paganin  
 Level 4, Next Building  
 16 Milligan Street  
 Perth WA 6000

Ward Keller  
 Level 7, NT House  
 22 Mitchell Street  
 Darwin NT 0807

### BANKERS

National Australia Bank  
 Level 1, 1238 Hay Street  
 West Perth WA 6005

### AUDITORS

Ernst & Young  
 The Ernst & Young Building  
 11 Mounts Bay Road  
 Perth WA 6000

### SHARE REGISTER

Computershare Investor Services  
 Level 2, 45 St Georges Terrace  
 Perth WA 6000

GPO Box D182  
 Perth WA 6840  
 Telephone: 1300 850 505

## LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dear Fellow Shareholders,

In the Company's 2013 Annual Report, it was reflected that we had witnessed a continued decline in market sentiment, particularly in the small resources and exploration sector, and this situation remained largely unchanged during 2014. Notwithstanding, we remained focused on advancing the development of the Tennant Creek Mineral Field (TCMF), are soundly managed and have access to a pre-eminent technical team. We are convinced that we will recover strongly with improving markets and exploration success.



Andrew McIlwain



Rob Bills

In light of the market conditions we progressively implemented a number of cost cutting initiatives while maintaining work on “the next big discovery” and continued to build our resource position.

Our current resource position stands at 6.79mt at 3.6g/t gold equivalent or 900,000 gold equivalent ounces (ASX Release 28 November 2013). Emmerson remains firmly committed to the TCMF as we are on the cusp of unlocking further discoveries based on our proprietary exploration concepts and application of new technology.

Emmerson successfully completed a non-renounceable entitlement issue and shortfall offer during the year with strong shareholder support raising approximately \$1.6 million.

Our key objective is to deliver the potential of the TCMF that your Board has an unwavering belief in. In order to secure the necessary finance to support a substantial exploration program in the TCMF the landmark transaction with Evolution Mining Limited (Evolution) announced in June 2014 was the culmination of a focussed and determined effort to introduce a partner to the TCMF who sees the potential beyond that previously identified. The Farm-in transaction with Evolution will set the scene for the discovery of major new gold-copper resources, building on Emmerson's work in recent years which began to unlock the secrets of finding a new generation of gold-copper deposits in the Tennant Creek area.

Under the terms of this Farm-in transaction, Evolution will sole fund expenditure of \$15 million on exploration over the next three years to earn a 65% interest in Emmerson's 2,500 km<sup>2</sup> tenement package at Tennant Creek. Evolution has an option to sole fund a further \$10m over 2 years to earn an additional 10%.

This Farm-in transaction introduces a high quality partner to the TCMF that has a track record of converting resources to mines. The exploration effort will be managed through a joint “Exploration Management Committee” and combines the “best of both worlds” in terms of discovering new deposits utilising the latest exploration concepts but in parallel, rapidly building on existing JORC resources ahead of potential development and mining. The Farm-in effectively secures the future for Emmerson by providing the funding to underpin a very significant exploration effort to build on the existing JORC resources and to test a range of new generation gold-copper targets, which, if successful, will be fast-tracked through to development.

As part of the Farm-in transaction, Emmerson received \$2m in Evolution scrip and Evolution have subscribed to \$1.87m in Emmerson shares (~13% of Emmerson's issued capital).

This significant investment in exploration reflects Evolution's commitment to maximise value through new discoveries in one of Australia's highest grade goldfields.

In June 2014 Timothy Kestell resigned as a non-executive director. As a founding director Mr Kestell made an outstanding contribution to Emmerson with the foresight and vision to see the potential of the TCMF and provided the foundation for our move towards production.

Finally we would like to thank all shareholders for their support over the past year and our fellow directors, management and staff for their dedication and hard work during the year. The Company is well positioned to realise our strategic objective and fast-track exploration and development of the TCMF through the Farm-in by Evolution.

## REVIEW OF OPERATIONS

### About Tennant Creek and Emmerson Resources

The Tennant Creek Mineral Field (TCMF) is one of Australia's highest grade gold and copper fields producing over 5.5 Mozs of gold and 470,000 tonnes of copper from a variety of deposits including Gecko, Orlando, Warrego, White Devil, Chariot and Golden Forty, all of which are within Emmerson Resources exploration and joint venture portfolio.

Emmerson holds 2,500 km<sup>2</sup> of ground in the TCMF, owns the only gold mill in the region and holds a substantial geological database plus extensive infrastructure and equipment. Emmerson has acquired 95% of the highly prospective TCMF where only 8% of the historical drilling has penetrated below 150m.

The TCMF is situated approximately 500km north of Alice Springs on the Stuart Highway and boasts excellent infrastructure (Main highway, rail, gas, water, township and airport).

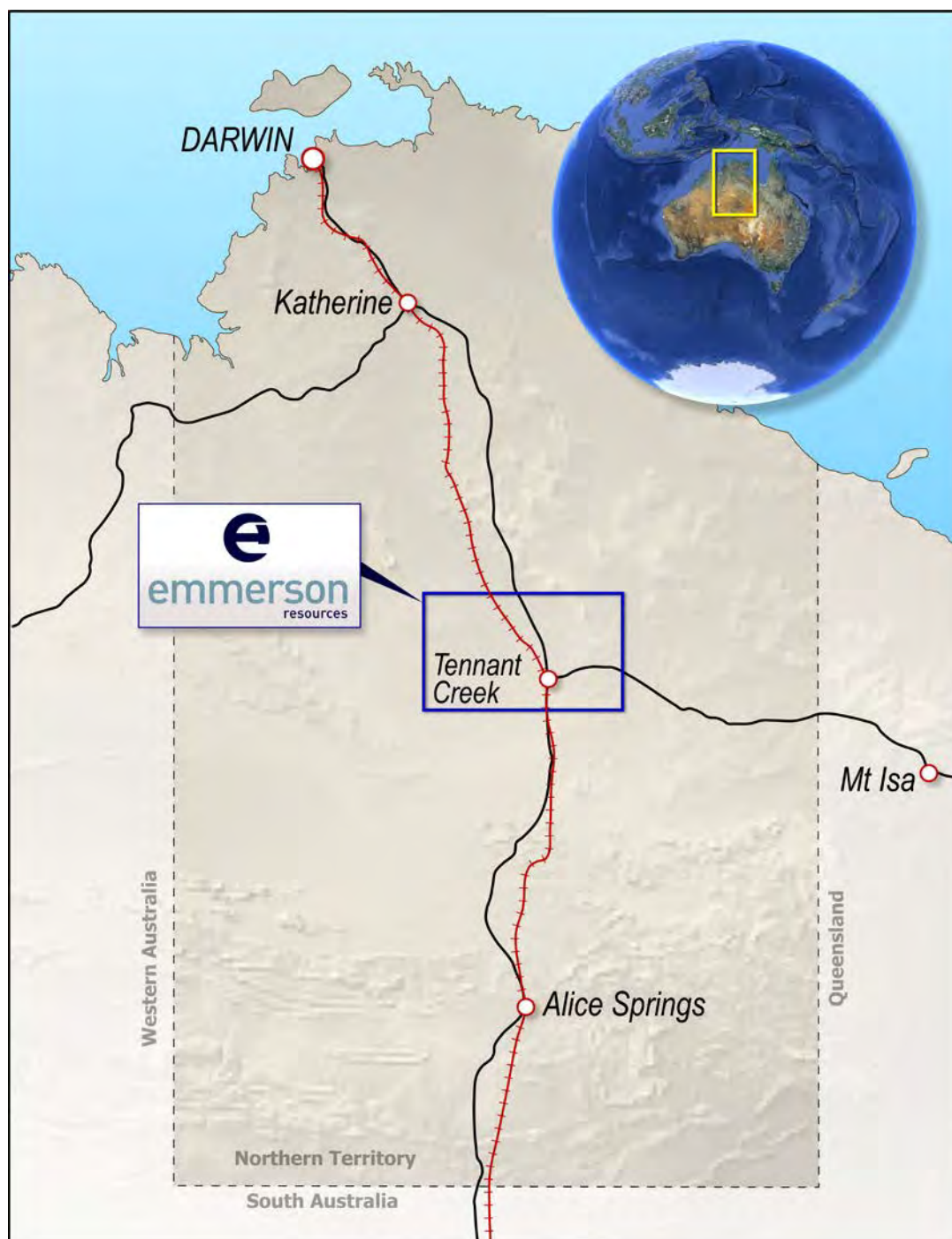


Figure 1: Tennant Creek Location



## REVIEW OF OPERATIONS

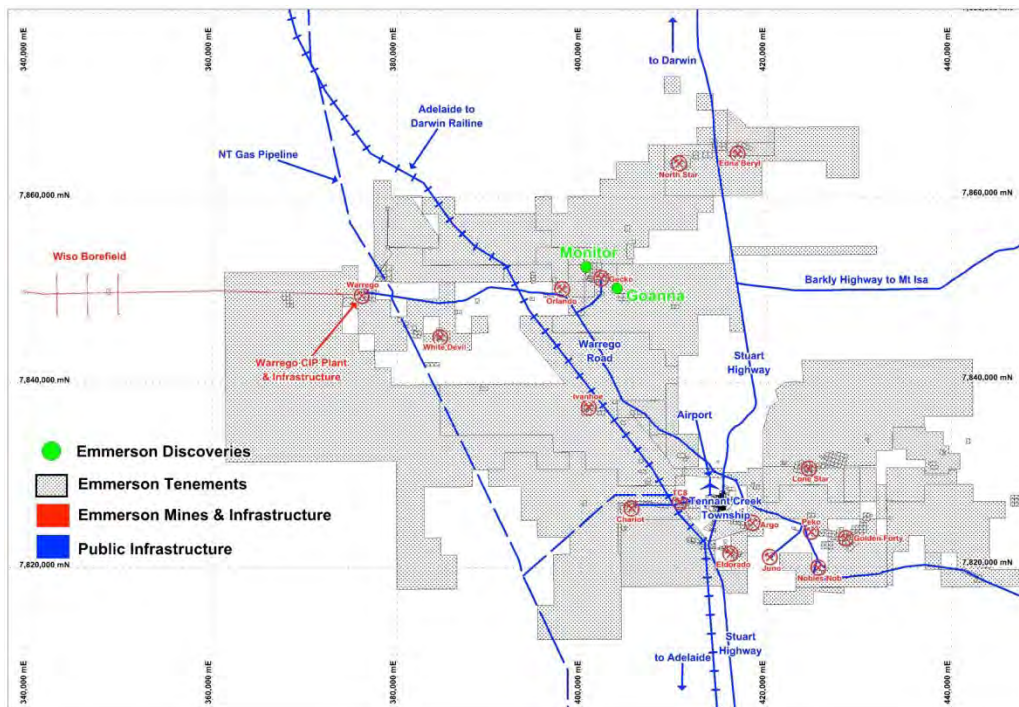


Figure 2: Tennant Creek Infrastructure

### New Technology

Emmerson is using new, high technology search techniques to explore the TCMF and discovered copper and gold mineralisation at Goanna and Monitor in late 2011, the first discoveries in the TCMF for over a decade. To date, Emmerson has only covered 5.5% of the total tenement package (in area) with these innovative exploration techniques and is confident that, with further exploration, more such discoveries will be made.

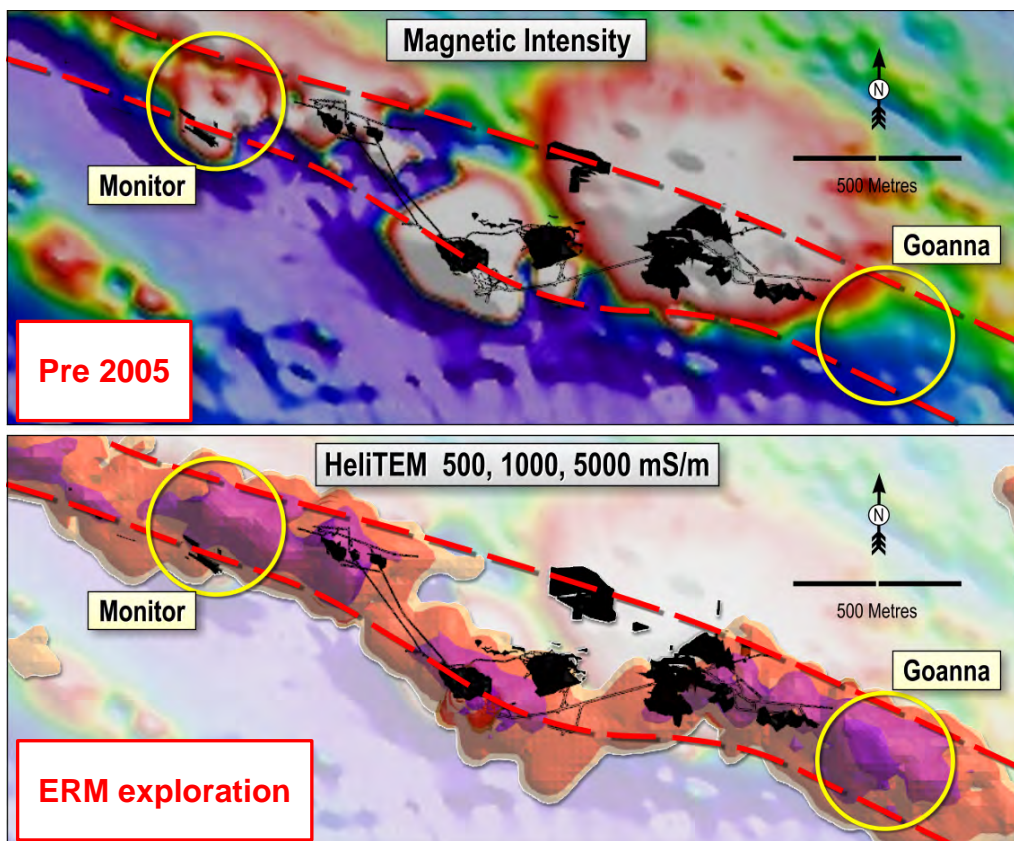


Figure 3: HeliTEM identified new targets, which lead to the discovery of two new deposits

## REVIEW OF OPERATIONS

### Strategy

During the year Emmerson continued its twofold strategy consisting of:

- building quality gold and copper resources through near mine and brownfield exploration, ahead of commencing production from the Company's 100% owned CIP mill (the Warrego Mill); and
- leveraging its proprietary exploration technology to identify new opportunities in the brownfields and more regional, greenfield environments.

### Mineral Resources

During the year Emmerson engaged independent consultants, Optiro Ltd, to undertake Mineral Resource Estimations at its three most advanced projects in the TCMF and the Company's current Reserve and Resource inventory in the table below released to the ASX on 28 November 2013 takes the global mineral resources to 6.79mt at 3.6g/t gold equivalent or 900,000 gold equivalent ounces and provides an early source of high grade ore to Emmerson's 100% owned Warrego CIP mill.

Classification	Tonnes	Gold grade (g/t)	Copper grade (%)	Gold equivalent grade (g/t)	Gold ounces	Copper metal (t)	Gold equivalent ounces
<b>Gecko - Anomaly 3, L25 and K44 Lower (reported above a 1% copper cut-off)</b>							
Indicated	1,400,000	-	2.5	4.2	-	35,600	190,000
Inferred	80,000	-	1.6	2.7	-	1,300	10,000
<b>Sub-total Gecko</b>	<b>1,480,000</b>	<b>-</b>	<b>2.5</b>	<b>4.1</b>	<b>-</b>	<b>36,900</b>	<b>200,000</b>
<b>Orlando – (Lenses 2 &amp; 7, below open pit &amp; 'the gap' - reported above a 1.0 g/t gold equivalent cut-off)</b>							
Indicated	1,710,000	1.9	1.5	4.4	100,000	25,700	240,000
Inferred	510,000	1.7	1.1	3.6	30,000	5,800	60,000
<b>Sub-total Orlando</b>	<b>2,220,000</b>	<b>1.8</b>	<b>1.4</b>	<b>4.2</b>	<b>130,000</b>	<b>31,500</b>	<b>300,000</b>
<b>Goanna (reported above a 1.0 % Cu cut-off)</b>							
Indicated							
Inferred	2,918,000	0.16	1.84	3.2	15,000	53,700	300,000
<b>Sub-total Goanna</b>	<b>2,918,000</b>	<b>0.16</b>	<b>1.84</b>	<b>3.2</b>	<b>15,000</b>	<b>53,700</b>	<b>300,000</b>
<b>Chariot – Open Pittable &amp; Remnant Underground (reported above a 1.0 g/t gold equivalent cut-off)</b>							
Indicated	60,000	15.9	-	15.9	32,000	-	32,000
Inferred	110,000	18.8	-	18.8	67,000	-	67,000
<b>Sub-total Chariot</b>	<b>170,000</b>	<b>17.4</b>	<b>-</b>	<b>17.4</b>	<b>99,000</b>	<b>-</b>	<b>99,000</b>
<b>TOTAL</b>	<b>6,790,000</b>	<b>1.1</b>	<b>1.8</b>	<b>3.6</b>	<b>246,000</b>	<b>122,100</b>	<b>900,000</b>

Table 1: Global Mineral Resource Inventory

#### Gold Equivalent Calculation

Gold equivalent results are calculated using a gold price of US\$1,363/oz and a copper price of US\$7,297/t. Copper-rich ore would be processed using a conventional crush, grind and flotation route to a copper concentrate which would then be sold. Benchmarking of this processing route suggests that a copper recovery of 90-92% would be appropriate. Gold would be recovered by an industry standard carbon-in-pulp process leading to the generation of gold bars. No unconventional processing such as roasting or biological leaching is contemplated, therefore typical recoveries for such gold processing plants is in the range of 90-94%. Given the relative recoveries of both gold and copper are essentially identical, the equivalence formula has not been adjusted for recovery. The gold equivalent calculation used is  $AuEq (g/t) = Au (g/t) + ((Cu(\%) * 7297) / 43.82)$ , i.e. 1.0%Cu = 1.67g/t Au.

