



**Anatolia Energy Limited**

**ABN 68 076 577 994**

**Annual Report**

**30 June 2014**

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## CORPORATE DIRECTORY

### Directors

Dr Hikmet Akin, *Non-Executive Chairman*  
Mr Robert Annett, *Non-Executive Director*  
Mr Pat Burke, *Non-Executive Director*  
Mr Paul Cronin, *Non-Executive Director*  
Mr James Graham, *Executive Director*

### Company Secretary

Mr Lee Boyd

### Registered Office

Unit 3  
80 Colin Street  
West Perth WA 6005  
Australia  
*Tel:* +61 8 9321 5245  
*Fax:* +61 8 9321 5036

### Principal Place of Business

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80 Colin Street  
West Perth WA 6005  
Australia  
*Tel:* +61 8 9321 5245  
*Fax:* +61 8 9321 5036

### Website

<http://anatoliaenergy.com.au>

### Auditors

Moore Stephens  
Level 3  
12 St Georges Terrace  
Perth WA 6000  
Australia  
*Tel:* +61 8 9225 5355  
*Fax:* +61 8 9225 6181

### Lawyers

Steinepreis Paganin Lawyers and Consultants  
Level 4  
16 Milligan Street  
Perth WA 6000  
Australia  
*Tel:* +61 8 9321 4000  
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### Share Registry

Computershare Investor Services  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000  
Australia  
*Tel:* +61 8 9323 2000  
*Fax:* +61 8 9323 2033

### Stock Exchange Listing

Anatolia Energy Limited shares are listed on the Australian Securities Exchange (Code: AEK).

## CHAIRMAN'S LETTER

I am pleased to announce that Anatolia Energy Ltd (Anatolia or the Company) has continued to perform strongly at its 100% owned flagship Temrezli Uranium Project (Project), with your management team in Australia and Turkey working towards the successful delivery of a pre-feasibility study for the establishment of an ISR uranium facility. The Turkish government is committed to developing its nuclear industry with its construction of a nuclear power facility at Akkuyu, the selection of Sinop for a second facility, and plans to identify a third location in the northwest part of the country. In this regard your Company is very well positioned to continue its active and significant role in Turkey's developing nuclear power industry.

I am particularly delighted that during the year the Company was granted an Operating Licence over the entirety of the Project and I congratulate our Managing Director, Mr Jim Graham, and our in-country team who have developed an excellent collaborative relationship with the government agencies responsible for our activities in Turkey.

Throughout the year the Company has been very active at the Temrezli uranium deposit and our new information from exploration drilling, metallurgical tests, resource estimations and hydrologic work has allowed us to update our Preliminary Economic Assessment resulting in a significant increase in the economic value of the Project.

Also these activities have allowed us to rapidly progress our Pre-Feasibility Study (PFS) and our Environmental and Social Impact Assessment (ESIA) which are being managed by several leading international consultancies who have proven track records in the management and establishment of ISR operations.

Despite adverse market conditions, the Company has recently finalised an over-subscribed capital raise of A\$6 million within a very short time period. The level of interest in the raise was extraordinary, confirming the quality of our Project and of the work performed. The funds from the capital raised will be used to finalise both the PFS and the ESIA as well as to expand our exploration to our satellite uranium prospects at Sefaatli and the Central Anatolian Uranium District.

The board of Anatolia is proud of the achievements of its team. This year two new directors joined our board, strengthening the team by providing new skill sets, especially in the areas of corporate development and financing, and legal affairs.



Dr Hikmet Akin

Chairman

30 September 2014

## DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Group, being Anatolia Energy Limited ("the Company") and its controlled entities, for the year ended 30 June 2014.

### Names, Qualifications, Experience and Special Responsibilities

The Directors of the Company during the financial year until the date of this report are as follows. Directors were in office for the entire period unless otherwise indicated:

#### **Dr Hikmet Akin, Ph.D. Eng, P. Geo**

##### **Non-Executive Chairman**

##### **Appointed 1 April 2011**

Dr Hikmet Akin was born and raised in Turkey. He is a graduate of the Technical University of Berlin in Germany and has over 35 years of international experience in project evaluation and mining development. Since 1978, he has held various managerial and staff positions with (the original) Uranerz in Germany primarily performing project evaluations. Concurrently, he became a professor at the Technical University of Berlin and in 1985 and co-published a textbook on applied geostatistics.

During the early 1990's, as President of the local subsidiaries of Uranerz, he managed uranium mining and exploration activities in the USA and Canada. From the mid 90's, Hikmet was President and CEO of the entire Uranerz Group, including operations in Canada, USA, Kazakhstan and Germany. Uranerz was the third largest uranium producer in the western world at that time and was subsequently acquired by Cameco. Hikmet has worked as an international consultant and executive in the resource sector since 1999, and has also served as a director on the boards of various corporations. He is fluent in English, German and Turkish.

#### **Mr James (Jim) Graham**

##### **Managing Director**

##### **Appointed 9 July 2012**

Mr Jim Graham has almost 35 years of directorship, senior management and specialist experience in the nuclear industry, and has been the CEO of Nuclear Fuel Cycle Consulting LLC, a company he founded in April 2009. From 1983 to 1992 he held the position of President and CEO for TOTAL American Mining Inc. overseeing the French company's mining activities in North America which included uranium, gold and coal mining. From June 1993 through March 2009 Jim served as President and CEO of ConverDyn, a partnership company between Honeywell International and General Atomics, where he managed the global marketing of uranium conversion services and provided oversight of Honeywell's Metropolis Conversion Facility. During this timeframe he also served as Senior Vice President of General Atomics from October 1992 through January 2004, where he was responsible for their nuclear fuel cycle activities.

Jim has held a number of third party board positions, including: Nuclear Energy Institute (NEI) from 2007 to 2009, World Nuclear Market from 1998 to 2003 and Neutron Energy Inc. from 2011 to present.

Jim was appointed as a Director of the company on 9 July 2012 and subsequently accepted the position of Managing Director on 3 August 2012.

#### **Mr Robert Annett, B.SC (Hons), ARSM, MAIMM, MAIG, MIQ**

##### **Non-Executive Director**

##### **Appointed 1 April 2011**

Mr Robert Annett has over 35 years of experience in the resources industry and has been involved in the exploration, evaluation and exploitation of uranium, precious metals, base metals, coal, oil and industrial minerals globally. Robert graduated as an Exploration and Mining Geologist from the Royal School of Mines, Imperial College, London, UK in 1978.

A former director of International Goldfields Ltd and other private companies, Robert has directed and implemented all necessary technical management for numerous projects ranging from greenfields exploration through to mine development, international exploration programs, mineral asset acquisitions and divestments, for a number of listed companies.

Robert currently works as an industry consultant to ASX listed and private companies with local and overseas projects.

## DIRECTORS REPORT (continued)

### Names, Qualifications, Experience and Special Responsibilities (continued)

**Mr Lee Boyd, BBus, Dip Mgmt, Adv Cert Bus, CPA, FAICD**

**Non-Executive Director**

**Appointed 29 November 2012; Resigned 31 July 2014**

Mr Lee Boyd has extensive and broad ranging directorial, financial, company secretarial, consulting and senior executive experience gained in a diverse range of industries over the past 40 years, including the manufacturing, industrial engineering and resource industry sectors. He is also currently a director of the Company's subsidiary companies Anatolia Uranium (BVI) Ltd, Constellres Ltd and Mozawl Mining Ltd.

Lee is a director of a number of public and private companies and is a board member of both a charitable and a not for profit benevolent organisation. Lee has been a director of ASX listed Firestone Energy Limited since March 2014 and ASX listed Waterberg Coal Company Limited since May 2014. In addition to his directorial duties, Lee's activities include the provision of company secretarial and associated administration consultancy services. Lee is a CPA member of CPA Australia, and is a Fellow of the Australian Institute of Company Directors.

**Mr Patrick Burke LLB**

**Non-Executive Director**

**Appointed 21 July 2014**

Mr Patrick Burke holds a Bachelor of Law degree from the University of Western Australia. He has extensive legal and corporate advisory experience, and has acted as a Director for a number of ASX and AIM listed small to mid-cap resources companies over the past 10 years. His legal expertise is in corporate, commercial and securities law with an emphasis on capital raisings and mergers and acquisitions. His corporate advisory experience includes identification and assessment of acquisition targets, strategic advice, structuring and pricing, negotiation, funding, due diligence and management of process. He contributes general commercial and legal skills along with a strong knowledge of the ASX requirements. He is currently a Non-Executive Director of ASX listed Hazelwood Resources Limited, Monto Minerals Limited and Intercept Minerals Limited.

**Mr Paul Cronin B.Com, MBA**

**Non-Executive Director**

**Appointed 10 February 2014**

Mr Paul Cronin has provided professional corporate advisory services to the Company since June 2013, including arranging and completing significant new capital raisings. He is an experienced investment banker with considerable resources sector experience, particularly in relation to financing of the uranium sector. Prior to joining Anatolia in an advisory capacity, Paul was Vice President at RMB Resources, the specialist resource financing division of FirstRand Bank. He has extensive experience in finance structuring, hedging and capital markets. Paul was formally Director of Nuclear Origination, with Constellation Energy and led the acquisition of uranium trader Nufcor International in 2008. He was also Advisor to the London listed Nufcor Uranium Limited, the closed end uranium fund prior to its merger with TSX listed Uranium Participation Corporation in 2009.