## REVIEW OF OPERATIONS

### *Goanna Maiden Resource*

A maiden Mineral Resource Estimation was reported to the ASX on 18 October 2013 for the recently discovered 100% owned Emmerson Goanna deposit. Independent consulting firm Optiro noted that the mineralisation is open in many directions and strongly recommended additional resource drilling.

### *Orlando Resource Upgrade*

Based on a 12 hole RC drilling program in the previous financial year at Orlando, Optiro completed a new Mineral Resource Estimation reported to the ASX on 18 October 2013. This estimate includes areas immediately below the open pit and above the underground workings, testing for extensions to the known mineralisation both down dip and along strike of Lenses 2 & 7 and testing for continuity of mineralisation between these areas (the “Gap Zone”). Based on the success of this drilling program, there is good potential to define additional gold and copper mineralisation outside of the present resource envelope.

### *Chariot Resource Upgrade*

Consistent with the strategy of continuing to build a high quality resource base, Emmerson and independent resource consultant Optiro completed a re-evaluation of the Chariot Mine - leading to a substantial upgrade to the JORC compliant gold resources and also providing a path to early production from the 100% owned Emmerson CIP mill (reported to the ASX on 28 November 2013).

This new Chariot mine plan consists of an enlarged open pit that extracts over 40,000 ounces of gold at a grade of 17.7g/t, and then contemplates reconnecting to the existing underground development to extract a further 58,000 ounces at a grade of 17.2g/t gold. There remains excellent potential to greatly expand both the open pit and underground resources, as both remain open in most directions.

The recent HeliTEM survey over the entire Chariot mineralised corridor indicates excellent brownfield potential at Mondeuse, Analytic and West Gibbet, and also identifies a new generation of non-magnetic, hematite hosted gold deposits that were largely blind to previous explorers.

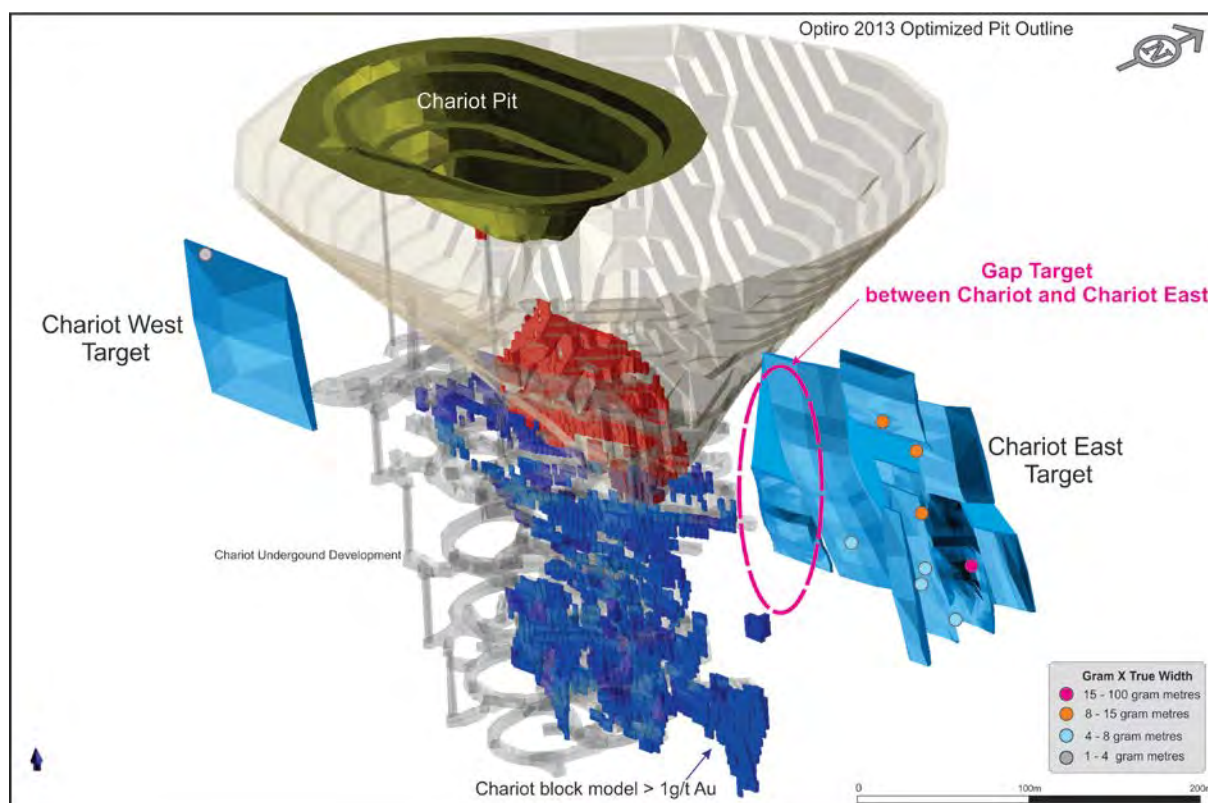


Figure 4: Chariot 3D view showing 2013 Optimized pit outline, open pit resource (orange), underground (dark blue) and additional Chariot targets (East, West & Gap)



## REVIEW OF OPERATIONS

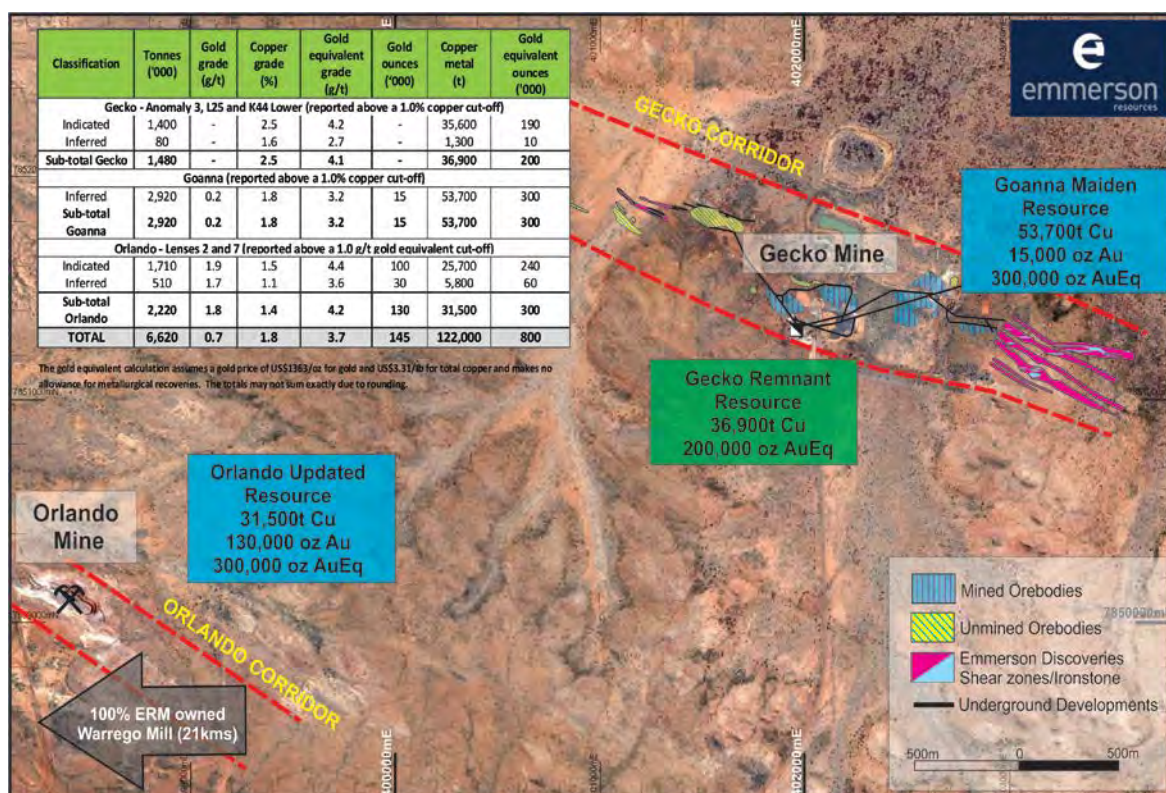


Figure 5: Mineral Resource Estimations and proximity to Infrastructure within the Gecko mineralized Corridor

The information that refers to Exploration Results and Mineral Resources in this report was prepared and first disclosed under the 2004 Edition of the JORC Code. It has not been updated since to comply with the 2012 Edition of the JORC Code on the basis that the information has not materially changed since last reported.

### Corporate

In light of the difficult market conditions during the year we implemented cost reduction initiatives whilst preparing for an aggressive drilling program aimed at rapidly building our JORC resource base.

A non-renounceable entitlement issue and shortfall offer of one share for every four shares held at an issue price of \$0.025 per share raising \$1,638,150 was successfully completed with 65,525,991 shares allotted on 3 April 2014.

Prior to 28 October 2013 the Company was exploring the TCMF both in its own right and with Inova Resources Limited (Inova) pursuant to a Farm-in agreement whereby Inova was sole funding \$28 million in exploration to acquire and retain 51% interest in the majority of the consolidated entity's tenements. Inova withdrew from the Farm-in agreement with effect from 28 October 2013 and forfeited its 51% interest in the mineral titles subject of the agreement and Emmerson accordingly regained 100% ownership of the mineral titles.

On 11 June 2014 the Company entered into a new Farm-in agreement with Evolution Mining Limited (Evolution). Under the terms of the Farm-in agreement, Evolution will sole fund exploration expenditure of \$15 million over three years to earn a 65% interest (Stage 1 Farm-in) in Emmerson's tenement holdings in the TCMF. A further \$10 million minimum, sole funded by Evolution over two years following the Stage 1 Farm-in, will allow Evolution to earn an additional 10% (Stage 2 Farm-in) of the tenement holdings. Evolution must spend a minimum of \$7.5 million on exploration before it can terminate the Farm-in. Emmerson will act as manager during the Stage 1 Farm-in and be entitled to receive a management fee during this period.



## REVIEW OF OPERATIONS

### Our People

The success of Emmerson is very dependent on getting the “right people” doing the right tasks. Emmerson has attracted and retained great people through offering flexible employment contracts and providing challenging work which rewards innovation and sound science. In the past financial year Emmerson has maintained a very stable but small corporate office in Perth together with specialised, geoscientific consultants.

The main exploration base is situated in the town of Tennant Creek, Northern Territory, and is capably managed by our Exploration Manager, Steve Russell. He is supported by a highly competent and dedicated team, many of whom are residents in Tennant Creek.



The Emmerson Resources Team

### Competency Statement

*The information in this report which relates to Exploration Results is based on information compiled by Mr Steve Russell BSc, Applied Geology (Hons), MAIG, MSEG. Mr Russell is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition and the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Russell is a full time employee of the Company and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears (Figures 1, 2, 3, 4, & 5). Mr Russell holds an interest in the following securities in the Company: 387,500 Shares and 225,000 Performance Rights.*

*The information in this report which relates to Mineral Resources is based upon information compiled by Mr Ian Glacken, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Ian Glacken is an employee of Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition and the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ian Glacken consents to the inclusion in this report of a summary based upon his information in the form and context in which it appears (Table 1).*

## HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

### Health and Safety

Emmerson Resources continues its commitment to the highest standards of workplace safety. A comprehensive Occupational Health and Safety Program is in place to ensure the health and safety of our employees, contractors, visitors and the public. A culture of taking personal responsibility for practical, risk-based safety management has been adopted by our team.

Supporting systems include a Health and Safety Committee, weekly staff safety meetings, workplace inspections, hazard and incident reporting, regular training modules, and regular fitness for work monitoring. Individuals demonstrating proactive safety are recognised with quarterly safety awards.

All applicable staff have undertaken health monitoring medicals in accordance with the Work Health and Safety Act and Regulations.

Emmerson achieved the outstanding record of 1,711 days without a lost time injury (LTI) as at 30 June 2014 - a credit to the commitment of the entire team.

<b>Summary of Key Safety Statistics:</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>
Total Company Man Hours Worked	60,869	59,310	42,593	16,770
Lost Time Injuries (LTIs)	0	0	0	0
Medical Treated Injuries (MTIs)	1	0	0	0
Lost Time Injury Frequency Rates (LTIFR)	0	0	0	0
Total Recordable Injury Frequency Rate (TRIFR)	16.4	0	0	0
Incidents Reported	11	3	3	0

### Environment

Emmerson cares for the environment and is committed to the efficient use of resources, minimisation of waste and pollution and reducing the environmental impact of our operations. We strive towards the implementation and maintenance of management systems for sustainable development that drive continual improvement.

The company has adequate systems in place for the management of its environmental responsibilities and it is pleasing to report that there were no environmental incidents or breaches of the regulations during the past year – continuing our unblemished record and one that our people are proud of and committed to maintaining. A recent environmental audit from the NT Department of Resources, which inspected many former drill sites, confirmed Emmerson's environmental obligations are being met.

### Community

Emmerson Resources aspires to support our community with the goal to provide lasting social and economic benefits to society. We strive to be a valued corporate citizen in our communities and respect the values and cultural heritage of local people and their social and economic needs. We also strive towards the implementation and maintenance of management systems for sustainable development that drive continual improvement. Key commitments to our community include contributing to making the communities in which we operate better places to live and do business, and we support ethical trade in our purchasing practices.

Emmerson continues to support community and sporting organisations in the Tennant Creek area and employees continued their voluntary involvement in organisations such as the Tennant Creek Bush Fire Brigade, St. John Ambulance, NT and the NT Fire and Rescue service.

Emmerson are proud supporters of the Clontarf Foundation in Tennant Creek and the company's partnership with the Clontarf Foundation and it's academy at Barkly College continues to prosper with several Clontarf students participating in our after school work program and spending time in the field during their school vacation.

Emmerson received the 2012 Community Care Golden Heart Award for the Tennant Creek and Barkly Region recognising the valuable contribution the Company has made to the town and region.

## SHAREHOLDER INFORMATION AS AT 19 SEPTEMBER 2014

	Number of holders	Number of units held	% of issued
<b>ORDINARY SHARES</b>			
<i><b>Distribution of ordinary shares</b></i>			
1 – 1,000	30	4,061	0.00%
1,001 – 5,000	184	653,527	0.17%
5,001 – 10,000	194	1,602,871	0.43%
10,001 – 100,000	802	34,125,053	9.06%
100,001 and over	344	340,457,192	90.34%
Total	1,554	376,842,704	100.00%

<i><b>Holdings less than a marketable parcel of shares</b></i>	480	3,117,266	0.83%
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### ***Twenty largest ordinary shareholders***

National Nominees Limited	65,783,465	17.46%
Evolution Mining Limited	49,144,000	13.04%
Chinova Resources Pty Ltd	22,610,000	6.00%
HSBC Custody Nominees (Australia) Limited - A/C 3	10,850,702	2.88%
J P Morgan Nominees Australia Limited	10,345,902	2.74%
Citicorp Nominees Pty Limited	10,211,658	2.71%
Whittingham Securities Pty Limited	8,000,000	2.12%
Pan Australian Nominees Pty Limited	5,794,871	1.54%
Mr Simon Andrew	5,136,029	1.36%
Mr Bruce Graham	5,000,000	1.33%
Kurraba Investments Pty Ltd	5,000,000	1.33%
Shorlane Pty Ltd <Jolma Super Fund A/C>	4,687,500	1.24%
BNP Paribas Noms (NZ) Ltd <DRP>	3,567,444	0.95%
Equity Trustees Limited <Lowell Resources Fund A/C>	2,875,000	0.76%
Zero Nominees Pty Ltd	2,483,573	0.66%
Willstreet Pty Ltd	2,475,000	0.66%
Mr Robert Trevor Bills	2,223,125	0.59%
Mr Ian Michael Paterson Parker + Mrs Catriona Sylvia Parker	2,000,000	0.53%
Mrs Lauren Michelle Rennick	2,000,000	0.53%
Mr Larry Schreier	2,000,000	0.53%
	222,188,269	58.96%

### ***Substantial shareholders***

National Nominees Limited	65,783,465	17.46%
Evolution Mining Limited	49,144,000	13.04%
Chinova Resources Pty Ltd	22,610,000	6.00%
	137,537,465	36.50%

There is no current on market buy back.

### **UNQUOTED RIGHTS OVER ORDINARY SHARES**

Exercise price of nil vesting on 25/11/14	6	331,250	15.32%
Exercise price of nil vesting on 04/12/14	1	500,000	23.12%
Exercise price of nil vesting on 25/11/15	6	200,000	9.25%
Exercise price of nil vesting on 04/12/15	1	500,000	23.12%
Exercise price of nil vesting on 25/11/16	5	131,250	6.07%
Exercise price of nil vesting on 04/12/16	1	500,000	23.12%
	20	2,162,500	100.00%



## DIRECTORS' REPORT

The Directors of Emmerson Resources Limited ("Company" or "Emmerson" or "consolidated entity") submit their report for the year ended 30 June 2014.

### DIRECTORS

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

#### **Andrew McIlwain** B.Eng (Mining) – Non-executive Chairman

Andrew McIlwain is a qualified mining engineer with over 25 years' experience in the mining industry and has held operational, technical, senior management and executive roles within Mt. Isa Mines Limited, Central Norseman Gold Corporation, WMC Resources Limited and Lafayette Mining Limited. Mr McIlwain has also served as a member of the Company's Audit and Risk Management Committee since 11 June 2014.

Mr McIlwain has been a Director of Emmerson since April 2007 and during the past three years has also served as a director of the following listed companies:

- Unity Mining Limited (Managing Director & CEO since December 2011)
- Kidman Resources Limited (Director since October 2011)
- Almonty Industries Inc. (Director from October 2011 to March 2013)
- Verus Investments Limited (Director from April 2008 to November 2011)

#### **Robert Bills** B.Sc, M.Sc - Managing Director and Chief Executive Officer

Rob Bills is a geologist and holds a Bachelor of Science Degree from Monash University and a Master of Science Degree from James Cook University. Prior to joining Emmerson Resources Mr. Bills had a 25 year career with Western Mining Corporation, then BHP Billiton where he held the position of global commodity specialist.

Mr Bills has been a Director of Emmerson since September, 2007 and during the past three years has not served as a director of any other listed company.

#### **Tim Kestell** B. Comm - Non-executive Director (Resigned 11 June 2014)

Tim Kestell has over 14 years' experience in capital markets including working for Australian stockbrokers Euroz Securities Limited and Patersons where he advised high net worth clients. In recent years, Mr Kestell has played a key role in forming and/or re capitalising publicly listed companies and finding new ventures for them. Mr Kestell was the Chairman of the Company's Audit and Risk Management Committee.

Mr Kestell resigned as a Director of Emmerson on 11 June 2014 and during the past three years has also served as a director of the following listed companies:

- Blue Capital Limited (Director since March 2009)
- Indago Resources Limited (Director since August 2009)
- Emerald Oil and Gas NL (Director from 11 October 2013 to 20 August 2014)

#### **Simon Andrew** B.Sc (Honours) - Non-executive Director

Simon Andrew has significant experience in the Australian and Asian financial markets including equity research covering the Asian refining and petrochemical sector for a leading European investment bank. He also has extensive experience in corporate financing transactions involving both equity and hybrid equity instruments. Recent experience includes a senior executive role in the equity derivatives division of a United States investment bank. Mr Andrew also serves as a member of the Company's Audit and Risk Management Committee.

Mr Andrew has been a Director of Emmerson since July 2006 and during the past three years has not served as a director of any other listed company.

## DIRECTORS' REPORT

### COMPANY SECRETARY

**Trevor Verran** B Comm., CPA

Trevor Verran holds a Bachelor of Commerce degree from University of Western Australia and is a Certified Practicing Accountant with extensive experience in both the accounting profession and the mining industry. Prior to 2000, he held a senior position in an international firm of accountants. More recently Trevor's experience has included the provision of accounting, financial management and company secretarial services for a number of public mining companies, including Aurora Gold Limited (2000 to 2003), Polaris Metals NL (CFO and company secretary from 2004 to 2011) and Northern Uranium Limited.

Mr Verran has been the CFO and Company Secretary of Emmerson since December 2011.

### DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	<b>Directors' Meetings</b>	<b>Audit Committee Meetings</b>
<b>Number of meetings held</b>	8	2
<b>Number of meetings attended:</b>		
Andrew McIlwain	8	-
Robert Bills	8	-
Tim Kestell	6	2
Simon Andrew	8	2

All directors were eligible to attend all meetings held, except for Tim Kestell, who was eligible to attend six directors' meetings.

### DIRECTORS' INTERESTS

Interests in shares and rights of the Company and related bodies corporate at the date of this report:

	<b>Ordinary shares</b>	<b>Unlisted rights</b>
Andrew McIlwain	1,334,927	-
Robert Bills	3,246,225	1,500,000
Simon Andrew	5,181,484	-

### DIVIDENDS

No dividends were paid or declared by the Company since the end of the previous financial year.

### PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the course of the financial year was exploration and evaluation of mineral interests.

There were no significant changes in the nature of activities during the year.

## **DIRECTORS' REPORT**

### **OPERATING AND FINANCIAL REVIEW**

#### **Overview**

Emmerson was incorporated in November, 2005 and acquired a suite of exploration and mining tenements covering some 2,500 kms<sup>2</sup> of the Tennant Creek Mineral Field (TCMF), the 300,000 tonne per annum Warrego gold plant (located approximately 50km to the northwest of Tennant Creek) and associated exploration and support infrastructure in the township of Tennant Creek, Northern Territory, Australia. Emmerson has consolidated 95% of the highly prospective TCMF where only 8% of the historical drilling has penetrated below 150m. The Company listed on the Australian Securities Exchange (ASX) on 17 December 2007; ASX code: ERM.

Emmerson is exploring the TCMF in the Northern Territory, one of Australia's most prolific gold-copper districts producing over 5.5 Mozs of gold and 470,000 tonnes of copper from a variety of deposits including Gecko, Orlando, Warrego, White Devil, Chariot and Golden Forty, all of which are within Emmerson's exploration portfolio. Utilising modern exploration techniques, Emmerson has discovered copper and gold mineralisation at Goanna and Monitor in late 2011, the first discoveries in the TCMF for over a decade. To date, Emmerson has only covered 5.5% of the total tenement package (in area) with its innovative exploration techniques and is confident that, with further exploration, more such discoveries will be made.

During the year Emmerson continued its twofold strategy of building quality gold-copper resources through near mine and brownfield exploration, and leveraging its proprietary exploration technology to identify new opportunities in the brownfields and more regional, greenfield environments.

The Company was exploring the TCMF both in its own right and with Inova Resources Limited (Inova) pursuant to a Farm-in agreement whereby Inova was sole funding \$28 million in exploration to acquire and retain 51% interest in the majority of the consolidated entity's tenements. Inova withdrew from the Farm-in agreement with effect from 28 October 2013 and forfeited its 51% interest in the mineral titles subject of the agreement and Emmerson accordingly regained 100% ownership of the mineral titles.

On 11 June 2014 the Company entered into a new Farm-in agreement with Evolution Mining Limited (Evolution). Under the terms of the Farm-in, Evolution will sole fund exploration expenditure of \$15 million over three years to earn a 65% interest (Stage 1 Farm-in) in Emmerson's tenement holdings in the TCMF. A further \$10 million minimum, sole funded by Evolution over two years following the Stage 1 Farm-in, will allow Evolution to earn an additional 10% (Stage 2 Farm-in) of the tenement holdings. Evolution must spend a minimum of \$7.5 million on exploration before it can terminate the Farm-in. Emmerson will act as manager during the Stage 1 Farm-in and be entitled to receive a management fee during this period. Initial Consideration of 2,504,383 Evolution shares at an issue price of \$0.7986 per share (value \$2 million) was received under this Farm-in agreement.

Subsequent to the end of the financial year on 7 July 2014, Evolution subscribed for 49,144,000 shares in Emmerson at a price of \$0.0381 per share resulting in Evolution holding 13% of Emmerson issued capital.

#### **Operating Results for the Year**

The net loss for the year ended 30 June 2014 was \$4,495,664 compared to the previous year loss of \$4,792,616.

The major items comprising the net loss for the year were management and consulting fees revenue of \$178,094 (2013: \$35,020), interest revenue of \$80,924 (2013: \$261,941) offset by consulting and legal expenses of \$118,751 (2013: \$215,866), employee benefits expense of \$1,140,200 (2013: \$1,147,310), exploration expenditure impairment of \$182,556 (2013: \$3,194,955), plant and equipment impairment of \$3,000,000 (2013: nil), and other administrative expenses of \$119,915 (2013: \$193,428).



## **DIRECTORS' REPORT**

### **Financial Position**

Net assets and total equity decreased by \$2,771,203 during the year predominantly due to the net loss of \$4,495,664. The balance of exploration and evaluation assets carried forward at the end of the year was \$18,204,330 (2013: \$19,630,149).

Net assets and total equity at 30 June 2014 was \$25,226,367 (2013: \$27,997,570).

Cash and assets utilised by the Company for the year is consistent with the Company's business objectives and the Directors believe the Company is in a position to continue its exploration endeavors.

### **Risk and Risk Management**

Sufficient liquidity to ensure financial obligations are being met as they fall due is the Company's significant business risk. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in short term bank deposits. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

### **Exploration Activities**

A detailed review of the Company's exploration activities is contained in the Review of Operations section of this Annual Report.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

The Company's issued capital increased to \$42,036,824 from \$40,282,497, an increase of \$1,754,327 (including share issue costs) with the major movement comprising an issue of 65,525,991 shares under a non-renounceable entitlements issue.

Significant changes in assets during the year were as follows:

- An increase in non-current other financial assets of \$2,000,000 for the initial consideration of 2,504,383 Evolution Mining Limited shares at an issue price of \$0.7986 per share (value \$2 million) on entering into the Field Farm-in agreement.
- A decrease in value of property, plant and equipment of \$3,105,313 primarily due an impairment charge of \$3,000,000 against the carrying value of the Warrego mill and processing plant following an independent valuation assessing the fair value of the plant as \$2,500,000.
- A decrease in exploration and evaluation assets of \$1,425,819 due mainly to the initial consideration of 2,504,383 Evolution Mining Limited shares (value \$2 million) on entering into the Field Farm-in agreement credited against the assets carrying value offset by exploration expenditure incurred on mineral interests during the year.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

Subsequent to the end of the reporting date, Evolution Mining Limited (Evolution) subscribed for 49,144,000 shares in the Company at a price of 0.0381 cents per share for cash consideration of \$1.872 million resulting in Evolution holding 13% of the Company's issued capital.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company will continue its exploration and development activities in Tennant Creek Mineral Field in the Northern Territory with the object of identifying commercial resources. Exploration and development activities will now be conducted under the recent Farm-in agreement entered into with Evolution Mining Limited (Evolution) whereby Evolution will sole fund exploration expenditure of \$15 million over three years to earn a 65% interest (Stage 1 Farm-in) in Emmerson's tenement holdings. A further \$10 million minimum, sole funded by Evolution over two years following the Stage 1 Farm-in, will allow Evolution to earn an additional 10% (Stage 2 Farm-in) of the tenement holdings. Emmerson will act as manager during the Stage 1 Farm-in and be entitled to receive a management fee during this period.

## DIRECTORS' REPORT

### ENVIRONMENTAL REGULATION

The exploration activities of the consolidated entity are subject to environmental regulations imposed by various regulatory authorities, particularly those relating to ground disturbance and the protection of rare and endangered flora and fauna.

Santexco Pty Ltd (Santexco), a wholly owned subsidiary of the Company, entered into a Rehabilitation Agreement (dated 6 November, 2001) with the Northern Territory (NT) Government, whereby Santexco is obliged to perform rehabilitation obligations to the value of \$750,000 per annum for 6 years (a total obligation of \$4,500,000) on various mineral tenements, or pay the difference between the actual rehabilitation performed per year on the tenements and \$750,000 into a deposit account held by the NT Government at each of the 6 anniversary dates of the agreement. To date Santexco has performed actual rehabilitation obligations of \$333,041 and lodged a bank guarantee to the value of \$416,958 with the NT Government. There are 5 anniversary dates for the agreement outstanding.

The consolidated entity is party to a binding agreement with the NT Government (Department of Regional Development, Primary Industry, Fisheries and Mines) dated 31 July, 2006 whereby the NT Government has agreed that the rehabilitation obligations described in the Rehabilitation Agreement are suspended (on "standstill") until 45 days of cumulative commercial production from the consolidated entity's tenements.

Given the permanent standstill arrangement in place with the NT Government and that any recommencement of commercial production is at the complete discretion of the consolidated entity, there is currently no requirement for the consolidated entity to perform any rehabilitation obligations on any tenements, except to the extent that the rehabilitation relates to the exploration activities of the consolidated entity since August, 2006.

The consolidated entity has complied with all material environmental requirements up to the date of this report. The directors believe that the Company has adequate systems in place for the management of its environmental responsibilities and are not aware of any breaches of the regulations during the period covered by this report.

### SHARE OPTIONS AND RIGHTS

#### Options over ordinary shares:

As at the date of this report and the reporting date there were no unissued shares under option. There were no unissued ordinary shares under options at 30 June 2013.

#### Rights over ordinary shares:

As at the date of this report, unissued ordinary shares under performance rights were as follows:

Exercise price of nil vesting on 25/11/14	331,250
Exercise price of nil vesting on 04/12/14	500,000
Exercise price of nil vesting on 25/11/15	200,000
Exercise price of nil vesting on 04/12/15	500,000
Exercise price of nil vesting on 25/11/16	131,250
Exercise price of nil vesting on 04/12/16	500,000
	<u>2,162,500</u>

No performance rights were issued during the financial year or since the end of the year. Each performance right when exercised entitles the holder to one fully paid ordinary share in the Company (without any amount being payable for the exercise of the performance right and receipt of the share).

1,050,000 shares were issued on vesting and exercise of performance rights at an exercise price nil during the financial year and 68,750 shares were issued on exercise of performance rights at an exercise price of nil since the end of the year end. 450,000 performance rights at an exercise price of nil were forfeited unexercised since the end of the year end due to cessation of permanent employment of the holders of the rights.

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited)

This Remuneration Report for the year ended 30 June 2014 outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the *Corporations Act 2001* (the *Act*) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

For the purposes of this report the term 'executive' encompasses the Managing Director and Chief Executive Officer, the Chief Financial Officer and Company Secretary, the Principal Geologist and the Exploration Manager – Tennant Creek.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements
6. Company performance and link to remuneration
7. Employment contracts of key management personnel
8. Details of remuneration
9. Equity instruments disclosures

#### 1. Individual key management personnel disclosures

Details of key management personnel in the Company and the consolidated entity are set out below:

##### Non-executive Directors:

Andrew McIlwain	Chairman (Non-executive)
Tim Kestell (resigned 11/06/14)	Director (Non-executive)
Simon Andrew	Director (Non-executive)

##### Executive Director:

Robert Bills	Managing Director and Chief Executive Officer
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##### Other Executives:

Trevor Verran	Chief Financial Officer and Company Secretary
Grant Osborne (ceased 10/06/14)	Principal Geologist
Steve Russell	Exploration Manager – Tennant Creek

There have been no changes to key management personnel after the reporting date and before the date the financial report was authorised for issue.

#### 2. Remuneration at a glance

##### **Executive Remuneration**

Emmerson Resources Limited's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognise the contribution of each employee to the exploration success and growth of the consolidated entity.

The remuneration policy is to bench-mark total remuneration for individual employee's and directors against peer-group organisations to ensure a competitive offering.



## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

There have been no material changes to the short-term incentive bonus plan for the 2014 financial year. For the performance period covered by this report 50% of the short-term incentive payment is based on the increase in the market capitalisation of the Company based on a 20 day moving average of market capitalisation, 30% is based on "discovery success" and 20% is based on the attainment of individual key performance indicators.

In recognition of the performance of the Company and the executive during the year a total of \$50,000 was earned by Mr. Bills as a short-term incentive bonus during the 2014 financial year.

Long-term incentive awards consist of share purchase options under the Company's Incentive Option Scheme or share purchase rights under the Company's Performance Rights Plan which vest based on the attainment of service mile-stones. The objectives of these long-term incentive awards are to provide the Company with a remuneration mechanism, through share ownership, to motivate, retain and reward the performance of executives.

No long-term incentives awards were earned by the Company KMPs during the financial year under the Company's Incentive Option Scheme or Performance Rights Plan.

### 3. Board oversight of remuneration

#### *Remuneration Committee*

The Company does not have a Remuneration Committee hence the full board is responsible for determining the remuneration arrangements for all members of the board and executives.

The board assesses the appropriateness of the nature and amount of remuneration of the non-executive directors and executives 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 performing director and executive team. In determining the level and composition of executive remuneration, the board takes advice from external consultants to bench mark remuneration against the external market.

#### *Remuneration approval process*

The board approves the remuneration arrangements of the Chief Executive Officer, executives and all awards made under the long term incentive plans. The board also sets the aggregate remuneration of non-executive directors which is then subject to shareholders approval.

The board also approves, having regard to the recommendations made by the Chief Executive Officer and Managing Director, all payments awarded to executives and employees under the Company's short term incentive plan.

#### *Remuneration strategy*

Emmerson Resources Limited's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the success of the consolidated entity.

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the Company's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Company performance and rewards; and
- Align the interests of executives with shareholders.

## **DIRECTORS' REPORT**

### **REMUNERATION REPORT (audited) (continued)**

#### ***Remuneration Structure***

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

#### **4. Non-executive Director remuneration arrangements**

##### ***Remuneration Policy***

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to non-executive directors of comparable companies. The Board considers advice from external sources (for example remuneration surveys) when undertaking the annual review process.

The Company's constitution and the Australian Securities Exchange (ASX) listing rules specify that the non-executive director fee pool shall be determined from time to time by shareholders in general meeting. The latest determination by shareholders was at the 2009 annual general meeting (AGM) held on 25 November, 2009 when shareholders approved an aggregate fee pool of \$250,000 per year.

The board will not seek any increase for the non-executive director pool at the 2014 AGM.

##### ***Structure***

Following a 10% cut in May 2013, Non-executive directors' base fees are presently \$32,400 per annum and the Chairman \$67,500 per annum. The Company also pays superannuation where applicable in addition to the base fees.

The non-executive directors agreed to suspend payment of their directors' fees from 1 September 2013 until the Company secured ongoing funding for its activities. Directors' fees were re-instated in June 2014 together with the back payment of suspended fees.

Non-executive directors presently do not hold any options over ordinary shares.

#### **5. Executive remuneration arrangements**

##### ***Remuneration levels and mix***

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice. The remuneration policy is to bench-mark total remuneration for executives against peer-group organisations to ensure a competitive offering; bench-marking is conducted annually. All Key Management Personnel's cash remuneration mix comprises 75% fixed remuneration and 25% short term incentive.