**Dr Peter Kausch, Ph.D., M.Sc. Mining Engineering**

**Non-executive Director**

**Appointed 1 April 2011; Resigned 29 November 2013**

Dr Peter Kausch has over 40 years of experience in the mining sector. After finishing his advanced studies in mining engineering and mining management, Peter joined the coal mining company Rheinbraun AG in Germany, a major shareholder of the Uranerz group of companies. He advanced to become a high level executive with Rheinbraun overseeing its international mining activities. From 1973 to 1984, Peter was involved in the development of Rheinbraun's uranium divisions in North America and Australia and organized the US-hard coal division. From 1984 to 2000 he was a managing director of Rheinbraun US GmbH and from 1994 to 2000 Chairman of Rheinbraun Australia Pty Ltd, Sydney. His duties in Australia included management of the participating interest of Rheinbraun/RWE at the Ranger Uranium Mine of ERA in Australia. Peter's duties as a Rheinbraun executive also included directorships on the Boards of Uranerz GmbH, Germany, from 1987 to 1999 and Uranerz Exploration and Mining Ltd., Saskatoon, SK, Canada from 1992 to 1998.

## DIRECTORS REPORT (continued)

### Names, Qualifications, Experience and Special Responsibilities (continued)

He served as Chairman of the German-Chinese Coal Group (1992 to 2003) and the German Association of Foreign Mining (FAB; 2000 to 2003). Peter was also a Board member of Consol Energy Inc., USA (1992 to 1998) and Energy Resources of Australia Sydney; 1996 to 1999), and SSM, Rotterdam (hard coal trading company; 1992 to 2003). After his retirement from Rheinbraun, Peter accepted an Honorary Professorship at the Technical University/ Bergakademie (Mining School), in Freiberg, Germany and teaches International Resource Management on a voluntary basis.

### Company Secretary

**Lee Boyd BBus, Dip Mgmt, Adv Cert Bus, CPA, FAICD**

**Appointed 30 March 2011**

Mr Lee Boyd was appointed Company Secretary on 30 March 2011.

Lee is a CPA member of CPA Australia and a Fellow of the Australian Institute of Company Directors.

### Directors' Interests in the Shares and Options of the Company

As at 30 June 2014, the interests of the Directors in the shares and options of the Company were:

|                                                        | Hikmet Akin | Jim Graham | Robert Annett | Lee Boyd  | Paul Cronin |
|--------------------------------------------------------|-------------|------------|---------------|-----------|-------------|
| Ordinary Shares (Direct)                               | 2,007,419   | 1,250,204  | 2,693,437     | -         | 250,000     |
| Ordinary Shares (Indirect)                             | 1,123,578   | -          | -             | 867,150   | 230,000     |
| A Class Performance Shares (Direct)                    | 367,500     | -          | -             | -         | -           |
| A Class Performance Shares (Indirect)                  | 206,324     | -          | 52,500        | -         | -           |
| D Class Performance Shares (Indirect)                  | -           | -          | 50            | -         | -           |
| Unlisted Options at 6.5c, expiring 15/6/2017 (Direct)  | -           | 1,000,000  | -             | -         | -           |
| Unlisted Options at 8c, expiring 15/6/2017 (Direct)    | -           | 400,000    | -             | -         | -           |
| Unlisted Options at 18c, expiring 15/6/2017 (Direct)   | 120,448     | -          | -             | -         | -           |
| Unlisted Options at 18c, expiring 15/6/2017 (Indirect) | 67,107      | -          | 235,995       | -         | -           |
| Unlisted Options at 5c, expiring 28/11/2018 (Direct)   | -           | 2,500,000  | -             | -         | 1,000,000   |
| Unlisted Options at 5c, expiring 28/11/2018 (Indirect) | 1,000,000   | -          | 1,500,000     | 1,500,000 | -           |

### Dividends

No final dividend is recommended, nor any interim dividend paid during the financial year. There was no final dividend recommended in the 2013 Annual Report, nor was there any paid during the 2014 financial year.

### Principal Activities

The Company's activities are in the minerals exploration and mining sectors.

### Operating Results and Review of Operations for the Year

- At its flagship Temrezli Uranium Project (the **Project**) the Company's field activities delivered in July 2013 a Preliminary Economic Assessment (PEA) on the Temrezli uranium deposit and in May 2014 following further studies an updated PEA which continued to deliver robust economics;

## DIRECTORS REPORT (continued)

### Operating Results and Review of Operations for the Year (continued)

- Grant of the Operation Licence over the entirety of the Temrezli uranium deposit;
- Resource and Hydrogeological drilling as part of a Pre-Feasibility Study and an Environmental and Social Impact Assessment (ESIA), in preparation for the grant of an Operation Permit;
- 42 drill holes and over 6,000m of drilling (RC and diamond) at the Temrezli uranium deposit and Sefaattli uranium prospect;
- Updated Mineral Resource Estimate of 13.2Mlb contained uranium at a grade of 1,157ppm eU<sub>3</sub>O<sub>8</sub> which included for the first time a measured resource category of 6.1Mlb at 1,378ppm eU<sub>3</sub>O<sub>8</sub>; and
- In August 2014 further encouraging high grade uranium intercepts from both in-fill drilling and hydrogeological drilling (12 holes) and encouraging well yields from pumping test work at Site B.

Late in the previous reporting year the Company awarded the contract for completion of a PEA to WWC Engineering (WWC) of Sheridan, Wyoming, USA. With over 30 years of experience in providing permitting and engineering services for mining projects, WWC has helped develop a number of feasibility type analyses for major uranium ISR projects. The PEA is roughly equivalent to a Preliminary Feasibility Study in Australia, and is an important intermediate document for determining the most favourable development and mining options for the project and provides guidance on capital and operating costs. The PEA was released to the market on 1 July 2013 and clearly demonstrated the amenability of the Temrezli uranium deposit to low cost In-Situ recovery techniques. The key PEA outcomes in July 2013 were:

|                                                 |                              |
|-------------------------------------------------|------------------------------|
| Assumed U <sub>3</sub> O <sub>8</sub> Price     | US\$ 60 / lb                 |
| Life of Mine                                    | 10 Years                     |
| Total U <sub>3</sub> O <sub>8</sub> Production  | 9,125,000 lb                 |
| Annual U <sub>3</sub> O <sub>8</sub> Production | 1,000,000 lb                 |
| Upfront Capital Costs                           | US\$ 3.35 / lb or US\$ 30.6M |
| Cash Operating Costs                            | US\$ 22.30 / lb              |
| Pre-Tax NPV (8% DCF)                            | US\$ 173.9M                  |
| Free Cash Flow                                  | US\$ 288.9M                  |
| Internal Rate of Return                         | 103%                         |

The US\$ 60/lb uranium price assumption was substantially lower than peer assessments and reflective of consensus uranium price forecasts by market analysts at that time. It clearly demonstrated that the Project will be in the lowest cost quartile uranium production.

In October the Company was informed that the Operation Licences (OLs) for the Temrezli Uranium Project had been granted by the Turkish General Directorate of Mining Affairs, the agency within the Ministry of Energy and Natural Resources responsible for mine permitting. The OLs cover all previous Exploration License areas that contain the Temrezli uranium deposit and are valid for a minimum of 10 years. The OLs will enable the Company to construct the ISR well field and processing plant upon issue of an Operation Permit, typically granted within 14 days of application. The application for an Operation Permit will occur shortly after the submission of the ESIA and will follow the granting of the relevant property and business permits.

Immediately thereafter the Company commenced a substantial Program of Work, including commencement of an ESIA, additional hydrological and metallurgical studies, a drilling program of 6,000 metres over approximately 50 holes, all as elements in a concluding Pre-Feasibility Study. The outcome of this Program of Work was to enable management to make development decisions for the Temrezli uranium deposit. The firms appointed to conduct the various elements of the Program of Work included;

- SRK (Turkey & Colorado) – Environmental and Social Impact Assessment
- Tetra Tech (Colorado) – Pre-Feasibility Study, Program Co-ordination, Well Field Design and Engineering, and Metallurgical and Process Assessment
- Hydro Solutions (Colorado) - Pump Tests and Hydrological Assessment
- WWC Engineering (Wyoming) – Hydrologic Test Well Installation and Drilling Program Oversight
- CSA Global (Western Australia) – Mineral Resource Estimate

## DIRECTORS REPORT (continued)

### Operating Results and Review of Operations for the Year (continued)

At the Temrezli uranium deposit resource drilling commenced in late October and continued for the remainder of the year whilst at Sefaati a short drill program was undertaken at the Deliler uranium prospect. Given the proximity of Sefaati to Temrezli, there is strong potential for Sefaati to evolve into a satellite operation that supplements the planned development of the Temrezli Uranium Project.

At late December 2013 the Temrezli drill program comprised 32 holes (a mix of mud rotary and diamond) for over 5,000m drilled with the aim to increase the understanding of the existing resource, and to facilitate well field planning. Equivalent uranium grade (eU<sub>3</sub>O<sub>8</sub>) estimated from gamma logs included a number of the wider intercepts, indicating that on occasion the generally tabular nature of the mineralised lenses observed at the Temrezli deposit resemble roll fronts similar in style to producing uranium ISR projects in the Powder River and Great Divide Basins in Wyoming.