##### ***Structure***

Remuneration packages contain the following key elements:

Executive remuneration framework consists of the following components:

- Fixed remuneration;
- Short Term Incentive; and
- Long Term Incentive

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

Remuneration component	Vehicle	Purpose	Link to performance
Fixed Remuneration	<ul style="list-style-type: none"> <li>Comprises base salary, superannuation and other benefits</li> <li>Paid in cash</li> </ul>	<ul style="list-style-type: none"> <li>Set with reference to role, market and experience</li> </ul>	<ul style="list-style-type: none"> <li>No link to performance</li> </ul>
Short Term Incentive component	<ul style="list-style-type: none"> <li>Paid in cash</li> </ul>	<ul style="list-style-type: none"> <li>Rewards contribution to achievement of Company outcomes, as well as key performance indicators (KPI's)</li> </ul>	<ul style="list-style-type: none"> <li>20 day moving average market capitalisation</li> <li>Internal measures such as discovery success</li> </ul>
Long Term Incentive component	<ul style="list-style-type: none"> <li>Awards are made in the form of share purchase options or share purchase rights</li> </ul>	<ul style="list-style-type: none"> <li>Rewards contribution to the creation of shareholder value over the longer term</li> </ul>	<ul style="list-style-type: none"> <li>Vesting of awards is dependent on continuity of employment</li> </ul>

#### **Fixed Remuneration**

Executive contracts of employment do not include any guaranteed base pay increases. Total employment cost is reviewed annually by the Board. The process consists of a review of Company and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external information independent of the board.

#### **Variable remuneration – short term incentive (STI)**

The Company operates an annual STI program that is available to all executives and awards a cash bonus subject to the attainment of clearly defined Company, business and individual measures.

The total potential STI available to individual executives is set at a level so as to provide sufficient incentive to executives to achieve their targets and such that the cost to the Company is reasonable in the circumstances.

Actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the year are met. The targets consist of a number of key performance indicators covering financial, non-financial, corporate and individual measures of performance.

Performance measures	Proportion of STI award measure applies to
Financial measure <ul style="list-style-type: none"> <li>Market capitalisation of the Company, measured on a 20 day moving average</li> </ul>	50%
Non-financial measures <ul style="list-style-type: none"> <li>Discovery success</li> <li>Individual key performance indicators</li> </ul>	30% 20%

The measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long-term value.

The aggregate of the annual STI payments available for executives across the Company is subject to the approval of the Board. On an annual basis, after consideration of performance against KPI's, the Board, in line with their responsibilities, determine the amount if any, of the short-term incentive to be paid to each executive and in the case of all executives except the Managing Director and Chief Executive Officer, the Board gives due consideration to the recommendations of the Managing Director and Chief Executive Officer in this regard. This process usually occurs within three months after the end of each year and payments made are delivered as a cash bonus.

In recognition of the performance of the Company and the executive a total of \$50,000 was earned by Mr. Bills as a STI bonus during the 2014 financial year which was paid in cash in August 2014. The minimum STI bonus payable to Mr. Bills for the 2014 financial year was nil and the maximum \$90,000.

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

#### ***Variable remuneration – long term incentive (LTI)***

LTI awards are made periodically to executives in order to align remuneration with the creation of shareholder value over the long-term.

#### ***LTI – share options***

LTI share options are made under the Company's Incentive Option Scheme at the determination of the Board. Each option entitles the holder to one fully paid ordinary share of the Company and the number of options issued is determined by the Board. Options are typically awarded to executives at the commencement of their employment with the Company, vest after two years, the exercise price is set at a premium to the market price of the shares at the date of grant and have a term of five years with the executive able to exercise the options up to three years after vesting before the options lapse.

There were no share options awarded during the financial year ended 30 June, 2014.

Executives do not presently hold any options over ordinary shares and all options previously held by executives expired unexercised during the previous financial year.

Executives are prohibited from entering into any hedging arrangements over unvested options under the Incentive Option Scheme and *Corporations Act 2001*.

#### ***LTI – share purchase rights***

LTI share purchase rights are made under the Company Performance Rights Plan (approved by shareholders at the Company annual general meeting held on 27 November, 2012) at the determination of the Board. Each share purchase right entitles the holder to one fully paid ordinary share of the Company and the number of rights issued is determined by the board. Rights may be awarded to executives on an annual basis with vesting conditions set by the board. The share purchase rights typically vest over four years from issue date and there are no performance measures attached to vesting, the rights are issued primarily as a retention initiative. No cash consideration is required to be paid to exercise rights, with the executive able to exercise the rights up to five years after issue before the rights lapse and is generally forfeited if service conditions have not been satisfied.

Executives are prohibited from entering into any hedging arrangements over unvested rights under the Performance Rights Plan and *Corporations Act 2001*.

No performance rights were awarded under this plan during the financial year or since the end of the year.

### **6. Company performance and the link to remuneration**

The STI variable components of the executives' remuneration is indirectly linked to the performance of the Company summarised for the five years to 30 June 2014 as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Closing share price (cents)	3.8	3.5	12.0	12.0	17.0
Basic loss per share (cents)	(1.62)	(1.68)	(0.62)	(0.69)	(0.82)

### **7. Employment contracts of key management personnel**

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director and Chief Executive Officer and the other key management personnel are formalised in service agreements that provide for the provision of performance-related cash bonuses (STI) and participation in the LTI.

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

Key terms of agreements for current key management personnel are as follows:

	Commence- ment date	Term	Notice period	Base salary & fees	Variable remuneration
Non-executive directors:					
Andrew McIlwain	26/04/07	No fixed term	n/a	\$67,500	LTI
Simon Andrew	21/07/06	No fixed term	n/a	\$32,400	LTI
Executive director:					
Robert Bills	11/09/07	No fixed term	12 months	\$360,000	STI/LTI
Other executives:					
Trevor Verran	02/12/12	No fixed term	3 months	\$180,000	STI/LTI
Steve Russell	10/12/07	No fixed term	1 month	\$170,000	STI/LTI

### 8. Details of remuneration

	Short-term				Post Employ- ment	Share- based payments	Total	Perfor- mance related
	Salary & fees \$	Cash bonus	Non- monetary benefits \$	Other benefits \$	Superann- uation benefits \$	Options & rights \$	\$	%
<b>2014</b>								
Non-executive directors:								
Andrew McIlwain <sup>1</sup>	71,453	-	-	1,845	-	-	73,298	-
Tim Kestell (resigned 11/6/14)	30,672	-	-	1,845	2,900	-	35,417	-
Simon Andrew	32,400	-	-	1,845	2,997	-	37,242	-
Executive director:								
Robert Bills	360,000	50,000	1,905	4,376	33,300	75,000	524,581	9.53%
Other executives:								
Trevor Verran	171,650	-	-	-	25,000	2,894	199,544	-
Grant Osborne (ceased 10/6/14)	206,827	-	-	-	23,924	16,068	246,819	-
Steve Russell	161,351	-	33,366	-	14,804	16,068	225,589	-
	<u>1,034,353</u>	<u>50,000</u>	<u>35,271</u>	<u>9,911</u>	<u>102,925</u>	<u>110,030</u>	<u>1,342,490</u>	
<b>2013</b>								
Non-executive directors:								
Andrew McIlwain <sup>1</sup>	75,000	-	-	2,235	-	-	77,235	-
Tim Kestell	35,400	-	-	2,235	3,186	-	40,821	-
Simon Andrew	35,400	-	-	2,235	3,186	-	40,821	-
Executive director:								
Robert Bills	416,814	-	-	5,156	35,400	-	457,370	-
Other executives:								
Trevor Verran	189,370	-	-	-	24,999	723	215,092	-
Grant Osborne	210,809	-	-	-	24,999	23,281	259,089	-
Steve Russell	189,225	-	32,407	-	16,815	23,281	261,728	-
	<u>1,152,018</u>	<u>-</u>	<u>32,407</u>	<u>11,861</u>	<u>108,585</u>	<u>47,285</u>	<u>1,352,156</u>	

Note 1 - Fees paid to Andrew McIlwain and Associates Pty Ltd for services as a director of the Company.



## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

#### 9. Equity instrument disclosures

##### a) Option holdings of key management personnel

	Held at 1 July 2012	Exercise of options	Lapsed	Held at 30 June 2013	Vested and exercis- able at 30 June 2013
<b>2013</b>					
Directors:					
Andrew McIlwain	2,500,000	-	(2,500,000)	-	-
Robert Bills	10,000,000	-	(10,000,000)	-	-
Tim Kestell	1,500,000	-	(1,500,000)	-	-
Simon Andrew	1,500,000	-	(1,500,000)	-	-
Peter Reeve (resigned 8/06/12)	1,500,000	-	(1,500,000)	-	-
Other executives:					
Steve Russell	500,000	-	(500,000)	-	-
<b>Total</b>	<b>17,500,000</b>	<b>-</b>	<b>(17,500,000)</b>	<b>-</b>	<b>-</b>

There were no option holdings by key management personnel during 2014.

##### b) Rights holdings of key management personnel

	Held at 1 July 2013	Granted as compens- ation	Exercise of rights	Held at 30 June 2014	Vested and exercis- able at 30 June 2014
<b>2014</b>					
Directors:					
Robert Bills	2,000,000	-	(500,000)	1,500,000	-
Other executives:					
Trevor Verran	100,000	-	-	100,000	-
Steve Russell	412,500	-	(150,000)	262,500	-
Grant Osborne (ceased 10/6/14)	412,500	-	(150,000)	262,500	-
<b>Total</b>	<b>2,925,000</b>	<b>-</b>	<b>(800,000)</b>	<b>2,125,000</b>	<b>-</b>

	Held at 1 July 2012	Granted as compens- ation	Exercise of rights	Held at 30 June 2013	Vested and exercis- able at 30 June 2013
<b>2013</b>					
Directors:					
Robert Bills	-	2,000,000	-	2,000,000	-
Other executives:					
Trevor Verran	-	100,000	-	100,000	-
Steve Russell	375,000	150,000	(112,500)	412,500	-
Grant Osborne	375,000	150,000	(112,500)	412,500	-
<b>Total</b>	<b>750,000</b>	<b>2,400,000</b>	<b>(225,000)</b>	<b>2,925,000</b>	<b>-</b>

## DIRECTORS' REPORT

### REMUNERATION REPORT (audited) (continued)

#### c) Shareholdings of key management personnel

2014	Held at 1 July 2013	Granted as compensation	Exercise of rights	Net Purchases (sales)	*Held at 30 June 2014
Directors:					
Andrew McIlwain	1,067,941	-	-	266,986	1,334,927
Robert Bills	2,301,600	-	500,000	444,625	3,246,225
*Tim Kestell (resigned 11/6/14)	12,604,213	-	-	33,151,054	45,755,267
Simon Andrew	5,181,484	-	-	-	5,181,484
Other executives:					
Steve Russell	200,000	-	150,000		350,000
*Grant Osborne (ceased 10/6/14)	287,500	-	150,000		437,500
Total	21,642,738	-	800,000	33,862,665	56,305,403

\* The closing balance for Tim Kestell and Grant Osborne represents the shareholding on their respective termination dates.

2013	Held at 1 July 2012	Granted as compensation	Exercise of rights	Net Purchases (sales)	Held at 30 June 2013
Directors:					
Andrew McIlwain	1,067,941	-	-	-	1,067,941
Robert Bills	2,301,600	-	-	-	2,301,600
Tim Kestell	12,604,213	-	-	-	12,604,213
Simon Andrew	5,181,484	-	-	-	5,181,484
Other executives:					
Steve Russell	87,500	-	112,500		200,000
Grant Osborne	175,000	-	112,500		287,500
Total	21,417,738	-	225,000	-	21,642,738

#### d) KMP rights granted, exercised and lapsed for the 2014 financial year

	Value of rights exercised	No. of shares issued on exercise of rights	Paid per share on exercise of rights	Value of rights lapsed
Executive director:				
Robert Bills	\$22,500	500,000	-	-
Other executives:				
Trevor Verran	-	-	-	-
Grant Osborne	\$6,900	150,000	-	-
Steve Russell	\$6,900	150,000	-	-

The 2013 remuneration report was adopted at the company's 2013 Annual General Meeting (AGM) where over 98% of proxies received were in favour of the remuneration report for the 2013 financial year. The company received no questions at the 2013 AGM in relation to its remuneration report.

#### END OF REMUNERATION REPORT

## **DIRECTORS' REPORT**

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS**

The Company has entered into a Deed of Indemnity with each of the Directors to indemnify them to the maximum extent permitted by law against liabilities and legal expenses incurred in, or arising out of the conduct of the business of the Company or the discharge of the duties as a director.

Also pursuant to the Deed, the Company has paid premiums to insure the Directors against liabilities incurred in the conduct of the business of the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the amount of the premium and the nature of the liability insured against. The amount of the premium is included as part of the directors remuneration in the Remuneration Report.

### **INDEMNIFICATION OF AUDITORS**

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

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Emmerson Resources support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this annual report.

### **PROCEEDINGS ON BEHALF OF 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 was not a party to any such proceedings during the year.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 63 and forms part of the Director's Report for the year ended 30 June 2014.

### **NON-AUDIT SERVICES**

The auditor independence requirements of the *Corporations Act 2001* were not compromised during the year since there were no non-audit services provided by the Company's auditor, Ernst & Young.

Signed in accordance with a resolution of the Directors.



Rob Bills  
Managing Director & Chief Executive Officer  
30 September 2014

## CORPORATE GOVERNANCE STATEMENT

This statement reports on Emmerson Resources Limited ("Company" or "Emmerson" or "consolidated entity") corporate governance framework, principles and practices as at the date of this report. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the ASX Corporate Governance Principles and Recommendations ("ASX Principles") released by the ASX Corporate Governance Council ("CGC"). The ASX Principles require the board to consider carefully the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles. A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Board aims to comply with the ASX Principles to the extent that the Board believes the recommendations are practical and applicable to the Company. It is noted that the ASX Principles are not compulsory for listed companies and where the Company has not complied with a particular recommendation an explanation as to why not have been provided. As the Company's activities expand in size, nature and scope, the implementation of additional corporate governance structures will be given further consideration.

The table below summarises the Company's compliance with the CGC's recommendations.

Recommendation	Comply Yes/No
<b>Principle 1 - Lay solid foundations for management and oversight</b>	
1.1 Companies should establish the function reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes
<b>Principle 2 - Structure the board to add value</b>	
2.1 A majority of the board should be independent directors.	No
2.2 The chair should be an independent director.	Yes
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4 The board should establish a nomination committee.	No
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes
<b>Principle 3 - Promote ethical and responsible decision-making</b>	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	No

## CORPORATE GOVERNANCE STATEMENT

Recommendation	Comply Yes/No
<b>Principle 3 - Promote ethical and responsible decision-making (continued)</b>	
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes
<b>Principle 4 - Safeguard integrity in financial reporting</b>	
4.1 The board should establish an audit committee.	Yes
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of Non-executive Directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul>	Yes No No No
4.3 The audit committee should have a formal charter.	Yes
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes
<b>Principle 5 - Make timely and balanced disclosure</b>	
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes
<b>Principle 6 - Respect the rights of shareholders</b>	
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes
<b>Principle 7 - Recognise and manage risk</b>	
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) 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.	Yes
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes



## CORPORATE GOVERNANCE STATEMENT

### Principle 8 - Remunerate fairly and responsibly

- |     |   |     |
|-----|---|-----|
| 8.1 | The board should establish a remuneration committee.  | No  |
| 8.2 | The remuneration committee should be structured so that it: <ul style="list-style-type: none"><li>• Consists of a majority of independent directors</li><li>• Is chaired by an independent chair</li><li>• Has at least three members</li></ul> |     |
| 8.3 | Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of executive directors and senior executives.   | Yes |
| 8.4 | Companies should provide the information indicated in the guide to reporting on Principle 8.  | Yes |

Copies of all of the Company's Corporate Governance policies are available on the Company's website: [www.emmersonresources.com.au](http://www.emmersonresources.com.au)

### PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### *Functions reserved to the board and delegated to senior executives:*

The board is ultimately responsible for all matters relating to the running of the Company, however the board's role is to govern the Company rather than manage it. The operation and day to day management of the Company is delegated by the board to the Managing Director and Chief Executive Officer and the executive management team.

A copy of the Company's board Charter is available on the Company's web site and contained within this charter is a statement of matters reserved for the board. Also available on the Company's website is the Company's Delegation of Authority policy which further details matters that specifically require the approval of the board and those matters reserved for management.

Whilst at all times the board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist sub-committees are able to focus on a particular responsibility and provide informed feedback to the board. To this end the board has established an Audit and Risk Management Committee. The role and responsibilities of this committee is discussed in Principle 4 of this Corporate Governance Statement.

#### *Senior executive performance review:*

The board ensures that the executive management team is appropriately qualified and experienced to discharge their responsibilities and the board has in place procedures to assess the performance of the Managing Director and Chief Executive Officer and all other members of the executive; specifically the board provides regular feedback to executive management on their performance during the year and conducts a formal annual review of the performance of the Chief Executive Officer. During the year the board conducted a formal review of the performance of the Chief Executive Officer against Key Performance Indicators and Critical Tasks and the Chief Executive Officer conducted a similar review of the executive management team.

### PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

#### *Skills:*

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 composition of the board comprises a variety of skills and experience across the financial and commercial, exploration and resource industries. The board reviews its composition on an annual basis to ensure that it has an appropriate mix of expertise and experience. When a vacancy occurs, for whatever reason, or where it is considered that the board would benefit from the services of a new director with particular skills, the board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

## CORPORATE GOVERNANCE STATEMENT

### *Period of office:*

The term of office held by each director in office at the date of this report is as follows:

Andrew McIlwain	7 years and 5 months
Simon Andrew	8 years and 2 months
Rob Bills	7 years

### *Independent directors:*

Prior to the resignation of Tim Kestell on 11 June 2014 the Board did not have a majority of directors who are independent because the Board is of the view that shareholders' interests are best served by the serving directors intimate knowledge of the evolution of the Company and the board is also of the view that the current Directors possess a suite of skills and experience appropriate for the Company at this time.

Directors of Emmerson Resources Limited are considered to be independent if they are free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered independent judgment.

In the context of director independence, 'materiality' is considered from both the consolidated entity and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the consolidated entity.

In accordance with the definition of independence above, and the materiality thresholds set, the independent directors of the Board are Andrew McIlwain who is the independent Chair of the Board and Simon Andrew who is a non-executive director.

Rob Bills the Managing Director and Chief Executive Officer of the Company and Tim Kestell who resigned on 11 June 2014 are not considered to be independent.

Regardless of individual Director Independence, the board expects that each Director will bring their independent views and judgment to bear on board decisions at all times.

### *Chairman and CEO:*

The chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Company's senior executives. The Managing Director and Chief Executive Officer is responsible for implementing strategies and policies. The Board charter specifies that the Chairman cannot be the Chief Executive Officer of the Company.

### *Independent professional advice:*

There are procedures in place, agreed by the board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

### *Nomination Committee:*

At this time the board has not formed a nomination committee as it is the view of the board that the functions and responsibilities that would normally be the dealt with by this committee can be adequately addressed by the board in its entirety as specific agenda items at scheduled board meetings. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions. When deemed appropriate (e.g. board performance review), the board engages independent consultants to assist it in fulfilling such functions.

## CORPORATE GOVERNANCE STATEMENT

Retirement and rotation of directors are governed by the Corporations Act 2001 and the constitution of the Company. Each year one third of the directors (excluding the CEO) must retire and may offer themselves for re-election.

### *Board performance review:*

Due to the size of the board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of the Board, its committees and individual board members. During the reporting period the Chairman conducted the Company's annual informal review process whereby he discusses with individual directors their attitude, performance and approach to a variety of key performance areas including:

- Attendance at scheduled board and committee meetings.
- Behavior and contribution at meetings.
- Interaction with peers.
- Engagement with management.
- Timeliness of attending to tasks.

As and when deemed necessary, a more formalised board performance review process, including the establishment of Key Performance Criteria, will be put in place. It is not envisaged that this would be required until the Company's activities, as well as those of the board, have expanded.

### *Access to information:*

Directors have the right of access to any employee of the consolidated entity for the purpose of seeking information about aspects of the Company's business and are encouraged to do so.

For each formal meeting of the board, a set of board papers is prepared by management addressing each of the functional areas of the business and is typically provided to directors in advance of the meeting to afford directors the opportunity to familiarise themselves with matters to be considered ahead of the meeting. Information provided to the board includes all material information on: exploration, development, operations, finance and corporate activities including budgets, cash flows, funding requirements, shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessment, new venture proposals, and health, safety and environmental reports.

## **PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

### *Code of conduct:*

The Company has established a code of conduct in accordance with Australian Standard 8002-2003 'Organisational Code of Conduct'. The code provides a framework for decisions and actions in relation to ethical conduct, fair dealing and a duty of care for those engaged by the Company. The code applies to all directors, officers and employees of the Company and all consultants and contractors are made aware of the expectations contained within the code. A summary of the main provisions of the Code is available on the Company's website.

The Company has established a policy concerning trading Company securities which applies to Company directors, executives, employees and consultants and a copy of the policy is also available on the Company's web site.

### *Diversity:*

The Company has adopted an equal opportunity and anti-discrimination policy whereby to the extent possible permitted by the laws of the jurisdictions in which we operate, Emmerson is committed to providing diversity of employment opportunities for, but not limited to, gender, age, ethnicity and cultural background for all Company roles and to providing a workplace where differences are respected and accepted and anti-discriminatory behaviour of any kind is strictly prohibited.

In respect of gender diversity, the Company has not determined a target proportion of appointments but relies on the requirement of "most suitable person for roles" as the overarching selection criteria for personnel.

## CORPORATE GOVERNANCE STATEMENT

While not setting specific targets for achieving gender diversity, the consolidated entity:

- Does not discriminate for or against the appointment of women to roles at any level of the organisation.
- Does not discriminate in terms of making training and career development opportunities available to all employees, irrespective of gender.
- Does not discriminate on the basis of gender in setting salary levels. Salaries are set on the basis of the level of responsibility of the position, technical skills and qualifications required to perform the role and have no bearing on the employee's gender.
- Does to the extent practically possible, taking into account the nature of work performed by employees, provide flexible work arrangements.

As at the balance date, 20% of employees of the Company were women. There are currently no women in senior executive positions and no women serving on the Company's board.

### PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### *Audit committee:*

The board has established an Audit and Risk Management Committee which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists and that proper oversight of material business risks exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the integrity of exploration data and information, the processes for the identification and management of business risks and the benchmarking of operational key performance indicators. The board has delegated responsibility for establishing and maintaining a framework of internal control, ethical standards and risk management to the Audit and Risk Management Committee.

The Committee has also provided the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports and the independence of the Company's external auditors. All members of the Audit and Risk Management Committee are non-executive directors. A copy of the Audit and Risk Management Committee charter is available on the Company's web site; this charter contains details of the procedure for the selection and appointment of the external auditor. Ernst and Young were appointed as the external auditors in 2008 and it is Ernst and Young policy to rotate audit engagement partners on listed companies at least every five years.

The members of the Audit and Risk Management Committee and meetings held during the year were:

Name		Meetings held	Meetings attended
Tim Kestell (resigned 11/6/14)	Non-executive	2	2
Simon Andrew	Non-executive	2	2
Andrew McIlwain (appointed 11/6/14)	Non-executive	-	-

Details of the qualifications and expertise of these directors is included in the Director's Report. All members of the Audit and Risk Management Committee are financially literate and have an appropriate understanding of the mining and exploration industry.

During the year the majority of the Audit and Risk Management Committee did not consist of independent directors however the board is of the view that the absence of independence of Audit and Risk Management Committee members is not inhibiting the effectiveness of the committee in the discharge of its functions and responsibilities.

The Audit and Risk Management Committee was chaired by Tim Kestell prior his resignation on 11 June 2014 and although Mr Kestell was not an independent director, the board was of the opinion that he possessed the necessary skills and experience required chairing this committee.

The committee currently comprises only two members at this point in time and having regard to the size of the consolidated entity and the present composition of the Board, the Board is satisfied that the size of the committee is not detrimental to the discharge of its functions and responsibilities.

## **CORPORATE GOVERNANCE STATEMENT**

### **PRINCIPLES 5 AND 6 - MAKE TIMELY AND BALANCED DISCLOSURES AND RESPECT THE RIGHTS OF SHAREHOLDERS**

The Company has policies and procedures and accountability for compliance on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. Such policies and procedures include mechanisms for ensuring relevant matters are communicated and that the information is released in a timely and balanced manner.

All stock exchange announcements including all financial reports are posted to the Company's website as soon as possible.

Shareholders and interested investors are also encouraged to subscribe to the Company's database, through which participants are made aware of news releases as soon as possible after such releases have been issued to the ASX. Hard copies of financial reports and news releases are made available on request.

Shareholders are encouraged to attend and participate in the annual general meetings of the Company. The external auditors attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Policies on these principles are disclosed on the Company's website.

### **PRINCIPLE 7 - RECOGNISE AND MANAGE RISK**

The board determined the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The board has established an Audit and Risk Management Committee (refer to Principal 4) to aid it in the discharge of this responsibility.

The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objective, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage and identify risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of and continuously improving the effectiveness of risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that is directed towards achieving the following objectives:

- effective and efficient use of Company resources;
- compliance with all applicable laws and regulations; and
- preparation of reliable published financial and geological information.

The Company has adopted a Risk Management policy, a copy of which is available on the Company's website.

The board (via the Audit and Risk Management Committee) oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Audit and Risk Management Committee to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.



## **CORPORATE GOVERNANCE STATEMENT**

The Audit and Risk Management Committee has received a report from management on the risk management and internal control systems of the Company, including an opinion as to whether the Company's material business risks are being managed effectively.

The Chief Executive Officer and the Chief Financial Officer have provided a written statement to the board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

### **PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team and the remuneration of directors and key executives fairly and appropriately with reference to prevailing employment market conditions is a key component of attaining this objective.

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Managing Director and Chief Executive Officer and the executive team.

The remuneration of non-executive directors consists of directors' fees (fixed remuneration) and non-executive directors do not receive retirement benefits.

Director fees were reduced by 10% on 1 May 2013. Non-executive directors presently do not hold any options over ordinary shares.

At this time the board has not formed a remuneration committee as it is the view of the board that the functions and responsibilities that would normally be the dealt with by this committee can be adequately addressed by the full board as specific agenda items at scheduled board meetings. When deemed appropriate the board engages independent consultants to assist it in fulfilling such functions.

The Company does not have a scheme to provide retirement benefits to non-executive directors.

Further information on Directors' and Executives' remuneration is set out in the Remuneration Report contained within the Directors' Report.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 \$	2013 \$
<b>REVENUE</b>			
Management and consulting fees		178,094	35,020
Interest revenue		80,924	261,941
<b>TOTAL REVENUE</b>		259,018	296,961
<b>OTHER INCOME</b>			
Gain on disposal of property, plant and equipment		15,989	-
Rent received		2,860	-
Research & development tax incentive		36,409	38,885
Vehicle and equipment hire		13,085	-
Sundry income		-	4,023
<b>TOTAL REVENUE AND OTHER INCOME</b>		327,361	339,869
<b>EXPENSES</b>			
Compliance and regulatory expenses		88,327	110,377
Consulting and legal expenses		118,751	215,866
Depreciation expense		13,206	21,797
Employee benefits expense		1,140,200	1,147,310
Finance costs		-	11
Impairment of exploration expenditure		182,556	3,194,955
Impairment of plant and equipment		3,000,000	-
Insurance expense		52,971	141,617
Loss on disposal of property, plant and equipment		-	948
Occupancy expense		107,099	106,176
General and administration expenses		119,915	193,428
<b>TOTAL EXPENSES</b>		4,823,025	5,132,485
<b>LOSS BEFORE INCOME TAX</b>		(4,495,664)	(4,792,616)
Income tax	4	-	-
<b>LOSS FOR THE YEAR</b>		(4,495,664)	(4,792,616)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR YEAR</b>		(4,495,664)	(4,792,616)
Basic loss per share - cents per share	5	(1.62)	(1.68)
Diluted loss per share - cents per share	5	(1.62)	(1.68)

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	Consolidated 2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	1,628,942	2,421,919
Trade and other receivables	7	473,273	260,243
Other financial assets	8	810,000	810,000
<b>Total Current Assets</b>		<u>2,912,215</u>	<u>3,492,162</u>
<b>Non-current Assets</b>			
Other financial assets	8	2,000,000	-
Property, plant and equipment	9	2,767,592	5,872,905
Exploration and evaluation assets	10	18,204,330	19,630,149
<b>Total Non-current Assets</b>		<u>22,971,922</u>	<u>25,503,054</u>
<b>TOTAL ASSETS</b>		<u>25,884,137</u>	<u>28,995,216</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	503,432	806,975
Provisions	12	60,978	92,609
<b>Total Current Liabilities</b>		<u>564,410</u>	<u>899,584</u>
<b>Non-current Liabilities</b>			
Provisions	12	93,360	98,062
<b>Total Non-current Liabilities</b>		<u>93,360</u>	<u>98,062</u>
<b>TOTAL LIABILITIES</b>		<u>657,770</u>	<u>997,646</u>
<b>NET ASSETS</b>		<u>25,226,367</u>	<u>27,997,570</u>
<b>EQUITY</b>			
Contributed equity	13	42,036,824	40,282,497
Other reserves	14	2,693,934	2,723,800
Accumulated losses	15	(19,504,391)	(15,008,727)
<b>TOTAL EQUITY</b>		<u>25,226,367</u>	<u>27,997,570</u>

The accompanying notes form part of these financial statements.

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Contributed Equity \$</b>	<b>Other Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2012</b>	40,202,622	2,666,150	(10,216,111)	32,652,661
Loss for the year	-	-	(4,792,616)	(4,792,616)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(4,792,616)	(4,792,616)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during the year	-	-	-	-
Share issue costs	(3,000)	-	-	(3,000)
Share-based payments	82,875	57,650	-	140,525
<b>Balance at 30 June 2013</b>	40,282,497	2,723,800	(15,008,727)	27,997,570
<b>Balance at 1 July 2013</b>	40,282,497	2,723,800	(15,008,727)	27,997,570
Loss for the year	-	-	(4,495,664)	(4,495,664)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(4,495,664)	(4,495,664)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during the year	1,638,150	-	-	1,638,150
Share issue costs	(54,323)	-	-	(54,323)
Share-based payments	170,500	(29,866)	-	140,634
<b>Balance at 30 June 2014</b>	42,036,824	2,693,934	(19,504,391)	25,226,367

The accompanying notes form part of these financial statements.

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2014**

		<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Management and consulting fees received		148,331	38,147
Payments to suppliers and employees		(1,270,529)	(1,840,481)
Interest received		74,949	324,800
Interest paid		-	(11)
Research & development tax incentive		-	67,429
Other		14,004	4,022
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	16(a)	<u>(1,033,245)</u>	<u>(1,406,094)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		18,447	-
Proceeds from withdrawal of security deposits		-	79,682
Purchase of property, plant and equipment		(362)	(19,378)
Payments for exploration		(1,721,557)	(5,800,820)
Exploration costs reimbursed by farmee		359,913	810,760
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<u>(1,343,559)</u>	<u>(4,929,756)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,638,150	-
Payment of share issue costs		(54,323)	(3,000)
Payment of finance lease liabilities		-	(834)
<b>NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>		<u>1,583,827</u>	<u>(3,834)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(792,977)	(6,339,684)
Cash and cash equivalents at beginning of period		<u>2,421,919</u>	<u>8,761,603</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	16(b)	<u><u>1,628,942</u></u>	<u><u>2,421,919</u></u>

The accompanying notes form part of these financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial report of Emmerson Resources Limited (the Company, consolidated entity or Emmerson) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 24 September 2014.

Emmerson Resources Limited is a for-profit public company incorporated in Australia and listed on the Australian Securities Exchange.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The report has been prepared on a historical cost basis except for available-for-sale financial assets which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars which is the Company's functional currency.

#### (b) Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (c) Use of judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Management has made the following significant estimates and assumptions. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### *Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the consolidated entity decides to exploit the related leases itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligation) and changes to commodity prices. The extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made. An impairment loss of \$182,556 (2013: \$3,194,955) was recognised in the current year in respect of exploration expenditure. The impairment loss is directly attributable to mining tenements for which the consolidated entity no longer holds title and mining tenements where title is still held but where an assessment was made that no future exploration is planned or budgeted due to a lack of exploration potential.

### *Impairment of property, plant and equipment*

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being the net present value of expected future cash flows of the relevant cash generating unit) and "fair value less cost to sell".

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

An impairment loss of \$3,000,000 (2013: nil) was recognised in the current year in respect of property, plant and equipment following an independent valuation of the Warrego mill and processing plant that assessed the fair value of the plant as \$2,500,000.

### *Share Based Payments*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the most appropriate valuation model, which is dependent upon the terms and conditions of the grant. The estimate also requires the assessment of the most appropriate inputs to the valuation model including the life of the related right or option, volatility and dividend yield. The assumptions and models used for assessing the fair value of share based payment transactions are disclosed in Note 20.

### **(d) Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. The loss of the Company for the year ended 30 June 2014 amounted to \$4,495,664 and net cash outflows from operating activities were \$1,033,245. The cash balance at 30 June 2014 was \$1,628,942 and net assets as at 30 June 2014 were \$25,226,367.

Notwithstanding the above, the Directors have reviewed the business outlook, assets and liabilities of the consolidated entity and are confident that additional funds can be raised if required and have concluded that the going concern basis is the appropriate basis for preparing the financial statements for the following reasons:

- Subsequent to year-end, the Company received \$1.872m as a result of the subscription of shares in the Company by Evolution Mining Limited (Evolution) as disclosed in Note 26; and
- Due to the farm-in agreement with Evolution, Evolution will fund all exploration in the Tennant Creek Mineral Field for the next three years to achieve their earn-in, and thus the Company will be free-carried during this period and the majority of its cash commitments will relate only to corporate and administrative costs. For full details of the farm-in agreement, refer to Note 19.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Directors therefore believe there are sufficient funds to meet the consolidated entity's working capital requirements, and as at the date of this report the directors believe they can meet all liabilities as and when they fall due.

### **(e) Adoption of new revised or amending accounting standards and interpretations**

#### ***New accounting standards adopted***

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period including the following.

AASB 10 *Consolidated Financial Statements* applies to annual reporting periods beginning on or after 1 January 2013 and replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements and introduces a new definition of control, however as all of Emmerson's subsidiaries are 100% owned, control is absolute and hence the change in definition has no effect on the classification (subsidiaries or otherwise) and no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

AASB 11 *Joint Arrangements* applies to annual reporting periods beginning on or after 1 January 2013 and introduces a principles based approach to accounting for joint arrangements. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for their share of assets, liabilities revenues and expenses. The adoption of this standard has had no material impact on the consolidated entity, as Emmerson has no joint arrangements.