At late December 2013 eight diamond core holes for over 800m of drill advance had been completed at the Deliler uranium prospect with additional work planned for the Tuglu Tepe uranium prospect. Previous drilling in the 1980s had outlined uranium mineralisation extending over a combined area of 4.6 km<sup>2</sup> at these two prospects. Whilst the 8 holes extended over only 10% of the Deliler all drill holes intersected uranium mineralisation at depths ranging between 20m and 133m, with most holes intersecting two or more lenses and one hole up to 5 stacked lenses.

In early 2014 the Company continued its exploration activities at Temrezli with the construction and installation of 9 wells at 2 sites within the deposit. Following the initial pump tests conducted in February 2013, Adur staff, with the assistance of WWC Engineering and Hydro Solutions, had developed robust procedures for well field installation. Wells were installed for hydrological testing purposes and aquifer monitoring to assist with the preparation of the ESIA. The wells were equipped with submersible pumps and data logging pressure transducers. State-of-art instrumentation and associated software provided the most accurate formation hydraulic characteristics possible. The goals of the program were two-fold:

- To determine key hydrologic parameters of flow and storativity, and
- To demonstrate lateral hydraulic communication (connection) of the ore bearing mining intervals across distances typical of commercial ISR well patterns.

The pump tests were conducted within the mineralised mining interval, and detailed modelling by Hydro Solutions indicated that there is sufficient head and aquifer Transmissivity to allow wells to be pumped at rates up to 38 l/min for sustained intervals particularly in a typical 5-spot well pattern with average well spacing from 20 to 30 metres.

In May 2014 the results of the resource drilling and the hydrogeological drilling enabled the Company to update both its Mineral Resource estimate and PEA. The updated Mineral Resource was prepared by CSA Global in accordance with JORC 2012 edition as shown in the following table:

| Category                                               | Tonnes<br>(kt) | Average Grade<br>(ppm eU <sub>3</sub> O <sub>8</sub> ) | Resource<br>(lb eU <sub>3</sub> O <sub>8</sub> ) |
|--------------------------------------------------------|----------------|--------------------------------------------------------|--------------------------------------------------|
| Measured                                               | 2,008          | 1,378                                                  | 6,100,000                                        |
| Indicated                                              | 2,178          | 1,080                                                  | 5,185,000                                        |
| Inferred                                               | 1,020          | 888                                                    | 1,997,000                                        |
| <b>Total</b>                                           | <b>5,206</b>   | <b>1,157</b>                                           | <b>13,282,000</b>                                |
| Cut-off Grade of 200ppm eU <sub>3</sub> O <sub>8</sub> |                |                                                        |                                                  |

The PEA was updated to incorporate the updated Mineral Resource and additional hydrologic pump tests conducted by HydroSolutions. The key updated production outcomes were:

## DIRECTORS REPORT (continued)

### Operating Results and Review of Operations for the Year (continued)

|                                                 | Updated PEA<br>May 2014 | Original PEA<br>July 2013 |
|-------------------------------------------------|-------------------------|---------------------------|
| Life of Mine                                    | 10 Years                | 10 Years                  |
| Total U <sub>3</sub> O <sub>8</sub> Production  | 9,209,000 lb            | 9,125,000 lb              |
| Annual U <sub>3</sub> O <sub>8</sub> Production | 1,000,000 lb            | 1,000,000 lb              |
| LOM Capital Costs                               | US\$ 30.2M              | US\$ 30.6M                |
| Cash Operating Costs                            | US\$ 20.22 / lb         | US\$ 22.30 / lb           |
| Pre-Tax NPV (8%)                                | US\$ 186.5M             | US\$ 173.9M               |
| Free Cash Flow                                  | US\$ 310.4M             | US\$ 288.9M               |
| Internal Rate of Return                         | 109%                    | 103%                      |

The updated PEA again confirmed the amenability of the Temrezli deposit to low cost in-situ recovery ("ISR") techniques. It utilises a production target equal to 69% of the total current resource over 10 years. The proportions of resource category attributed to the production target are shown in the following table:

| Resource Category | Mineral Resource Estimate (t) | Well Field Recovery (%) | Metallurgical Recovery (%) | Total Recovery (%) | Production Target (t)* |
|-------------------|-------------------------------|-------------------------|----------------------------|--------------------|------------------------|
| Measured          | 6,100,000                     | 100                     | 80                         | 80                 | 4,880,000              |
| Indicated         | 5,185,000                     | 100                     | 70                         | 70                 | 3,630,000              |
| Inferred          | 1,997,000                     | 50                      | 70                         | 35                 | 699,000                |
| <b>Total</b>      | <b>13,282,000</b>             | <b>92</b>               | <b>75</b>                  | <b>69</b>          | <b>9,209,000</b>       |

\* The PEA report specifies a production target which includes a proportion of inferred mineral resources. It is noted that there is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

Subsequent to the end of the reporting period, in August 2014 the Company announced a number of significant high grade eU<sub>3</sub>O<sub>8</sub> values from a drilling programme of resource holes (step out and in-fill) and hydrogeological wells at Temrezli which commenced in late July 2014. The holes were intended to increase the understanding of the existing resource, and to facilitate and refine well field planning. The results included the highest grade intercept of 0.8m at 11,400ppm eU<sub>3</sub>O<sub>8</sub> from 182.7m in TUR100 whilst encouraging well yields were observed during the construction of the hydrogeological wells. Field observations collected during the program confirmed:

- Air lifted water flows from Lens 1 which makes up almost 30% of the deposit were estimated to be on the order of 150 litres per minute. This flow rate was later confirmed during a 24 hr hydrologic test which averaged an extraction rate of 46 litres per minute while only drawing down approximately one fourth of the available hydraulic head in the well,
- No hydraulic response in the overlying near-surface aquifer during either the 24hr or 72hr pumping of ground water from the uranium ore-bearing aquifers, and
- Lateral (horizontal) hydrogeological connectivity of the uranium ore-bearing aquifers during the extraction and injection of ground water from a 5-spot well pattern at a 20m spacing.

These results remain preliminary in nature and will be confirmed by more rigorous modelling which remains on-going.

## DIRECTORS REPORT (continued)

### Operating Results and Review of Operations for the Year (continued)

At various times during the year the Company rationalised its ground holding by relinquishing Exploration Licences (ELs) which lie outside of the areas where drilling, geological mapping or ground scintillometer traversing have confirmed uranium mineralisation. The retained ELs are sufficient in size to cover the known mineralisation and any immediate extensions at Temrezli, Sefaati, West Sorgun and several other more regional sites. Reducing the number of ELs ensures that the Company is targeting known uranium mineralisation whilst fast tracking the development of the Temrezli uranium deposit and the regional areas of Sefaati and West Sorgun.

Other significant or associated activities which occurred during the year include:

- (i) On 23 July 2013 the Company released its updated Securities Trading Policy for key management personnel.
- (ii) On 17 September 2013 the Company announced that;
  - it had received firm commitments to raise up to \$4.2 million through the placement of up to 52,500,000 fully paid ordinary shares, over 2 tranches, at an issue price of 8.0 cents per share to institutional and sophisticated investors (**Placement**); and
  - it had executed a binding term sheet to enter into a Put Option Subscription Agreement (**Azarga Put**) with Azarga Resources (**Azarga**) whereby, at the Company's election and subject to certain conditions precedent being met within defined timeframes, Azarga is required to apply for a total of 16,666,666 fully paid ordinary shares at an issue price of 12.0 cents per share, over 2 equal tranches, to raise a total of \$2.0 million. Major operations conditions precedent to be met before the Company could exercise the Put Option include, inter alia:
    - Completion of a minimum of 6,000m drilling program on the Project
    - Completion of 2 planned hydrological pump tests
    - Appointment of a firm to conduct the PFS
    - Appointment of a firm to conduct the EIS on the Project

All conditions precedent have subsequently been met and the Tranche 1 exercise election, raising \$1.0 million by the issue of 8,333,333 ordinary shares at 12 cents per share, was completed on 4 March 2014.
- (iii) On 25 September 2013 the Company issued 26,086,175 Tranche 1 fully paid ordinary placement shares to institutional and sophisticated investors at an issue price of 8.0 cents per share to raise \$2,086,894 before costs.
- (iv) On 7 November 2013 the Company issued 26,413,825 Tranche 2 fully paid ordinary Placement shares to institutional and sophisticated investors to raise \$2,113,110 before costs.
- (v) On 27 September 2013 the Company despatched to shareholders a Notice of General Meeting (**EGM**) scheduled to be held on 28 October 2013.
- (vi) The EGM held on 28 October 2013 resulted in all resolutions put to shareholders being passed by the prescribed majority on a show of hands.
- (vii) On 29 October 2013 director Dr Peter Kausch, who was to retire due to rotation at the coming AGM gave notice of his intention not to seek re-election.
- (viii) On 30 October 2013 the Company despatched to shareholders its:
  - Notice of Annual General Meeting (**AGM**); and
  - Annual Financial Report.
- (ix) On 7 November 2013 September the Company issued 26,413,825 Tranche 2 fully paid ordinary Placement shares to institutional and sophisticated investors to raise \$2,113,110 before costs.
- (x) The AGM held on 29 November 2013 resulted in all resolutions put to shareholders being passed by the prescribed majority on a show of hands.
- (xi) On 24 December 2013 the Company commenced an unmarketable parcel sweep and sale facility. This was completed on 17 February 2014 resulting in a reduction of 837 individual holdings, the on sale of 1,863,676 fully paid ordinary shares at 6.5 cents per share and the payment of a total of \$121,139 to those former shareholders.
- (xii) On 10 February 2014 the Company announced the appointment of Mr Paul Cronin to the Board.

## DIRECTORS REPORT (continued)

### Operating Results and Review of Operations for the Year (continued)

- (xiii) On 17 February 2014, pursuant to the Azarga Put the Company exercised its election and served notice on Azarga to make application for 8,333,333 fully paid ordinary shares at an issue price of 12.0 cents per share to raise \$1.0 million. The relevant shares were subsequently issued on 4 March 2014.
- (xiv) On 14 March 2014 the Company released its audit reviewed interim financial report for the half year to 31 December 2013.

The Company made a loss after income tax expense of \$2,126,153 for the year ended 30 June 2014 (2013: loss of \$957,575).

### Significant Changes in the State of Affairs

In the opinion of the Directors of the Company, there were no significant changes in the state of affairs of the Company that occurred during the financial year.

### Events Subsequent to the Reporting Date

Significant activities which occurred after the reporting date include:

- (i) On 22 July 2014 Mr Patrick Burke LLB was appointed as a non-executive director of the Company.
- (ii) On 31 July 2014 Mr Lee Boyd resigned as a director but remains as Company Secretary.
- (iii) On 13 August 2014, the Company announced that they had agreed to amend the Put Option Agreement with Azarga Resources (**Azarga**). Anatolia and Azarga have agreed that Azarga will pay \$375,000 to Anatolia in consideration for substituting the put option arrangement under the Put Option Agreement for a call option arrangement that will see Azarga subscribe for Call Options over 8.3 million shares in Anatolia at \$0.08 per share, maturing on 31 March 2015. Of the \$375,000 consideration, \$41,667 was received as consideration for issuing the new options as noted in point (iv) below.
- (iv) On 14 August 2014, pursuant to ASX Listing Rule 7.1, the Company issued 8,333,333 options to acquire shares in the capital of the Company exercisable at 8.0 cents per share and having an expiry date of 31 March 2015 to Azarga Resources in consideration of 0.5 cents per option which raised \$41,667.
- (v) On 18 August 2014, the Company announced a number of significant high grade eU<sub>3</sub>O<sub>8</sub> values from its recent and on-going drilling program of resource holes (step out and in-fill) and hydrogeological wells at its flagship Temrezli Uranium Project. The holes were intended to increase the understanding of the existing resource, and to facilitate and refine well field planning.
- (vi) On 27 August 2014 the Company announced that it had received commitments to raise up to \$6.0 million (before costs) through the issue of up to 75 million fully paid ordinary shares at 8.0 cents per share (**Share**) with 1 attaching free option to acquire shares in the capital of the Company for every 2 shares subscribed for, exercisable at 12.0 cents per share and having an expiry date of 30 September 2016 (**Attaching Option**) (together, the **Placement**). At this time the Company did not have sufficient capacity pursuant to ASX Listing Rules 7.1 and 7.1A to issue all of the Placement securities which necessitated that the Placement be completed over two tranches. The first tranche (**Tranche 1**) was to issue 50,000,000 Shares as soon as practical to raise \$4.0 million and to issue the balance of up to a further 25,000,000 Shares, to raise \$2.0 million, and the 37,500,000 Attaching Options following shareholder approval in a general meeting (**Tranche 2**).
- (vii) On 3 September 2014 the Company issued 50,000,000 Tranche 1 Shares at an issue price of 8.0 cents per share to institutional and sophisticated investors which raised \$4.0 million before costs.
- (viii) On 5 September 2014 the Company dispatched a notice of meeting and explanatory statement for a general meeting of shareholders, scheduled to be held on 8 October 2014, which seeks that shareholders;
  - a. ratify the prior issues of securities made pursuant to ASX Listing Rules 7.1 and 7.1A;
  - b. approve the issue of the Tranche 2 Shares and Attaching Options; and
  - c. approve the issue of options to director Mr Patrick Burke under the terms and conditions of the Company's Non-executive Incentive Option Plan and pursuant to the conditions of his appointment.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any matters or circumstances which significantly affected or could significantly affect the operations of the consolidated group, the results of the operations, or the state of affairs of the consolidated group in future financial years.

## DIRECTORS REPORT (continued)

### Likely Developments and Expected Results

At the flagship Temrezli uranium deposit, the Company will continue its drilling to include both in-fill and step-out drilling for resource definition and advancement towards a development decision. The exploration programme at the Sefaatli Project and other high priority targets within close proximity to Temrezli is to be fast-tracked with a view to developing satellite operations that would ultimately feed into the Temrezli Project offering potential to increase production rate and expand mine life. The PFS programme and the Environmental Impact Assessment which are currently in progress will continue with the PFS expected to be completed late in 2014.

### Environmental Regulation and Performance

The Company does not conduct any activity which impacts on the environment in Australia. Notwithstanding this, the Company is cognisant of positive environmental practices and continuously ensures that adequate systems are in place and maintained for the effective management of its environmental obligations under Turkish law.

### Performance Shares and Share Options

At the date of this report, the following performance shares and options over unissued ordinary shares of the Company are on issue:

- (i) 11,692,202 A Class Performance Shares convertible to 10,631,375 ordinary shares upon achievement of milestones prior to 10 February 2016;
- (ii) 50 D Class Performance Shares convertible to 2,109,500 ordinary shares at the holder's discretion prior to 14 January 2016.
- (iii) 84,000 unlisted options exercisable at \$0.18 with an expiry date of 11 November 2014;
- (iv) 400,000 unlisted options exercisable at \$0.08 with an expiry date of 30 November 2017;
- (v) 1,000,000 unlisted options exercisable at \$0.065 with an expiry date of 30 November 2017; 47,917,750 listed options exercisable at \$0.18 with an expiry date of 15 June 2017;
- (vi) 10,750,000 unlisted incentive options exercisable at \$0.05 with an expiry date of 28 November 2018.
- (vii) 8,333,333 unlisted options exercisable at \$0.08 with an expiry date of 31 March 2015.

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

### Indemnification and Insurance of Directors and Officers

The company has agreed to indemnify the present Directors of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the Directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify Executive officers for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

### Insurance Premiums

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

### Audited Remuneration Report

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

## DIRECTORS REPORT (continued)

### Audited Remuneration Report (continued)

For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Parent and the Group, directly or indirectly, including the two Executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'Executive' encompasses the Managing Director, Senior Executives, General Managers and Secretaries of the Parent and the Group.

### Key Management Personnel

- *Executive Directors*

|               |                   |                       |
|---------------|-------------------|-----------------------|
| Mr Jim Graham | Managing Director | Appointed 9 July 2012 |
|---------------|-------------------|-----------------------|
- *Non-Executive Directors*

|                  |                        |                            |
|------------------|------------------------|----------------------------|
| Dr Hikmet Akin   | Non-Executive Chairman | Appointed 1 April 2011     |
| Mr Robert Annett | Non-Executive Director | Appointed 1 April 2011     |
| Mr Lee Boyd      | Non-Executive Director | Resigned 31 July 2014      |
| Mr Patrick Burke | Non-Executive Director | Appointed 21 July 2014     |
| Mr Paul Cronin   | Non-Executive Director | Appointed 10 February 2014 |
| Dr Peter Kausch  | Non-Executive Director | Resigned 29 November 2013  |
- *Company Secretary*

|             |                   |                         |
|-------------|-------------------|-------------------------|
| Mr Lee Boyd | Company Secretary | Appointed 30 March 2011 |
|-------------|-------------------|-------------------------|

### Compensation Policy

Remuneration packages are set at levels that are intended to attract and retain Executives capable of managing the Company's exploration activities and achieving the Company's strategic objectives. No remuneration for Executives is based on the Company's performance.

### Remuneration Committee

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the Managing Director, other Senior Executives and Non-Executive Directors.

Executive remuneration and other terms of employment are reviewed annually by the Chairman of the Remuneration Committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice.

During the 2014 financial year, the full Board of Directors performed the role of the Remuneration Committee.

### Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

### Non-Executive Director Remuneration

Remuneration of Non-Executive Directors is determined by the Board, acting on advice from the remuneration committee.

The Directors resolved in May 2014 that Director's fees would be \$30,000 per annum and Chair premium an extra \$20,000 per annum commencing from 1 May 2014.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as agreed.

## DIRECTORS REPORT (continued)

### Non-Executive Director Remuneration (continued)

The latest determination was at the annual general meeting held on 6 December 2010 where shareholders approved an aggregate remuneration from \$120,000 to \$400,000 per year.

Non-Executive Directors have long been encouraged by the Board to hold shares in the Company (purchased by the Director on the market). It is considered good governance for Directors to have a stake in the Company on whose Board they sit.