AASB 12 *Disclosure of Interests in Other Entities* applies to annual reporting periods beginning on or after 1 January 2013 and sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the consolidated entity had no effect on any of the amounts recognised in the financial statements, but impacts the type of information disclosed in relation to the consolidated entity's subsidiaries.

AASB 13 *Fair Value Measurement* applies to annual reporting periods beginning on or after 1 January 2013 and explains how to measure fair value and aims to enhance fair value disclosures. The adoption of this standard has not had any material impact on the financial statements.

AASB 119 *Employee Benefits* is applicable to annual reporting periods beginning on or after 1 January 2013 and changed the accounting for the Company's annual leave obligations. Where the Company does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are measured as long-term employee benefits. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis. However, the impact of this change was not significant.

AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities* are applicable to annual reporting periods beginning on or after 1 January 2013. AASB 2012-2 principally amends AASB 7 'Financial Instruments: Disclosures' to require disclosure of information that will provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The amendment did not have an impact on the financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AASB 2011-4 Amendments to AASB 124 *Related Party Disclosures* to Remove Individual Key Management Personnel Disclosure Requirements applicable to annual reporting periods beginning on or after 1 July 2013. This amendment deletes from AASB 124 individual key management personnel disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The adoption of these amendments has resulted in changes to the disclosures in the Related Party note.

### ***New accounting standards not yet adopted***

The following standards that have been issued but not yet effective which may impact the consolidated entity in the period of initial application have not been early adopted in preparing this financial report. The impact of the adoption of these standards is yet to be assessed.

#### *AASB 9 Financial Instruments and its consequential amendments*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 which completes the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks.

#### *AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

#### *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals.

#### *Annual Improvements to IFRSs 2010-2012 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount without discounting, if the effect of not discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### *Annual Improvements to IFRSs 2011-2013 Cycle*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects three Accounting Standards as follows: Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 'Business Combinations' that includes an investment property. That judgement is based on guidance in AASB 3. In determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other.

IFRS 15 *Revenue from Contracts with Customers* effective for annual reporting periods beginning on or after 1 January 2017. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

There are no other standards that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

### **(f) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Emmerson Resources Limited and its subsidiaries ("the consolidated entity"). The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent Company has control. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

### **(g) Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance and for which discrete financial information is available. This includes startup operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (h) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included with interest-bearing liabilities in current liabilities on the consolidated statement of financial position.

### (i) Other financial assets

#### *Classification*

The consolidated entity classifies its financial assets either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held-for trading unless they are designated as hedges.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

#### *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

#### *Impairment of financial assets*

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (j) Trade and other receivables

Current receivables, which generally have 30-60 day terms, are recognised initially at fair value, with an allowance made for impairment as deemed appropriate.

Collectability of all receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the consolidated entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### (k) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairments losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss.

Land and buildings are stated at historical cost less accumulated depreciation on buildings and any accumulated impairments losses.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment, including leased equipment, over its estimated useful life as follows:

Land	Not depreciated
Buildings	20 years
Plant, equipment, furniture, vehicles and software	3 - 15 years
Mill and processing plant	Life of mine

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (l) Leases

Finance leases where the consolidated entity as lessee has substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Leased assets are depreciated over the asset's useful life or the shorter of the asset's useful life and the lease term if there is no certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **(m) Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred in respect of each identifiable area of interest is capitalised and recognised as an exploration and evaluation asset. These costs are only carried forward as an exploration and evaluation asset to the extent that the consolidated entity's rights of tenure to that area of interest are current and that the costs are expected to be recouped through sale or the successful development and exploitation of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

### **(n) Impairment of assets**

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

### **(o) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(p) Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability, plus related on-costs. The increase in the provision resulting from the passage of time is recognised in finance costs.

### **(q) Employee benefits**

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

### **(r) Share-based payment transactions**

The consolidated entity provides benefits to its employees in the form of share based payments through an Incentive Option Scheme and a Performance Rights Plan, whereby, at the discretion of the Board, employees are from time to time issued with share purchase options as part of their total remuneration package and/or render services in exchange for rights over shares.

The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted using a Black-Scholes pricing model. The equity instruments are generally subject to performance and/or service vesting conditions and their fair value is recognised as an expense, together with a corresponding increase in other reserve equity over the vesting period, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### **(s) Contributed equity**

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

### **(t) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *(i) Rendering of exploration services*

Revenue from services rendered for management of exploration activities or the provision of exploration consulting services is recognised in the consolidated statement of comprehensive income by reference to the works completed at the reporting date and the corresponding management or consulting fee payable to the consolidated entity for the completed services.

#### *(ii) Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **(u) Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted at balance sheet date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the recognition of an asset or liability.

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

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

#### *Tax consolidation legislation*

Emmerson Resources Limited and its wholly-owned subsidiaries have formed an income tax consolidated group under tax consolidation legislation.

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

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### **(w) Earnings per share**

Basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options.

## **3. SEGMENT INFORMATION**

The Company has identified its operating segments based on the internal management reports that are reviewed and used by the board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Company operates in one business segment and one geographical segment, namely mineral exploration in Australia. The revenues and results of this segment are those of the Company as a whole and are set out in the consolidated statement of comprehensive income.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 2014 \$	2013 \$
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### 4. INCOME TAX

#### a) Reconciliation of income tax to loss before income tax

Loss before income tax	(4,495,664)	(4,792,616)
Tax benefit calculated at 30% on loss before tax	(1,348,699)	(1,437,785)
Add/(less) tax effect of:		
Share-based payments not deductible	42,190	42,157
Share issue costs deductible	(33,848)	(33,293)
Research & development tax incentive	(10,923)	(11,665)
Other	24,541	2,228
Tax losses and temporary differences not recognised	1,326,739	1,438,358
Income tax	-	-

#### b) Unrecognised tax assets and liabilities

##### *Deferred tax assets*

Unused tax losses	9,303,612	9,295,286
Deductible temporary differences:		
Impairment of property, plant and equipment	900,000	-
Accrued expenses	11,644	8,400
Provision for employee entitlements	44,681	55,582
Provision for rehabilitation	1,620	1,620
	10,261,557	9,360,888

##### *Deferred tax liabilities*

Assessable temporary differences:		
Interest income receivable	(4,296)	(2,620)
Exploration and evaluation assets capitalised	(4,917,922)	(5,345,668)
	(4,922,218)	(5,348,288)

Net unrecognised deferred tax assets	5,339,339	4,012,600
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The net deferred tax assets are not recognised since it is not probable that future taxable profits will be available to utilise deductible temporary differences and losses.

### 5. LOSS PER SHARE

Loss for the year	(4,495,664)	(4,792,616)
Loss used in calculating basic and diluted loss per share	(4,495,664)	(4,792,616)

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	277,437,147	260,930,692

As the company has incurred a loss, the diluted loss per share is disclosed as the same as basic loss per share. There is no impact from 2,681,250 rights outstanding at 30 June 2014 (30 June 2013: 3,731,250) on loss per share however the currently anti-dilutive rights could potentially dilute earnings per share in the future.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014	2013
	\$	\$
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	22,825	39,200
Bank deposits at call	251,117	482,719
Bank short term deposits	1,355,000	1,900,000
	<u>1,628,942</u>	<u>2,421,919</u>

## 7. TRADE AND OTHER RECEIVABLES

Trade receivables	380,711	222,455
Interest receivable	14,321	8,733
Research & development tax incentive refundable	36,409	-
Other receivables and prepayments	41,832	29,055
	<u>473,273</u>	<u>260,243</u>

Trade and other receivables are non-interest bearing and normally received within 30 days. Due to the short term nature of these receivables, their carrying amount is a reasonable approximation of fair value. No receivables are past due or impaired.

## 8. OTHER FINANCIAL ASSETS

### Current:

Bank term deposits	<u>810,000</u>	<u>810,000</u>
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These bank term deposits are held as security for bank guarantee performance bonds in favour of the Northern Territory government for potential environmental rehabilitation obligations in relation to exploration activities. As such the term deposits are not accessible to the Company.

### Non-current:

Available-for-sale financial assets:

Initial consideration receivable under farm-in agreement	<u>2,000,000</u>	<u>-</u>
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On 11 June 2014 the Company entered into the Tennant Creek Mineral Field Farm-in with Evolution Mining Limited (refer note 19). Under this agreement, initial consideration of 2,504,383 Evolution Mining Limited shares at an issue price of \$0.7986 per share (value \$2 million) was receivable within 5 working days of the Commencement Date of 30 June 2014. The shares were physically transferred within this timeframe on 7 July 2014.

## 9. PROPERTY, PLANT AND EQUIPMENT

### Land and buildings

Gross carrying amount at beginning of year	146,215	146,215
Gross carrying amount at end of year	<u>146,215</u>	<u>146,215</u>
Accumulated depreciation at beginning of year	33,665	24,509
Depreciation expense	11,242	9,156
Accumulated depreciation at end of year	<u>44,907</u>	<u>33,665</u>
Carrying amount at beginning of year	<u>112,550</u>	<u>121,706</u>
Carrying amount at end of year	<u>101,308</u>	<u>112,550</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014	2013
	\$	\$
<b>9. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Motor vehicles</b>		
Gross carrying amount at beginning of year	372,550	372,107
Additions	-	443
Disposals	(45,178)	-
Gross carrying amount at end of year	<u>327,372</u>	<u>372,550</u>
Accumulated depreciation at beginning of year	341,876	323,384
Depreciation expense	12,204	18,492
Disposals	(42,985)	-
Accumulated depreciation at end of year	<u>311,095</u>	<u>341,876</u>
Carrying amount at beginning of year	<u>30,674</u>	<u>48,723</u>
Carrying amount at end of year	<u><u>16,277</u></u>	<u><u>30,674</u></u>
<b>Computer software &amp; hardware</b>		
Gross carrying amount at beginning of year	468,760	470,482
Disposals	(6,331)	(1,722)
Gross carrying amount at end of year	<u>462,429</u>	<u>468,760</u>
Accumulated depreciation at beginning of year	403,829	353,931
Depreciation expense	34,206	51,607
Disposals	(6,065)	(1,709)
Accumulated depreciation at end of year	<u>431,970</u>	<u>403,829</u>
Carrying amount at beginning of year	<u>64,931</u>	<u>116,551</u>
Carrying amount at end of year	<u><u>30,459</u></u>	<u><u>64,931</u></u>
<b>Plant and equipment</b>		
Gross carrying amount at beginning of year	6,166,682	6,159,854
Additions	-	16,627
Disposals	-	(9,799)
Gross carrying amount at end of year	<u>6,166,682</u>	<u>6,166,682</u>
Accumulated depreciation & impairment at beginning of year	516,761	481,596
Depreciation expense	40,044	44,779
Impairment (a)	3,000,000	-
Disposals	-	(9,614)
Accumulated depreciation & impairment at end of year	<u>3,556,805</u>	<u>516,761</u>
Carrying amount at beginning of year	<u>5,649,921</u>	<u>5,678,258</u>
Carrying amount at end of year	<u><u>2,609,877</u></u>	<u><u>5,649,921</u></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014	2013
	\$	\$
<b>9. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Office equipment, furniture &amp; fittings</b>		
Gross carrying amount at beginning of year	92,341	103,717
Additions	363	2,308
Disposals	-	(13,684)
Gross carrying amount at end of year	92,704	92,341
Accumulated depreciation at beginning of year	77,512	83,527
Depreciation expense	5,521	6,919
Disposals	-	(12,934)
Accumulated depreciation at end of year	83,033	77,512
Carrying amount at beginning of year	14,829	20,190
Carrying amount at end of year	9,671	14,829
<b>Total property plant and equipment</b>		
Gross carrying amount at beginning of year	7,246,548	7,252,375
Additions	363	19,378
Disposals	(51,509)	(25,205)
Gross carrying amount at end of year	7,195,402	7,246,548
Accumulated depreciation & impairment at beginning of year	1,373,643	1,266,947
Depreciation expense	103,217	130,953
Impairment (a)	3,000,000	-
Disposals	(49,050)	(24,257)
Accumulated depreciation at end of year	4,427,810	1,373,643
Carrying amount at beginning of year	5,872,905	5,985,428
Carrying amount at end of year	2,767,592	5,872,905

(a) Plant and equipment includes the Warrego mill and processing plant with a carrying value of \$2,500,000 (2013: \$5,500,000) that is not being depreciated and depreciation will commence on recommencement of use. An impairment charge of \$3,000,000 has been credited against the carrying value of the Warrego mill and processing plant for the 2014 financial year after the asset being idle for a number of years, following an independent valuation assessing the fair value less costs to sell of the plant at \$2,500,000.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated 2014	2013
		\$	\$
<b>10. EXPLORATION AND EVALUATION ASSETS</b>			
<b>Costs carried forward in respect of areas of interest in pre-production exploration and evaluation phases</b>			
Carrying amount at beginning of period		19,630,149	17,695,429
Additions		756,737	5,129,675
Disposals (consideration received from farmee)	(b)	(2,000,000)	-
Impairment	(a)	(182,556)	(3,194,955)
		<u>18,204,330</u>	<u>19,630,149</u>
Carrying amount at end of period		<u>18,204,330</u>	<u>19,630,149</u>

(a) The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuance of the consolidated entity's rights to tenure of the interest, the results of future exploration, and the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. For those areas of interest impaired during the year, exploration results indicated that subsequent successful development and commercial exploitation may be unlikely and will not continue.

(b) The \$2,000,000 noted above is a deemed disposal of the exploration and evaluation assets as a result of the initial share consideration received from Evolution Mining Limited as part of the Farm-In agreement entered into on 11 June 2014. For further details on the share consideration, refer to Note 8.

## 11. TRADE AND OTHER PAYABLES

Trade payables	129,220	138,872
Non-trade payables and accrued expenses	374,212	668,103
	<u>503,432</u>	<u>806,975</u>

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. Due to the short term nature of these payables, their carrying amount is a reasonable approximation of fair value.

## 12. PROVISIONS

### Current:

Employee benefits provision for annual leave	55,578	87,209
Exploration rehabilitation provision	(a) 5,400	5,400
	<u>60,978</u>	<u>92,609</u>

### Non-current:

Employee benefits provision for long service leave	<u>93,360</u>	<u>98,062</u>
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a) The provision for the expected rehabilitation of sites subject to exploration was incurred and fully settled subsequent to the end of the financial year in August 2014.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014	2013
	\$	\$
<b>13. CONTRIBUTED EQUITY</b>		
<b>(a) Fully paid ordinary shares</b>		
<i>Balance at beginning of year:</i>		
261,053,963 (2013: 260,585,213) shares	40,282,497	40,202,622
1,050,000 (2013: 468,750) shares issued to employees under performance rights plan	170,500	82,875
65,525,991 (2013: Nil) shares issued for cash under non-renounceable entitlements issue	1,638,150	-
Share issue costs	(54,323)	(3,000)
	<hr/>	<hr/>
<i>Balance at end of year:</i>		
327,629,954 (2013: 261,053,963) shares	<u>42,036,824</u>	<u>40,282,497</u>

The Company does not have authorised capital or par value in respect of its issued shares.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### **(b) Rights over ordinary shares**

	Consolidated	
	2014	2013
	Number of rights	Number of rights
<i>Unissued ordinary shares for which employee performance rights are outstanding:</i>		
Exercise price of nil vesting on 01/09/13	-	156,250
Exercise price of nil vesting on 25/11/13	-	393,750
Exercise price of nil vesting on 04/12/13	-	500,000
Exercise price of nil vesting on 01/09/14	156,250	156,250
Exercise price of nil vesting on 25/11/14	512,500	512,500
Exercise price of nil vesting on 04/12/14	500,000	500,000
Exercise price of nil vesting on 25/11/15	318,750	318,750
Exercise price of nil vesting on 04/12/15	500,000	500,000
Exercise price of nil vesting on 25/11/16	193,750	193,750
Exercise price of nil vesting on 04/12/16	500,000	500,000
	<hr/>	<hr/>
	<u>2,681,250</u>	<u>3,731,250</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2014	2013
	\$	\$
<b>14. OTHER RESERVES</b>		
<b>Share based payments reserve</b>		
Balance at beginning of year	2,723,800	2,666,150
Recognition of share-based payment expense	140,634	140,525
Transfer to issued capital on exercise of rights	(170,500)	(82,875)
	<u>2,693,934</u>	<u>2,723,800</u>
Balance at end of year	<u>2,693,934</u>	<u>2,723,800</u>

The share based payments reserve is used to recognise the fair value of options and rights provided to employees as part of their remuneration.

### 15. ACCUMULATED LOSSES

Balance at beginning of year	(15,008,727)	(10,216,111)
Loss for year	(4,495,664)	(4,792,616)
	<u>(19,504,391)</u>	<u>(15,008,727)</u>
Balance at end of year	<u>(19,504,391)</u>	<u>(15,008,727)</u>

### 16. NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) Reconciliation of net loss to cash flows used in operating activities

Net loss	(4,495,664)	(4,792,616)
<i>Add/(Less) non-cash items:</i>		
Gain on disposal of property, plant and equipment	(15,989)	-
Depreciation expense	13,206	21,797
Loss on disposal of property, plant & equipment	-	948
Impairment of exploration expenditure	182,556	3,194,955
Impairment of property, plant and equipment	3,000,000	-
Share-based payment	140,634	140,525
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(73,521)	82,690
Increase/(decrease) in trade and other payables	204,527	(79,718)
Increase/(decrease) in provisions	11,006	25,325
	<u>(1,033,245)</u>	<u>(1,406,094)</u>
Net cash flows used in operating activities	<u>(1,033,245)</u>	<u>(1,406,094)</u>

#### (b) Reconciliation of cash

<i>Cash balance comprises:</i>		
Cash and cash equivalents	<u>1,628,942</u>	<u>2,421,919</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated 2014	2013
	\$	\$

### 16. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

#### (c) Financing facilities available

At reporting date, the following credit card facility had been negotiated and was available:

Total facility	45,000	45,000
Facility used at reporting date	15,390	8,604
Facility unused at reporting date	29,610	36,396

### 17. EXPENDITURE COMMITMENTS

#### a) Operating lease commitments

The Company leases office premises at 3 Kimberley Street, West Leederville under an operating lease for a term of 3 years commencing 1 April 2012 and expiring 31 March 2015. The annual rent payable is \$102,253 including outgoings.