### Senior Executive and Managing Director Remuneration

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward Executives appropriate benchmarks,
- Align the interests of Executives with those of shareholders,
- Link reward with the strategic goals of the Company, and
- Ensure total remuneration is competitive by market standards.

### Structure

In determining the level and make-up of executive remuneration, the Board as a whole acting as the Remuneration Committee seeks input from several sources including the Non-Executive Directors of the Company, professional consultants and industry bodies.

Remuneration packages may contain the following key elements:

- Fixed compensation
- Share based payments

Fixed compensation is structured as a total employment package which may be delivered as a mix of cash and prescribed non-financial benefits. Share based payments may also be granted to executives with approval from the Company's shareholders at Annual General Meetings and under the Executive Incentive Option Plan.

Executives are offered a competitive fixed base pay. The remuneration committee obtains relevant comparative information and seeks independent advice to ensure base pay is set to reflect the market for a comparable role. Base pay for Senior Executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases for any Senior Executives.

### Benefits

Retirement benefits are delivered under the Superannuation Guarantee Legislation.

### Variable Compensation

There is no performance related variable compensation because it is not considered appropriate given the current status and strategy of the Group.

**DIRECTORS REPORT (continued)****Compensation of Key Management Personnel**

|               |      | Short-term    | Post-employment       | Equity-settled share based payments | Total   |
|---------------|------|---------------|-----------------------|-------------------------------------|---------|
|               |      | Salary & Fees | Non-monetary benefits | Options                             |         |
|               |      | \$            | \$                    | \$                                  | \$      |
| Dr H Akin     | 2013 | -             | -                     | -                                   | -       |
|               | 2014 | 41,792        | -                     | 31,047                              | 72,839  |
| Mr R Annett   | 2013 | -             | -                     | -                                   | -       |
|               | 2014 | 7,500         | -                     | 46,570                              | 54,070  |
| Mr L Boyd     | 2013 | 88,000        | -                     | -                                   | 88,000  |
|               | 2014 | 65,834        | -                     | 46,570                              | 112,404 |
| Mr P Cronin   | 2013 | -             | -                     | -                                   | -       |
|               | 2014 | -             | -                     | 31,047                              | 31,047  |
| Mr J Graham   | 2013 | 40,887        | -                     | 13,535                              | 54,422  |
|               | 2014 | 59,358        | -                     | 79,829                              | 139,187 |
| Dr P Kausch   | 2013 | 24,000        | -                     | -                                   | 24,000  |
|               | 2014 | 30,000        | -                     | 23,285                              | 53,285  |
| Mr K Sheppard | 2013 | 11,354        | -                     | -                                   | 11,354  |
|               | 2014 | -             | -                     | -                                   | -       |
| Total         | 2013 | 164,241       | -                     | 13,535                              | 177,776 |
|               | 2014 | 204,484       | -                     | 258,348                             | 462,832 |

No bonus scheme is currently in place and no bonuses have been paid anytime during the past 5 financial years. Refer below for details of securities-based remuneration to directors during the 2014 financial year.

**Options and Rights Granted as Remuneration of Key Management Personnel**

On 29 November 2013, shareholders approved the Executive Incentive Option Plan (EIOP) and Non-executive Incentive Option Plan (NEIOP). The objective of the EIOP and NEIOP is to attract, motivate and retain executive and non-executive directors and key employees and it is considered by the Company that the issue of options will provide executive and non-executive directors with the opportunity to participate in the future growth of the Company.

The options are issued for nil consideration and carry no entitlements to voting rights or dividends of the Group and are not transferable. The number of options granted and the exercise price is determined by the Board. The options granted may be subject to conditions on exercise as may be fixed by the Directors prior to the grant of the options. Subject to the discretion of the Board, options are forfeited if the exercise conditions are not met, or if the option holder ceases to be a Director or employee of the company and the options are not exercised within 12 months.

Under the EIOP and NEIOP, 8,250,000 options were granted to Directors on 29 November 2013 and issued on 23 January 2014. The options are to take up ordinary shares at an exercise price of \$0.05 per share. The options are exercisable on or before 28 November 2018. 50% of the options vested immediately on issue, 25% vested on 29 May 2014 and 25% will vest on 29 November 2014.

Options were granted to Directors during the year as follows:

**DIRECTORS REPORT (continued)****Options and Rights Granted as Remuneration of Key Management Personnel (continued)**

|             | Balance at<br>Beginning of<br>the Year | Issue Date | Number    | Value (\$) | Balance at<br>End of the<br>Year |
|-------------|----------------------------------------|------------|-----------|------------|----------------------------------|
| Dr H Akin   | -                                      | 23/01/2014 | 1,000,000 | 35,400     | 1,000,000                        |
| Mr R Annett | -                                      | 23/01/2014 | 1,500,000 | 53,100     | 1,500,000                        |
| Mr L Boyd   | -                                      | 23/01/2014 | 1,500,000 | 53,100     | 1,500,000                        |
| Mr P Cronin | -                                      | 23/01/2014 | 1,000,000 | 35,400     | 1,000,000                        |
| Mr J Graham | 1,400,000                              | 23/01/2014 | 2,500,000 | 88,500     | 3,900,000                        |
| Dr P Kausch | -                                      | 23/01/2014 | 750,000   | 26,550     | 750,000                          |
|             | 1,400,000                              |            | 8,250,000 | 292,050    | 9,650,000                        |

|             | Total Vested and<br>Exercisable | Total Unvested | Balance at End of<br>the Year |
|-------------|---------------------------------|----------------|-------------------------------|
| Dr H Akin   | 750,000                         | 250,000        | 1,000,000                     |
| Mr R Annett | 1,125,000                       | 375,000        | 1,500,000                     |
| Mr L Boyd   | 1,125,000                       | 375,000        | 1,500,000                     |
| Mr P Cronin | 750,000                         | 250,000        | 1,000,000                     |
| Mr J Graham | 3,025,000                       | 875,000        | 3,900,000                     |
| Dr P Kausch | 562,500                         | 187,500        | 750,000                       |
|             | 7,337,500                       | 2,312,500      | 9,650,000                     |

Dr P Kausch retired as a Director of the Company on 29 November 2013.

**Shareholdings of Key Management Personnel**

Shareholdings of Key Management Personnel who were Directors or employees of the Company at the end of the year are as follows:

|                                   | Balance     |              |
|-----------------------------------|-------------|--------------|
|                                   | 1 July 2013 | 30 June 2014 |
| <b>Ordinary shares</b>            |             |              |
| Dr H Akin                         | 3,130,997   | 3,130,997    |
| Mr R Annett                       | 2,693,437   | 2,693,437    |
| Mr L Boyd                         | 867,150     | 867,150      |
| Mr P Cronin                       | -           | 480,000      |
| Mr J Graham                       | 1,000,204   | 1,250,204    |
| <b>A Class Performance shares</b> |             |              |
| Dr H Akin                         | 573,824     | 573,824      |
| Mr R Annett                       | 52,500      | 52,500       |
| <b>D Class Performance shares</b> |             |              |
| Mr R Annett                       | 50          | 50           |

## DIRECTORS REPORT (continued)

### Transactions with Key Management Personnel

The following related party transactions occurred during the financial year:

- (i) An amount of \$4,187 (excluding GST) has been paid to Akin Commodity Consulting Ltd, Canada, a related party to Dr Hikmet Akin, being specialist uranium and geological consulting fees for the year ended 30 June 2014.
- (ii) An amount of \$211,625 (excluding GST) has been paid to Wiranja Pty Ltd, a related party to Bob Annett, being geologist fees for the year ended 30 June 2014.
- (iii) An amount of \$136,329 (excluding GST) has been paid to Lee Boyd and Elovadae Trust, a related party to Lee Boyd, being corporate and administration consulting for the year ended 30 June 2014.
- (iv) An amount of \$262,302 (excluding GST) has been paid to Swellcap Ltd, a related party to Paul Cronin, being professional fees for the year ended 30 June 2014.
- (v) An amount of \$205,787 (excluding GST) has been paid to Nuclear Fuel Cycle Consulting, a related party to Jim Graham, being professional fees for the year ended 30 June 2014.

### Directors' Meetings

During the year, five meetings of Directors (including meetings of committees of Directors) were held. The number of meetings attended by each Director was as follows:

| Director        | Number of Meetings Held While in Office | Meetings Attended |
|-----------------|-----------------------------------------|-------------------|
| Dr Hikmet Akin  | 5                                       | 5                 |
| Robert Annett   | 5                                       | 5                 |
| Lee Boyd        | 5                                       | 5                 |
| Jim Graham      | 5                                       | 5                 |
| Dr Peter Kausch | 1                                       | 1                 |
| Paul Cronin     | 2                                       | 2                 |

All Directors were eligible to attend all meetings held while they were in office. Due to significant time differences between the countries where the Directors are domiciled, 13 circular resolutions with significant information provided were also executed / signed during the year.

### Committee Membership

As at the date of this report the full Board of Directors performs the functions of the Nomination, Remuneration and Audit and Governance Committees.

### Auditor Independence and Non-Audit Services

No other non-audit services were provided to the Company or the consolidated entity by Moore Stephens, the Company's auditors, during the year to the date of this report.

## DIRECTORS REPORT (continued)

This Directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Dr Hikmet Akin

Chairman

30 September 2014

### Competent Person Statements

*The information in this report which relates to Exploration Results and Mineral Resources is based on information compiled by Mr Dmitry Pertel, Mr Robert Annett and Dr Maxim Seredkin, who are Members of the Australian Institute of Geosciences ("AIG"). Mr Pertel and Dr Seredkin are employed by CSA Global Pty Ltd, and Mr Annett is a non-Executive Director of Anatolia Energy Ltd. Mr Pertel, Mr Annett and Dr Seredkin have over 20 years of exploration and mining experience in a variety of mineral deposit styles, and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pertel, Mr Annett and Dr Seredkin consent to inclusion in this report of the matters based on their information in the form and context in which it appears.*

*The information in this report which relates to the Preliminary Economic Assessment, includes information compiled by Mr Ray Moores and Mr Benjamin Schiffer who are employed by WWC Engineering, LLC of Sheridan Wyoming, USA. Mr Moores is a Professional Engineer in the State of Wyoming and Mr Schiffer is a Professional Geologist in the State of Wyoming and each is a member of a Recognised Overseas Professional Organisations (ROPOs) as listed by the ASX. Both Mr Moores and Mr Schiffer collectively have over 30 years of experience in similar types of deposits and in the preparation of project economic analyses, and sufficient experience to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Moores & Mr Schiffer consent to inclusion in this report of the matters based on their information in the form and context in which it appears.*

## CORPORATE GOVERNANCE STATEMENT

The Company's main corporate governance policies and practices are outlined below.

### Board of Directors

#### Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. The Board has also established a framework for the management of the Company including a system of internal controls and the establishment of appropriate ethical standards.

#### Composition of the Board

The composition of the Board is determined using the following principles:

- A minimum of three directors, with a broad range of expertise. This number may be increased where it is felt additional expertise is required in specific areas, or when an outstanding candidate is identified.
- Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management and financing of public companies.
- The composition of the Board should, as far as is practicable given the Company's early stage of development, be 50% independent Non-Executive Directors.
- The roles of Chairman and Managing Director are not to be exercised by the same individual, and
- A maximum service period of three years, subject to re-election (except for the Managing Director).

Board members have experience in the management of public companies. The Board has at all times during the year had a majority of independent directors as recommended by the ASX Corporate Governance Council. The Directors consider that the current number of independent directors in the Company is appropriate for the effective execution of the Board's responsibilities. The Directors periodically monitor the need to appoint additional independent directors.

At the date of this report, the Directors of the Board are as follows:

- |                         |                        |                              |
|-------------------------|------------------------|------------------------------|
| • Mr James (Jim) Graham | Managing Director      | (Appointed 9 July 2012)      |
| • Dr Hikmet Akin        | Non-executive Chairman | (Appointed 1 April 2011)     |
| • Mr Robert Annett      | Non-executive Director | (Appointed 1 April 2011)     |
| • Mr Paul Cronin        | Non-executive Director | (Appointed 10 February 2014) |
| • Mr Patrick Burke      | Non-executive Director | (Appointed 21 July 2014)     |

#### Directors Term in Office

The terms of office of Directors in office at the date of this report are as follows:

- |                    |                      |
|--------------------|----------------------|
| • Dr Hikmet Akin   | 3 years and 6 months |
| • Mr Robert Annett | 3 years and 6 months |
| • Mr Jim Graham    | 2 years and 3 months |
| • Mr Paul Cronin   | 9 months             |
| • Mr Patrick Burke | 2 months             |

The following Directors are considered to be independent:

- Dr Hikmet Akin
- Mr Paul Cronin
- Mr Patrick Burke

## CORPORATE GOVERNANCE STATEMENT (continued)

### Board Processes

The Board has established a framework for the management of the Company including a system of internal controls, a business risk management process and appropriate ethical standards.

The full Board schedules meetings, including strategy meetings and any extraordinary meetings, as necessary to address any specific significant matters that may arise. The agenda for meetings is prepared in conjunction with the Board and Company Secretary. Standing items include the management report, financial report, strategic matters, governance and compliance. Submissions are circulated in advance.

The Company is not currently considered to be of size, nor is its affairs of such complexity to justify the establishment of separate Board committees, including a Nomination Committee, Audit and Governance Committee and Remuneration Committee. Accordingly, all matters that may be considered by such committees are dealt with by the full Board. Details of the Board's procedures in respect of each of these areas are further outlined within the Corporate Governance Statement below.

### Director Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to visit Company facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

### Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant company information and to the Company's Executives and, subject to prior consultation with at least one other Non-Executive Director, may seek independent advice from a suitably qualified adviser at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Board's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

### **Diversification Policy**

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. The Company has not established a diversity policy as it is not considered to be of a size, nor is its affairs of such complexity to justify the establishment of a formal policy. There are currently no women on the Board. The Company does not currently have any employees in Australia and instead contracts out its services requirements. The Company subsidiary Adur Madencilik Sti, incorporated in Turkey, employs 6 staff, 50% of which are female including the in-country office manager, the IT specialist and an administrative assistant.

### **Nomination Committee**

The Board considers that a formally constituted Nomination Committee is not appropriate as the Board, as part of its usual role oversees the appointment and induction process for directors, and the selection, appointment and succession planning process of the Company's executive officers. The Board considers the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates and may take advice from an external consultant. The Board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

The Chairman continually reviews the effectiveness of the Board, individual directors, and senior executives. The other directors have an opportunity to contribute to the review process. The reviews generate recommendations to the Board, which votes on them. Directors displaying unsatisfactory performance are encouraged to retire.

### **Remuneration Committee**

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Non-Executive Chairman, Managing Director, other key Executives and Directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies. Remuneration levels competitively set to attract the most qualified and experienced Executives and Directors, and are reviewed on an annual basis.

## CORPORATE GOVERNANCE STATEMENT (continued)

The committee may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages may include a mix of fixed remuneration, a performance-based remuneration, and equity-based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to affect the broader outcome of maximizing the Company's profitability. The remuneration structures take into account:

- Overall level of remuneration for each director and executive,
- The executive's ability to control the performance of the relevant area, and
- The amount of incentives within each executive's remuneration.

Shares and options can only be issued to Company Directors under a resolution at a general meeting of shareholders.

Non-Executive Directors may receive a base fee and can be remunerated by a way of shares and options issued and approved under a resolution at a general meeting of shareholders.

The Board has no established retirement or redundancy schemes.

The full Board of Directors performs the function of the remuneration committee.

### Audit and Governance Committee

The role of the Audit and Governance Committee is documented in a Charter, which is approved by the Board of Directors. In accordance with this Charter, majority members of the Committee must be Non-Executive Directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the company.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The Managing Director and the Company Secretary are invitees of the committee, but do not vote.

The external auditors are invited to meetings at the discretion of the Committee.

The responsibility of the Audit and Governance Committee include:

- Reviewing the annual and interim financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholders' needs.
- Reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt remedial action is taken by management.
- Monitoring the establishment of an appropriate internal control framework and considering enhancements.
- Liaising with the external auditors and ensuring that the annual and half year statutory audits are conducted in an effective manner.
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence which is consistent with Professional Statement F.1 of the Code of Professional Conduct as recognised by Australia's professional accounting bodies.
- Reviewing the nomination and performance of the external auditor. The external audit engagement partner will be rotated every five years.
- Assessing corporate risk assessment processes.
- Reviewing and approving new accounting policies to ensure compliance with Australian Accounting Standards.
- Assessing the adequacy of the Company's code of ethical standards addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial Institutions.
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements and reviewing the declaration form from the Company Secretary on compliance with statutory responsibilities.

## CORPORATE GOVERNANCE STATEMENT (continued)

The directors review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.
- Review the annual and half-year reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results.
- Finalise annual and half-year reporting:
  - Review the results and finding of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
  - Review the draft financial report and recommend Board approval of the financial report.
- As required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

The members of the Audit and Governance Committee during the year ended 30 June 2014 were the full Board.

### Risk Management

#### Overview of the Risk Management System

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company. The Company is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls. Instead, a director, in accordance with company policy, approves all expenditure, is intimately acquainted with all operations and reports all relevant issues to the other Directors at the Directors' meetings. The company secretary has declared to the Board, that the aforementioned system is working efficiently and effectively.

The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the entire part of the financial year that the Company operated and the period up to the signing of the annual financial report for all material operations in the Company.

#### Risk Profile

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Major risks arise from such matters as actions by competitors, government policy changes, difficulties in sourcing raw materials, the robustness of the technologies being used or proposed to be used, environment, occupational health and safety, financial reporting and the purchase, development and use of information systems.

#### Risk Management, Compliance and Control

The Board acknowledges that it is responsible for the overall internal control management, but recognises that no cost effective internal control system will preclude all errors and irregularities. Practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval,
- Financial exposures are controlled, including the potential use of derivatives,
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations,
- Business transactions are properly authorised and executed,
- The quality and integrity of personnel (see below),
- Financial reporting accuracy and compliance with the financial reporting regulatory framework (see below), and
- Environmental regulation compliance (see below).