During the financial year ended 30 June 2014, \$102,253 was recognised as an expense in the income statement in respect of operating leases (2013: \$100,839).

Non-cancellable operating lease rentals not provided for in the financial report are payable as follows:

Not later than one year	76,690	98,329
Later than one year and not later than five years	-	73,746
	76,690	172,075

#### b) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the consolidated entity are required to perform minimum exploration work to meet the minimum expenditure covenants specified by the Northern Territory Government. These obligations can be reduced by selective relinquishment of exploration tenure or renegotiation. Due to the nature of the Company's operations in exploring and evaluating areas of interest, exploration expenditure commitments beyond twelve months cannot be reliably determined. It is anticipated that expenditure commitments in subsequent years will be similar to that for the forthcoming twelve months. These obligations are not provided for in the financial report and are payable:

Not later than one year	774,500	618,150
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#### c) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognized as liabilities, payable:

Not later than one year	464,247	491,682
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Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in the remuneration report of the directors' report that are not recognised as liabilities and are not included in the compensation of KMP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 18. REHABILITATION COMMITMENTS

a) Santexco Pty Ltd (Santexco) a wholly owned subsidiary of the Company entered into a Rehabilitation Agreement dated 6 November 2001 with the Northern Territory (NT) Government, whereby Santexco is obliged to perform rehabilitation obligations to the value of \$ 750,000 per annum for 6 years totalling obligation of \$4,500,000 on various mineral tenements, or pay the difference between the actual rehabilitation performed per year on the tenements and \$750,000 into a deposit account held by the NT Government each of the 6 anniversary dates of the agreement. To date Santexco has performed actual rehabilitation obligations of \$333,041 and lodged a bank guarantee to the value of \$416,959 with the NT Government. There are 5 anniversary dates for the agreement outstanding.

b). The consolidated entity is party to a binding agreement with the NT Government (Department of Primary Industry, Fisheries and Mines) dated 31 July 2006 whereby the NT Government has agreed that the rehabilitation obligations described in the Rehabilitation Agreement are suspended (on "standstill") until 45 days of cumulative commercial production from the consolidated entity's tenements.

### 19. FARM-IN AGREEMENTS

The Company entered into the Tennant Creek Mineral Field Farm-In Agreement dated 24 August, 2009 as amended by Amendment Deed 1 dated 26 November 2012 with Inova Resources Limited (Inova) for an exploration Farm-In covering the majority of the Company's extensive tenement holdings in the Tennant Creek Mineral Field. In the previous financial year Inova earned a 51% interest in these tenement holdings by satisfying its obligation to sole fund exploration expenditure of \$18 million over three years.

During the current financial year Inova withdrew from the Tennant Creek Mineral Field Farm-In Agreement with effect from 28 October 2013 and forfeited its 51% interest in the mineral titles subject of the agreement and Emmerson accordingly regained 100% ownership of the mineral titles.

On 11 June 2014 the Company entered into the Tennant Creek Mineral Field Farm-in with Evolution Mining Limited (Evolution). Under the terms of the Farm-in, Evolution will sole fund exploration expenditure of \$15 million over three years to earn a 65% interest (Stage 1 Farm-in) in Emmerson's tenement holdings in the Tennant Creek Mineral Field. A further \$10 million minimum, sole funded by Evolution over two years following the Stage 1 Farm-in, will allow Evolution to earn an additional 10% (Stage 2 Farm-in) of the tenement holdings. Evolution must spend a minimum of \$7.5 million on exploration before it can terminate the Farm-in.

Emmerson will act as manager during the Stage 1 Farm-in and be entitled to receive a management fee during this period.

Initial Consideration of 2,504,383 Evolution shares at an issue price of \$0.7986 per share (value \$2 million) was required to be transferred within five working days from the farm-in commencement date of 30 June 2014. The share transfer physically took place on 7 July 2014.

Also subsequent to the end of the financial year on 7 July 2014, Evolution subscribed for 49,144,000 shares in Emmerson at a price of \$0.0381 per share resulting in Evolution holding 13% of Emmerson issued capital.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 20. SHARE-BASED PAYMENTS

#### a) Incentive Option Scheme

The consolidated entity has an Incentive Option Scheme to provide share-based payment benefits, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence and provide a retention incentive for participants.

The following Incentive Option Scheme arrangements were in existence during the year:

	Exercise price	Vesting date	Expiry date	Consolidated	
				2014	2013
Granted				Number of options	Number of options
01/08/07	\$0.25	01/08/10	31/07/12	-	500,000
31/10/07	\$0.25	13/12/10	13/12/12	-	5,000,000
31/10/07	\$0.30	13/06/10	13/12/12	-	5,000,000
11/03/08	\$0.25	11/03/11	11/03/13	-	500,000
25/11/09	\$0.50	25/11/09	24/11/12	-	7,000,000
Lapsed unexercised during the year				-	(18,000,000)
Outstanding at end of year				-	-

The number and weighted average exercise prices of options granted as share based payments are as follows:

	2014	2014	2013	2013
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	-	-	18,000,000	\$0.361
Lapsed unexercised during year	-	-	(18,000,000)	\$0.361
Outstanding at end of year	-	-	-	-
Exercisable and vested at end of year	-	-	-	-

No share-based payment options were exercised in the current financial year or the previous year.

There were no options outstanding at the end of the year.

No options were granted during the current financial year or the previous year.

The fair value of the options is recognised as an expense over the period from grant to vesting date. There was no amount recognised as part of employee benefits expense during the current financial year or the previous year.

#### b) Performance Rights Plan

The consolidated entity has a Performance Rights Plan approved by shareholders at the 2012 annual general meeting to provide share-based payment benefits, whereby rights to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence and provide a retention incentive for participants. Currently issued rights vest over a 4 year period with no cash consideration required to be paid to exercise rights and the rights are generally forfeited if the service condition has not been satisfied.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 20. SHARE-BASED PAYMENTS (continued)

The following Performance Rights Plan arrangements were in existence during the year:

	<b>Consolidated 2014</b>	<b>2013</b>
	<b>Number of rights</b>	<b>Number of rights</b>
Granted 25/11/09 vesting on 25/11/12	-	150,000
Granted 25/11/09 vesting on 25/11/13	143,750	150,000
Granted 01/09/10 vesting on 01/09/12	-	325,000
Granted 01/09/10 vesting on 01/09/13	156,250	162,500
Granted 01/09/10 vesting on 01/09/14	156,250	162,500
Granted 25/11/11 vesting on 25/11/13	250,000	312,500
Granted 25/11/11 vesting on 25/11/14	125,000	156,250
Granted 25/11/11 vesting on 25/11/15	125,000	156,250
Granted 04/12/12 vesting on 04/12/13	500,000	500,000
Granted 04/12/12 vesting on 04/12/14	500,000	500,000
Granted 04/12/12 vesting on 04/12/15	500,000	500,000
Granted 04/12/12 vesting on 04/12/16	500,000	500,000
Granted 23/04/13 vesting on 25/11/14	387,500	387,500
Granted 23/04/13 vesting on 25/11/15	193,750	193,750
Granted 23/04/13 vesting on 25/11/16	193,750	193,750
Vested and exercised during the year	(1,050,000)	(468,750)
Forfeited during the year	-	(150,000)
Outstanding at end of year	<u>2,681,250</u>	<u>3,731,250</u>

The number of rights granted as share based payments are as follows:

Outstanding at beginning of year	3,731,250	1,575,000
Issued during the year	-	2,775,000
Vested and exercised during the year	(1,050,000)	(468,750)
Forfeited during the year	-	(150,000)
Outstanding at end of year	<u>2,681,250</u>	<u>3,731,250</u>
Exercisable and vested at end of the year	<u>-</u>	<u>-</u>

The weighted average exercise price of all the above rights granted as share based payments is nil.

The weighted average share price at the date of exercise of rights exercised during the year was \$0.047 (2013: \$0.127).

All rights outstanding at the end of the year have an exercise price of nil (2013: nil) and a weighted average remaining contractual life of 3.19 years (2013: 3.98 years).

The weighted average fair value of \$0.089 for rights granted during 2013 was calculated using a Black and Scholes pricing model inputting a weighted average share price of \$0.089, a weighted average exercise price of nil, a weighted average risk free interest rate of 4.5%, a weighted average expected life of 4.89 years, a volatility factor of 85% based on historical volatility and expected changes to future volatility. No other features such as a market condition were incorporated into the measurement of fair value.

The fair value of the rights is recognised as an expense over the period from grant to vesting date. The amount recognised as part of employee benefits expense during the year was \$140,634 (2013: \$140,525).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Compensation for key management personnel</b>		
Short-term employee benefits	1,129,535	1,196,286
Post-employment benefits	102,925	108,585
Share-based payments	110,030	47,285
	<hr/>	<hr/>
Total compensation	<u>1,342,490</u>	<u>1,352,156</u>

### 22. RELATED PARTY DISCLOSURES

#### a) Subsidiaries

The consolidated financial statements include the financial statements of Emmerson Resources Limited and its following wholly owned subsidiaries which were incorporated in Australia. Emmerson Resources Limited is the parent entity within the consolidated entity.

	<b>2014</b>	<b>2013</b>
	<b>% Interest</b>	<b>% Interest</b>
Giants Reef Exploration Pty Ltd	100%	100%
Santexco Pty Ltd	100%	100%
TC8 Pty Ltd	100%	100%

The Company made loans to subsidiaries during the year for the purpose of exploration expenditure on its mineral tenements and administrative overheads. Outstanding loan balances at the year end to and from subsidiaries are unsecured and non-interest bearing with no fixed repayment date.

There are no restrictions in place on the ability of the parent entity to access or use assets and settle liabilities of the subsidiaries.

#### b) Key management personnel

Details of remuneration, share, rights and option holdings of directors and key management personnel and other transactions with key management personnel are disclosed in the remuneration report.

#### *Transactions with Key management personnel:*

Andrew McIlwain services as a director of the Company were provided by Andrew McIlwain and Associates Pty Ltd, a company of which Mr McIlwain is a shareholder and beneficiary. The Company has a contract in place with Andrew McIlwain and Associates Pty Ltd for the provision of these services and amounts were billed based on normal market rates for such services and was due and payable under normal payment terms. The amount recognised as an expense during the year was \$71,453 (2013: \$75,000). The amount outstanding and included in the trade and other payables liability at year end is \$61,453 (2013: nil).

### 23. AUDITORS REMUNERATION

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Amounts paid to Ernst & Young for audit and review of financial reports	<u>47,380</u>	<u>46,865</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2014 \$	2013 \$
<b>24. PARENT ENTITY INFORMATION</b>		
The individual financial statements for the parent entity show the following aggregate amounts:		
Current assets	2,912,215	3,492,162
Non-current assets	23,279,062	26,291,502
Total assets	<u>26,191,277</u>	<u>29,783,664</u>
Current liabilities	(564,410)	(899,584)
Non-current liabilities	(400,500)	(886,510)
Total liabilities	<u>(964,910)</u>	<u>(1,786,094)</u>
Net assets	<u>25,226,367</u>	<u>27,997,570</u>
Issued capital	(42,036,824)	(40,282,497)
Other reserves	(2,693,934)	(2,723,800)
Accumulated losses	19,504,391	15,008,727
Total equity	<u>(25,226,367)</u>	<u>(27,997,570)</u>
Loss for the year	(4,495,664)	(4,792,616)
Total comprehensive income for the year	(4,495,664)	(4,792,616)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries:

Pursuant to Class Order 98/1418, Emmerson Resources Limited and all its wholly owned subsidiaries entered into a deed of cross guarantee on 27 June 2008. The effect of the deed is that Emmerson Resources Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of any debt subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Emmerson Resources Limited is wound up or if it does not meet its obligations under the terms of any debt subject to the guarantee.

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 and 30 June 2013.

## 25. FINANCIAL RISK MANAGEMENT

The consolidated entity's principal financial instruments comprise cash, short-term deposits, receivables, available-for-sale financial assets and payables.

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

The main risks arising from the consolidated entity's financial instruments are credit risk, liquidity risk, equity risk and interest rate risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Company has established comprehensive risk reporting. The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rate and liquidity risk is monitored through future rolling cash flow forecasts.

The carrying amounts of all financial assets and liabilities (including liabilities contractual maturities) at balance date are as follows:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2014	2013
		\$	\$
<b>25. FINANCIAL RISK MANAGEMENT (continued)</b>			
<b>Financial assets</b>			
Cash and cash equivalents	6	1,628,942	2,421,919
Trade and other receivables	7	473,273	260,243
Other financial assets (current)	8	810,000	810,000
Available-for-sale financial assets (non-current)	8	2,000,000	-
Total financial assets		4,912,215	3,492,162
<b>Financial liabilities</b>			
Trade and other payables (6 months or less)	11	503,432	806,975
Total financial liabilities		503,432	806,975

Available-for-sale financial assets are measured at quoted market prices at the relevant reporting date. The carrying amounts of all other financial assets and liabilities approximate their fair value due to their short term nature.

### Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, other receivables and other financial assets. Receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not significant. The consolidated entity has adopted the policy of only dealing with recognised credit worthy counterparties. Cash term deposits are placed only with Australian banks and where possible spread across more than one bank.

The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The significant concentration of risk is in relation to cash balances.

### Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due.

The consolidated entity currently does not have major funding in place.

The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in short term bank deposits. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

### Equity risk

The consolidated entity's investment in the listed entity security that is classified as available-for-sale financial assets is susceptible to market price risk arising from uncertainties about future values of the investment securities. At the reporting date, exposure to listed entity securities at fair value was \$2,000,000.

The following sensitivity analysis shows the effect on equity to a 50% change in market value of the listed equity securities.

Impact on equity to:		
50% increase in equity price	1,000,000	-
50% decrease in equity price	(1,000,000)	-



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		Consolidated	
		2014	2013
		\$	\$
<b>Interest rate risk</b>			
The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to cash assets and variable interest rates.			
At balance date the consolidated entity had the following financial assets exposed to Australian variable interest rate risk:			
Cash and cash equivalents	6	1,628,942	2,421,919
Other financial assets	8	810,000	810,000
		<u>2,438,942</u>	<u>3,231,919</u>

Cash term deposits are generally placed on term deposit for periods of between 30 days and 90 days and are therefore exposed to movements in term deposit interest rates. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, and the mix of fixed and variable interest rates and term deposits terms.

The following sensitivity analysis shows the effect on loss after tax to a 1.0% change in interest rates with other variables held constant on the interest rate exposures in existence at balance date (there would be no effect on other equity to a change in the interest rates).

Impact on loss after tax to:

1.0% increase in interest rates (reduce loss)	23,355	58,863
1.0% decrease in interest rates (increase loss)	(23,355)	(58,863)

### Capital management risk

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of its capital structure comprising equity and cash.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital, reserves and accumulated losses as disclosed in Notes 13, 14 and 15 respectively. Capital management predominantly takes the form of managing of the Company's cash reserves, taking into account forecast operating and capital expenditure requirements of the consolidated entity.

The Company had no long-term debt at 30 June 2014. During 2013 and 2014 the Company has maintained the capital base through a clear cash management strategy and when required the issue of equity instruments.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

## 26. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the reporting date, Evolution Mining Limited (Evolution) subscribed for 49,144,000 shares in the Company under a subscription agreement at a price of \$0.0381 per share for cash consideration of \$1.872 million resulting in Evolution holding 13% of the Company's issued capital on 7 July 2014.

Under the terms of the subscription agreement Evolution has a right to participate in every new issue of shares or other equity securities by the Company for a period of 3 years (other than issues under Emmerson's incentive options plan or performance rights plan) pro rata to the Evolution's ownership interest in the Company. Any securities issued under this right must be on terms no less favourable to Evolution than the most favourable terms offered to any other subscriber for the new issue.

## DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

- (a) the financial statements and notes of Emmerson Resources Limited for the financial year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of its financial position as at 30 June 2014, and performance for the year ended on that date; and
  - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.
- (c) subject to the achieving of the matters set out in Note 2(d), there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

(3) As at the date of this declaration, there are reasonable grounds to believe that the entities identified in note 24 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

On behalf of the Board



Rob Bills  
Managing Director & Chief Executive Officer

30 September 2014

## Auditor's Independence Declaration to the Directors of Emmerson Resources Limited

In relation to our audit of the financial report of Emmerson Resources Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Peter McIver  
Partner  
30 September 2014

## Independent auditor's report to the members of Emmerson Resources Limited

### Report on the financial report

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

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 controls relevant to the entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

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

## Report on the remuneration report

We have audited the Remuneration Report included in 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 Emmerson Resources Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Peter McIver  
Partner  
Perth  
30 September 2014

## TENEMENT SCHEDULE

All tenements are held in Northern Territory, Australia

Tenement	Name	Interest	Tenement	Name	Interest	Tenement	Name	Interest
EL10114	McDougall	100%	HLDC101	Sally No Name	100%	HLDC86	Wiso Basin	100%
EL10124	Speedway	100%	HLDC36	Blue Moon	100%	HLDC87	Wiso Basin	100%
EL10313	Kodiak	100%	HLDC37	Warrego, No 1	100%	HLDC88	Wiso Basin	100%
EL10406	Montana	100%	HLDC39	Warrego Min,	100%	HLDC89	Wiso Basin	100%
EL23285	Corridor 2	100%	HLDC40	Warrego, No 2	100%	HLDC90	Wiso Basin	100%
EL23286	Corridor 3	100%	HLDC41	Warrego, No 3	100%	HLDC91	Wiso Basin	100%
EL23905	Jackie	100%	HLDC42	Warrego, S7	100%	HLDC92	Wiso Basin	100%
EL26594	Bills	100%	HLDC43	Warrego , S8	100%	HLDC93	Wiso Basin	100%
EL26595	Russell	100%	HLDC44	Warrego, No.2	100%	HLDC94	Warrego, No.4	100%
EL26787	Rising Ridge	100%	HLDC45	Warrego, No.1	100%	HLDC95	Warrego, No.3	100%
EL27011	Snappy Gum	100%	HLDC46	Warrego, No.1	100%	HLDC96	Wiso Basin	100%
EL27136	Reservoir	100%	HLDC47	Wiso Basin	100%	HLDC97	Wiso Basin	100%
EL27164	Hawk	100%	HLDC48	Wiso Basin	100%	HLDC98	Wiso Basin	100%
EL27408	Grizzly	100%	HLDC49	Wiso Basin	100%	HLDC99	Wiso, No.3 pipe	100%
EL27537	Chappell	100%	HLDC50	Wiso Basin	100%	MA23236	Udall Road	100%
EL27538	Mercury	100%	HLDC51	Wiso Basin	100%	MA27163	Eagle	100%
EL28601	Malbec	100%	HLDC52	Wiso Basin	100%	MCC1032	Metallic Hill	100%
EL28602	Red Bluff	100%	HLDC53	Wiso Basin	100%	MCC1033	Metallic Hill	100%
EL28603	White Devil	100%	HLDC54	Wiso Basin	100%	MCC1034	EXP195	100%
EL28618	Comstock	100%	HLDC55	Warrego, No.4	100%	MCC1038	Rocky Range	100%
EL28760	Delta	100%	HLDC56	Warrego, No.5	100%	MCC1039	Rocky Range	100%
EL28761	Quartz Hill	100%	HLDC58	Wiso Line, No.6	100%	MCC1065	Marathon	100%
EL28774	Colombard	100%	HLDC59	Warrego, No.6	100%	MCC1077	Gecko	100%
EL28775	Trinity	100%	HLDC69	Wiso Basin	100%	MCC1078	Gecko	100%
EL28776	Whippet	100%	HLDC70	Wiso Basin	100%	MCC1079	Gecko	100%
EL28777	Bishops Creek	100%	HLDC71	Wiso Basin	100%	MCC1080	Gecko	100%
EL28913	Amstel	100%	HLDC72	Wiso Basin	100%	MCC1081	Gecko	100%
EL29012	Tetley	100%	HLDC73	Wiso Basin	100%	MCC1082	Gecko	100%
EL29488	Rocky	100%	HLDC74	Wiso Basin	100%	MCC1083	Gecko	100%
EL29846	Grey Bluff	100%	HLDC75	Wiso Basin	100%	MCC1315	Warrego East	100%
EL30123	Mosquito Creek	100%	HLDC76	Wiso Basin	100%	MCC1316	Warrego East	100%
EL30167	Dolomite	100%	HLDC77	Wiso Basin	100%	MCC1317	Warrego East	100%
EL30168	Caroline	100%	HLDC78	Wiso Basin	100%	MCC1318	Warrego East	100%
EL30301	Grey Bluff East	100%	HLDC79	Wiso Basin	100%	MCC1319	Warrego East	100%
EL9403	Jess	100%	HLDC80	Wiso Basin	100%	MCC1320	Warrego East	100%
EL9958	Running Bear	100%	HLDC81	Wiso Basin	100%	MCC1321	Warrego East	100%
ELA27539	Telegraph	100%	HLDC82	Wiso Basin	100%	MCC1322	Warrego East	100%
ELA27902	Lynx	100%	HLDC83	Wiso Basin	100%	MCC1323	Warrego East	100%
ELA7809	Mt Samuel	100%	HLDC84	Wiso Basin	100%	MCC1348	Archimedes	100%
HLDC100	Sally No Name	100%	HLDC85	Wiso Basin	100%	MCC1349	Archimedes	100%

## TENEMENT SCHEDULE

All tenements are held in Northern Territory, Australia

Tenement	Name	Interest	Tenement	Name	Interest	Tenement	Name	Interest
MCC1426	Pinnacles Sth	100%	MCC522	Gibbet	100%	MCC812	Dong Dui	100%
MCC1530	Jacqueline the	100%	MCC523	Gibbet	100%	MCC813	Grenache	100%
MCC167	Comstock	100%	MCC524	Gibbet	100%	MCC9	Eldorado	100%
MCC168	New Hope	100%	MCC55	Mondeuse	100%	MCC907	Troy	100%
MCC169	Plumb	100%	MCC56	Shiraz	100%	MCC908	Troy	100%
MCC174	Mt Samuel	100%	MCC57	Mondeuse	100%	MCC909	Troy	100%
MCC203	Galway	100%	MCC6	The Pup	100%	MCC910	Troy	100%
MCC21	Battery Hill	100%	MCC66	Golden Forty	100%	MCC912	Troy	100%
MCC211	Shamrock	100%	MCC67	Golden Forty	100%	MCC913	Troy	100%
MCC212	Mt Samuel	85%	MCC755	Comstock	100%	MCC914	Rising Star	100%
MCC22	Battery Hill	100%	MCC756	Comstock	100%	MCC915	Rising Star	100%
MCC23	Battery Hill	100%	MCC757	Comstock	100%	MCC925	Brolga	100%
MCC239	West Peko	100%	MCC758	Semillon	100%	MCC926	Brolga	100%
MCC240	West Peko	100%	MCC759	Smelter	100%	MCC969	Pinot	100%
MCC287	Mt Samuel	100%	MCC76	Red Bluff North	100%	MCC970	Pinot	100%
MCC288	Mt Samuel	100%	MCC760	Dark	100%	MCC971	Pinot	100%
MCC308	Mt Samuel	85%	MCC761	Noir	100%	MCC972	Pinot	100%
MCC313	Pedro	100%	MCC762	Noir	100%	MCC981	Franc	100%
MCC314	Pedro	100%	MCC790	Verdelho	100%	MCC982	Franc	100%
MCC316	The Trump	100%	MCC791	Marsanne	100%	ML22284	Billy Boy	100%
MCC317	The Trump	100%	MCC792	Marsanne	100%	ML23216	Chariot	100%
MCC334	Estralita Group	100%	MCC793	Sauvignon	100%	ML23969	Gecko	100%
MCC338	Black Cat	100%	MCC794	Durif	100%	ML29917	Headframe	100%
MCC339	Black Cat	100%	MCC795	Durif	100%	ML29919	Havelock	100%
MCC340	The Trump	100%	MCC796	Durif	100%	ML30176	Orlando	100%
MCC341	The Trump	100%	MCC797	Durif	100%	ML30176	Queen of Sheeba	100%
MCC342	True Blue	100%	MCC797	EXP 80	100%	ML30177	North Star	100%
MCC342	True Blue	100%	MCC798	Ivanhoe	100%	ML30322	Verdot	100%
MCC344	Mt Samuel	100%	MCC798	Ivanhoe	100%	MLA29526	Blue Moon	100%
MCC344	Mt Samuel	100%	MCC799	Wolseley	100%	MLA29527	Wiso	100%
MCC348	Bomber	100%	MCC800	Wolseley	100%	MLA29528	Wiso	100%
MCC348	Bomber	100%	MCC801	Gris	100%	MLA29529	Wiso	100%
MCC349	Bomber	100%	MCC802	Zinfandel	100%	MLA29530	Wiso	100%
MCC350	Bomber	100%	MCC803	Thurgau	100%	MLA29531	Wiso	100%
MCC351	Bomber	100%	MCC804	EXP212	100%	MLA29532	Wiso	100%
MCC354	Scheurber	100%	MCC805	Jubilee	100%	MLA30096	Malbec	100%
MCC354	Scheurber	100%	MCC806	Jubilee	100%	MLC100	Warrego	100%
MCC355	Scheurber	100%	MCC807	Merlot	100%	MLC101	Warrego	100%
MCC364	Estralita	100%	MCC808	Merlot	100%	MLC102	Warrego	100%
MCC365	Estralita	100%	MCC809	The Extension	100%	MLC107	Warrego	100%
MCC366	Estralita	100%	MCC810	Colombard	100%	MLC108	Warrego	100%
MCC377	Blue Moon	100%	MCC811	Colombard	100%			
MCC461	Gibbet	100%						
MCC5	The Pup	100%						

## TENEMENT SCHEDULE

All tenements are held in Northern Territory, Australia

Tenement	Name	Interest	Tenement	Name	Interest	Tenement	Name	Interest
MLC120	Cabernet/Nav 7	100%	MLC184	Riesling	100%	MLC346	Rocky Range	100%
MLC121	Cabernet/Nav 7	100%	MLC204	Argo West	100%	MLC347	Tinto	100%
MLC122	Cabernet/Nav 7	100%	MLC205	Argo West	100%	MLC348	Brolga	100%
MLC123	Cabernet/Nav 7	100%	MLC206	Argo West	100%	MLC349	Brolga	100%
MLC127	Peko East Ext 4	100%	MLC207	Argo West	100%	MLC35	Golden Forty	100%
MLC129	Peko Sth- East	100%	MLC208	Argo West	100%	MLC350	Brolga	100%
MLC130	Golden Forty	100%	MLC209	Argo West	100%	MLC351	Brolga	100%
MLC131	Golden Forty	100%	MLC21	Gecko	100%	MLC352	Golden Forty	100%
MLC132	Golden Forty	100%	MLC217	Perserverance	30%	MLC353	Golden Forty	100%
MLC133	Golden Forty	100%	MLC218	Perserverance	30%	MLC354	Golden Forty	100%
MLC134	Golden Forty	100%	MLC219	Perserverance	30%	MLC355	Golden Forty	100%
MLC135	Golden Forty	100%	MLC22	Warrego	100%	MLC36	Golden Forty	100%
MLC136	Golden Forty	100%	MLC220	Perserverance	30%	MLC362	Lone Star	100%
MLC137	Golden Forty	100%	MLC221	Perserverance	30%	MLC363	Lone Star	100%
MLC138	Golden Forty	100%	MLC222	Perserverance	30%	MLC364	Lone Star	100%
MLC139	Golden Forty	100%	MLC223	Perserverance	30%	MLC365	Lone Star	100%
MLC140	Golden Forty	100%	MLC224	Perserverance	30%	MLC366	Lone Star	100%
MLC141	Golden Forty	100%	MLC235	Kia Ora	100%	MLC367	Lone Star	100%
MLC142	Golden Forty	100%	MLC236	Kia Ora	100%	MLC368	Lone Star	100%
MLC143	Golden Forty	100%	MLC237	Kia Ora	100%	MLC369	Lone Star	100%
MLC144	Golden Forty	100%	MLC238	Kia Ora	100%	MLC37	Golden Forty	100%
MLC146	Golden Forty	100%	MLC253	Mulga 1	100%	MLC370	Lone Star	100%
MLC147	Golden Forty	100%	MLC254	Mulga 1	100%	MLC371	Lone Star	100%
MLC148	Golden Forty	100%	MLC255	Mulga 1	100%	MLC372	Lone Star	100%
MLC149	Golden Forty	100%	MLC256	Mulga 2	100%	MLC373	Lone Star	100%
MLC15	Eldorado 4	100%	MLC257	Mulga 2	100%	MLC374	Lone Star	100%
MLC158	Warrego gravel	100%	MLC258	Mulga 2	100%	MLC375	Lone Star	100%
MLC159	Warrego gravel	100%	MLC259	Mulga 2	100%	MLC376	Mulga 1	100%
MLC16	Eldorado 5	100%	MLC260	Mulga 2	100%	MLC377	Mulga 1	100%
MLC160	Warrego gravel	100%	MLC261	Mulga 2	100%	MLC378	Mulga 1	100%
MLC161	Warrego gravel	100%	MLC32	Golden Forty	100%	MLC379	Mulga 1	100%
MLC162	Warrego gravel	100%	MLC323	Gecko	100%	MLC38	Memsahib East	100%
MLC163	Warrego gravel	100%	MLC324	Gecko	100%	MLC380	Mulga 1	100%
MLC164	Warrego gravel	100%	MLC325	Gecko	100%	MLC381	Mulga 1	100%
MLC165	Warrego gravel	100%	MLC326	Gecko	100%	MLC382	Mulga 1	100%
MLC176	Chariot	100%	MLC327	Gecko	100%	MLC383	Mulga 1	100%
MLC177	Chariot	100%	MLC342	Tinto	100%	MLC384	Mulga 2	100%
MLC18	West Gibbet	100%	MLC343	Rocky Range	100%	MLC385	Mulga 2	100%
MLC182	Riesling	100%	MLC344	Rocky Range	100%	MLC386	Mulga 2	100%
MLC183	Riesling	100%	MLC345	Rocky Range	100%	MLC387	Mulga 2	100%



## TENEMENT SCHEDULE

All tenements are held in Northern Territory, Australia

Tenement	Name	Interest	Tenement	Name	Interest	Tenement	Name	Interest
MLC39	Short Range 5	100%	MLC558	New Hope	100%	MLC617	Mt Samuel	50%
MLC4	Peko Extended	100%	MLC559	White Devil	100%	MLC619	True Blue	85%
MLC40	Short Range 5	100%	MLC56	Golden Forty	100%	MLC626	Caroline	100%
MLC406	Comet	100%	MLC560	White Devil	100%	MLC644	Enterprise	100%
MLC407	Comet	100%	MLC57	Perserverence	30%	MLC645	Estralita	100%
MLC408	Comet	100%	MLC575	Blue Moon	100%	MLC654	TC8 Lease	100%
MLC409	Comet	100%	MLC576	Golden Forty	100%	MLC66	Traminer	100%
MLC41	Short Range 5	100%	MLC577	Golden Forty	100%	MLC67	Traminer	100%
MLC432	Mulga 1	100%	MLC581	Eldorado ABC	100%	MLC675	Black Angel	100%
MLC48	Tinto	100%	MLC582	Eldorado ABC	100%	MLC676	Black Angel	100%
MLC49	Mt Samual	100%	MLC583	Eldorado ABC	100%	MLC69	Gecko	100%
MLC498	Eldorado	100%	MLC584	Golden Forty	100%	MLC692	Warrego Mine	100%
MLC499	Eldorado	100%	MLC585	Golden Forty	100%	MLC70	Gecko	100%
MLC5	Peko Extended	100%	MLC586	Golden Forty	100%	MLC700	White Devil	100%
MLC50	Eldorado Anom	100%	MLC588	Kia Ora	100%	MLC702	0	100%
MLC500	Eldorado	100%	MLC591	TC8 Lease	100%	MLC705	Apollo 1	100%
MLC501	Eldorado	100%	MLC592	TC8 Lease	100%	MLC71	Warrego	100%
MLC502	Eldorado	100%	MLC593	TC8 Lease	100%	MLC72	Warrego	100%
MLC503	Eldorado	100%	MLC594	TC8 Lease	100%	MLC73	Warrego	100%
MLC504	Eldorado	100%	MLC595	TC8 Lease	100%	MLC74	Warrego	100%
MLC505	Eldorado	100%	MLC596	TC8 Lease	100%	MLC75	Warrego	100%
MLC506	Marion Ross	100%	MLC597	TC8 Lease	100%	MLC76	Warrego	100%
MLC51	Eldorado Anom	100%	MLC598	Golden Forty	100%	MLC78	Gecko	100%
MLC518	Ellen, Eldorado	100%	MLC599	Mt Samuel	85%	MLC83	Warrego	100%
MLC52	Muscadel	100%	MLC601	TC8 Lease	100%	MLC84	Warrego	100%
MLC520	Great Northern	100%	MLC602	TC8 Lease	100%	MLC85	Gecko	100%
MLC522	Aga Khan	100%	MLC603	TC8 Lease	100%	MLC86	Gecko	100%
MLC523	Eldorado	100%	MLC604	TC8 Lease	100%	MLC87	Gecko	100%
MLC524	Susan	100%	MLC605	TC8 Lease	100%	MLC88	Gecko	100%
MLC527	Mt Samual	100%	MLC606	Lone Star	100%	MLC89	Gecko	100%
MLC528	Dingo Eldorado	100%	MLC607	Lone Star	100%	MLC90	Gecko	100%
MLC529	Cats Whiskers	100%	MLC608	Lone Star	100%	MLC91	Carraman/Klond	100%
MLC53	Golden Forty	100%	MLC609	Lone Star	100%	MLC92	Carraman/Klond	100%
MLC530	Lone Star	100%	MLC610	Lone Star	100%	MLC93	Carraman/Klond	100%
MLC535	Eldorado No 5	100%	MLC611	Lone Star	100%	MLC94	Carraman/Klond	100%
MLC54	Golden Forty	100%	MLC612	Lone Star	100%	MLC95	Carraman/Klond	100%
MLC546	The Mount	100%	MLC613	Lone Star	100%	MLC96	Osprey	100%
MLC55	Golden Forty	100%	MLC614	Lone Star	100%	MLC97	Osprey	100%
MLC554	White Devil	100%	MLC615	Lone Star	100%	MLC98	Warrego	100%
MLC557	White Devil	100%	MLC616	Lone Star	100%	MLC99	Warrego	100%