## CORPORATE GOVERNANCE STATEMENT (continued)

### Quality and Integrity of Personnel

The Company conducts a comprehensive review of the ability and experience of potential employees prior to appointment. Informal appraisals will be conducted regularly with continuous feedback and on the job monitoring and training for all employees. Formal appraisals will be conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews will create an environment of co-operation and construction dialogue with employees and senior management.

### Financial Reporting

The company secretary has declared to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Following the reporting period, monthly actual results are reported against budgets approved by the directors and revised forecasts for the year and prepared regularly.

### Environmental Regulation

The Company does not conduct any activity which impacts on the environment in Australia. Notwithstanding this, the Company is cognisant of positive environmental practices and is in continuous liaison with Adur Madencilik Sti to ensure that adequate systems are in place and maintained for the effective management of its environmental obligations under Turkish law.

### Internal Audit

The Company does not have a formally established internal audit function. The Board ensures compliance with the internal controls and risk management procedures previously mentioned.

## **Ethical Standards**

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

### Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and Company are set out in Note 18.

### Code of conduct

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of a formalised Code of Conduct. The Company has adopted certain induction procedures to inform newly appointed directors, managers and employees of their rights and their duty to act with utmost integrity and objectivity.

### Trading in Company securities by directors and employees

The constitution permits directors to acquire shares in the Company. Company policy prohibits directors from dealing in shares whilst in possession of price sensitive information or during specified prohibited periods. Directors must notify the company secretary once they have bought or sold shares in the Company or exercised options over ordinary shares in accordance with the provisions of the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange. The Company on behalf of the directors must advise the Australian Stock Exchange of any transactions conducted by them in shares and / or options in the Company.

## **Communication with Shareholders**

Whilst the Board has not formally documented the Company's continuous disclosure procedures, the Board, as part of its usual role, provides shareholders with information using comprehensive continuous disclosure processes which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, issuing media releases and posting onto the Company's website [www.anatoliaenergy.com.au](http://www.anatoliaenergy.com.au).

In summary, the continuous disclosure processes operate as follows:

## CORPORATE GOVERNANCE STATEMENT (continued)

- The Board and the company secretary are responsible for all communications with the ASX. Matters that may have an effect on the price of the Company's securities are advised to the ASX on the day they are discovered. Senior Executives monitor all areas of the group's internal and external environment.
- The full annual financial report is made available to all shareholders, and includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments.
- The half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it.
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.
- All announcements made to the market, and related information (including information provided to analysts and the media), are released to the ASX.
- Transcripts of any address to shareholders at the Company's Annual General Meeting are lodged with the ASX.
- The external auditor attends the Annual General Meeting to answer any questions concerning the audit and the content of the Auditor's Report.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

### CEO and CFO certification

The Chief Executive Officer and 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 aspects.

### Departures from the Corporate Governance Principles and Recommendations

The Company's corporate governance principles were in place throughout the year ended 30 June 2014 and were fully compliant with the Council's recommendations in all respects other than as follows:

- The Company does not have a formally constituted nomination committee. Please refer to above disclosure with respect to the nomination committee.
- The Company does not have a formal diversification policy in place. Please refer to the above disclosure on diversification policies.

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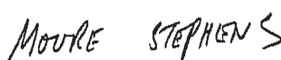
**AUDITOR'S INDEPENDENCE DECLARATION UNDER  
S307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF  
ANATOLIA ENERGY LIMITED & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014  
there have been no contraventions of:

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



**Suan-Lee Tan**  
Partner



**Moore Stephens**  
Chartered Accountants

Signed at Perth this 30<sup>th</sup> day of September 2014

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ANATOLIA ENERGY LIMITED****Report on the Financial Report**

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

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 (IFRS).

*Auditor's Responsibility*

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

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

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

*Independence*

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

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*Auditor's Opinion*

In our opinion:

- a. the financial report of Anatolia Energy 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**

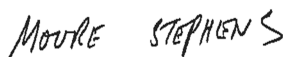
We have audited the remuneration report as included in the Directors' Report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to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

*Auditor's Opinion*

In our opinion the remuneration report of Anatolia Energy Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.



**Suan-Lee Tan**  
Partner



**Moore Stephens**  
Chartered Accountants

Signed at Perth this 30<sup>th</sup> day of September 2014

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

|                                                                                               |             | <b>Consolidated</b> |                  |
|-----------------------------------------------------------------------------------------------|-------------|---------------------|------------------|
|                                                                                               | <b>Note</b> | <b>2014</b>         | <b>2013</b>      |
|                                                                                               |             | <b>\$</b>           | <b>\$</b>        |
| <b>Continuing operations</b>                                                                  |             |                     |                  |
| Other income                                                                                  | 3(a)        | 59,597              | 347,200          |
| Consulting fees                                                                               |             | (257,965)           | (214,164)        |
| Directors and company secretarial fees                                                        |             | (233,517)           | (164,241)        |
| Travel expenses                                                                               |             | (137,401)           | (46,406)         |
| Share based payments                                                                          |             | (335,964)           | (13,535)         |
| Share of loss of associates                                                                   |             | -                   | (464,403)        |
| Finance costs                                                                                 |             | -                   | -                |
| Other expenses from continuing operations                                                     | 3(b)        | (1,223,449)         | (405,861)        |
| <b>Loss before income tax expense</b>                                                         |             | <b>(2,128,699)</b>  | <b>(961,410)</b> |
| Income tax expense                                                                            | 4           | -                   | -                |
| <b>Loss for the year</b>                                                                      |             | <b>(2,128,699)</b>  | <b>(961,410)</b> |
| Loss attributable to non-controlling interests                                                |             | 2,546               | 3,835            |
| <b>Loss attributable to members of the parent entity</b>                                      |             | <b>(2,126,153)</b>  | <b>(957,575)</b> |
| <b>Other comprehensive income</b>                                                             |             |                     |                  |
| <i>Items that may be reclassified subsequently to profit or loss</i>                          |             |                     |                  |
| Exchange differences on translating foreign operations                                        |             | (27,035)            | 275,620          |
| <b>Total comprehensive income for the period</b>                                              |             | <b>(2,153,188)</b>  | <b>(681,955)</b> |
| Total comprehensive income attributable to:                                                   |             |                     |                  |
| Members of the parent entity                                                                  |             | (2,153,188)         | (681,955)        |
| Non-controlling interest                                                                      |             | (2,546)             | (3,835)          |
|                                                                                               |             | <b>(2,155,734)</b>  | <b>(685,790)</b> |
| <b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b> |             |                     |                  |
| - basic and diluted loss per share (cents per share)                                          | 5           | (1.00)              | (0.60)           |

The above financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2014

|                                   |      | Consolidated      |                   |
|-----------------------------------|------|-------------------|-------------------|
|                                   | Note | 2014<br>\$        | 2013<br>\$        |
| <b>Current Assets</b>             |      |                   |                   |
| Cash and cash equivalents         | 6    | 1,167,851         | 1,392,763         |
| Trade and other receivables       | 7    | 57,179            | 368,049           |
| Other current assets              | 8    | 50,055            | 26,029            |
| <b>Total Current Assets</b>       |      | <b>1,275,085</b>  | <b>1,786,841</b>  |
| <b>Non-Current Assets</b>         |      |                   |                   |
| Exploration and evaluation assets | 9    | 17,698,795        | 14,685,260        |
| Plant and equipment               | 10   | 85,863            | 79,034            |
| Other non-current assets          | 11   | 467,309           | -                 |
| <b>Total Non-Current Assets</b>   |      | <b>18,251,967</b> | <b>14,764,294</b> |
| <b>Total Assets</b>               |      | <b>19,527,052</b> | <b>16,551,135</b> |
| <b>Current Liabilities</b>        |      |                   |                   |
| Trade and other payables          | 12   | 301,692           | 408,192           |
| Provisions                        | 13   | 8,238             | -                 |
| <b>Total Current Liabilities</b>  |      | <b>309,930</b>    | <b>408,192</b>    |
| <b>Total Liabilities</b>          |      | <b>309,930</b>    | <b>408,192</b>    |
| <b>Net Assets</b>                 |      | <b>19,217,122</b> | <b>16,142,943</b> |
| <b>Equity</b>                     |      |                   |                   |
| Contributed equity                | 14   | 56,688,422        | 51,794,473        |
| Reserves                          | 15   | 2,925,204         | 2,616,275         |
| Accumulated losses                | 16   | (40,455,586)      | (38,329,433)      |
| Parent Interest                   |      | 19,158,040        | 16,081,315        |
| Non-controlling interest          |      | 59,082            | 61,628            |
| <b>Total Equity</b>               |      | <b>19,217,122</b> | <b>16,142,943</b> |

The above financial statements should be read in conjunction with the accompanying notes.

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

|                                                   | Issued<br>capital<br>\$ | Option<br>reserve<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Minority<br>equity<br>interests<br>\$ | Total<br>equity<br>\$ |
|---------------------------------------------------|-------------------------|-------------------------|-----------------------------------------------------|-----------------------------|---------------------------------------|-----------------------|
| <b>Balance at 1 July 2012</b>                     | <b>46,972,249</b>       | <b>2,327,120</b>        | <b>-</b>                                            | <b>(37,371,858)</b>         | <b>65,463</b>                         | <b>11,992,974</b>     |
| Loss attributable to members of the parent entity | -                       | -                       | -                                                   | (957,575)                   | -                                     | (957,575)             |
| Net loss for the period                           | -                       | -                       | -                                                   | (957,575)                   | -                                     | (957,575)             |
| Other comprehensive income for the year           | -                       | -                       | 275,620                                             | -                           | -                                     | 275,620               |
| Loss attributable to minority shareholders        | -                       | -                       | -                                                   | -                           | (3,835)                               | (3,835)               |
| Contributions of equity                           | 5,059,899               | -                       | -                                                   | -                           | -                                     | 5,059,899             |
| Capital raising costs                             | (237,675)               | -                       | -                                                   | -                           | -                                     | (237,675)             |
| Share-based payment expense                       | -                       | 13,535                  | -                                                   | -                           | -                                     | 13,535                |
| <b>Balance at 30 June 2013</b>                    | <b>51,794,473</b>       | <b>2,340,655</b>        | <b>275,620</b>                                      | <b>(38,329,433)</b>         | <b>61,628</b>                         | <b>16,142,943</b>     |
| <b>Balance at 1 July 2013</b>                     | <b>51,794,473</b>       | <b>2,340,655</b>        | <b>275,620</b>                                      | <b>(38,329,433)</b>         | <b>61,628</b>                         | <b>16,142,943</b>     |
| Loss attributable to members of the parent entity | -                       | -                       | -                                                   | (2,126,153)                 | -                                     | (2,126,153)           |
| Net loss for the period                           | -                       | -                       | -                                                   | (2,126,153)                 | -                                     | (2,126,153)           |
| Other comprehensive income for the year           | -                       | -                       | (27,035)                                            | -                           | -                                     | (27,035)              |
| Loss attributable to minority shareholders        | -                       | -                       | -                                                   | -                           | (2,546)                               | (2,546)               |
| Contributions of equity                           | 5,200,000               | -                       | -                                                   | -                           | -                                     | 5,200,000             |
| Capital raising costs                             | (306,051)               | -                       | -                                                   | -                           | -                                     | (306,051)             |
| Share-based payment expense                       | -                       | 335,964                 | -                                                   | -                           | -                                     | 335,964               |
| <b>Balance at 30 June 2014</b>                    | <b>56,688,422</b>       | <b>2,676,619</b>        | <b>248,585</b>                                      | <b>(40,455,586)</b>         | <b>59,082</b>                         | <b>19,217,122</b>     |

The above financial statements should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

|                                                                     |      | Consolidated       |                    |
|---------------------------------------------------------------------|------|--------------------|--------------------|
|                                                                     | Note | 2014<br>\$         | 2013<br>\$         |
| <b>Cash Flows from Operating Activities</b>                         |      |                    |                    |
| Payments to suppliers                                               |      | (1,735,129)        | (836,936)          |
| <b>Net Cash Outflow from Operating Activities</b>                   | 6    | <b>(1,735,129)</b> | <b>(836,936)</b>   |
| <b>Cash Flows from Investing Activities</b>                         |      |                    |                    |
| Interest received                                                   |      | 91,327             | 69,832             |
| Cash acquired from acquisition of subsidiaries                      |      | -                  | 321,752            |
| Acquisition of associate                                            |      | -                  | (242,131)          |
| Funds advanced to joint venture                                     |      | -                  | (2,232,534)        |
| Funds advanced to associate                                         |      | -                  | (26,445)           |
| Exploration and evaluation costs                                    |      | (3,425,803)        | (460,616)          |
| Payments for property, plant and equipment                          | 10   | (46,473)           | (2,828)            |
| <b>Net Cash Outflow from Investing Activities</b>                   |      | <b>(3,380,949)</b> | <b>(2,572,970)</b> |
| <b>Cash Flows from Financing Activities</b>                         |      |                    |                    |
| Proceeds from issue of securities                                   | 14   | 5,200,000          | 3,961,456          |
| Share issue costs                                                   | 14   | (306,051)          | (237,675)          |
| <b>Net Cash Inflow from Financing Activities</b>                    |      | <b>4,893,949</b>   | <b>3,723,781</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>         |      | <b>(222,129)</b>   | <b>313,875</b>     |
| <b>Cash and cash equivalents at beginning of the financial year</b> |      | <b>1,392,762</b>   | <b>1,056,280</b>   |
| Effects of exchange rate changes on cash and cash equivalents       |      | (2,782)            | 22,607             |
| <b>Cash at the End of the Financial Year</b>                        |      | <b>1,167,851</b>   | <b>1,392,762</b>   |

The above financial statements should be read in conjunction with the accompanying notes.

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

### 1. CORPORATE INFORMATION

The financial report of Anatolia Energy Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 30 September 2014.

The Company is incorporated in Australia, limited by shares and whose shares are publicly traded on the Australian Securities Exchange.

The registered office of the Company and principal place of business is Unit 3, 80 Colin Street, West Perth WA 6005.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

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 announcements of the Australian Accounting Standards Board.

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

The financial report is presented in Australian dollars.

#### (b) Statement of compliance

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

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for annual reporting periods beginning on 1 July 2013. The following new Standards have been applied in preparing this financial report.

- *AASB 10: Consolidated Financial Statements*

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

- *AASB 12: Disclosure of Interests in Other Entities*

- *AASB 127: Separate Financial Statements*

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements.

The Group has:

- presented quantitative information of the comparative period reflecting the adoption of AASB 10; and
- with respect to any previously unconsolidated investee that is a business, measured the assets, liabilities and non-controlling interests as if the investee had been consolidated in accordance with the applicable version of AASB 3: Business Combinations from the date when the Group gained control of the investee. When the date that control was obtained was earlier than the beginning of the immediately preceding period, the Group recognises, as an adjustment to equity at the beginning of the comparative period, any difference between:
  - the amount of assets, liabilities and non-controlling interests recognised; and
  - the previous carrying amount of the Group's involvement with the investee.

The first-time application of AASB 10 did not result in any changes to the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (b) Statement of compliance (continued)

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

The following standards, amendments to standards and interpretations were available for early adoption at 30 June 2014, but have not been applied in preparing this financial report.

- (i) AASB 9: *Financial Instruments* and associated Amending Standards (applicable for the Group's 30 June 2018 financial statements):

This Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. The Company has not yet determined the potential effect of the Standard.

- (ii) AASB 2012-3: *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (applicable for the Group's 30 June 2016 financial statements):

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- (iii) Interpretation 21: *Levies* (applicable for the Group's 30 June 2016 financial statements):

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to impact the Group's financial statements.

- (iv) AASB 2013-3: *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (applicable for the Group's 30 June 2016 financial statements):

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- (v) AASB 2013-4: *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting* (applicable for the Group's 30 June 2016 financial statements):

This Standard makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to impact the Group's financial statements.

- (vi) AASB 2013-5: *Amendments to Australian Accounting Standards - Investment Entities* (applicable for the Group's 30 June 2016 financial statements):

AASB 2013-5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to impact the Group's financial statements.

##### (c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

##### (d) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Anatolia Energy Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (d) Principles of consolidation (continued)

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The names of the entities controlled by the Company are set out in Note 17 to the financial statements.

##### *Business Combinations*

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

##### *Goodwill*

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (d) Principles of consolidation (continued)

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

##### (e) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

###### *Capitalised Exploration and Evaluation Assets*

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

Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation assets are determined not to be recoverable in the future, this will reduce profit and net assets in the period in which this determination is made.

In addition, exploration and evaluation assets are capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which the determination is made.

##### (f) Revenue recognition

###### *Interest*

Revenue is recognised as interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

###### *Dividend revenue*

Dividend revenue is recognised in the Statement of Profit or Loss and Other Comprehensive Income when the right to receive a dividend has been established.

###### *Other revenue*

Other revenue comprises income derived from the provision of management fees.

##### (g) Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (g) Tax (continued)

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

##### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) when the GST incurred on a purchase of goods and services 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 item as applicable; and
- (ii) receivables and payables, which 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 Balance sheet.

Cash flows are included in the Cash Flow Statement 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 is classified as part of operating cash flows.

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

##### (h) Cash and cash equivalents

Cash and short term deposits in the Balance Sheet comprise cash on hand, in banks and money market investments readily convertible into cash within 2 working days. For the purposes of the Cash Flow Statement, cash includes cash on hand, in banks, and money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts.

##### (i) Trade and other receivables

Trade receivables are recognised and carried at original invoice less an allowance for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

##### (j) Investments

Investments in subsidiaries are carried at lower of cost and recoverable amount. Refer to Note 2(l) for Group's accounting policy on impairment of assets.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (k) Inventories

All inventories are classified as current and measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average cost.

##### (l) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value.

In such cases the asset is tested for impairment as part of the cash-generating unit. If this value exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### (m) Investment in associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

The Group's interests in joint venture entities are recorded using the equity method of accounting in the consolidated financial statements.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and buildings on freehold land are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than freehold land. Major depreciation periods are:

|                             | 2014       | 2013      |
|-----------------------------|------------|-----------|
| Leasehold Improvements      | 40 years   | -         |
| Plant & equipment           | 3-10 Years | 3-5 Years |
| Office furniture & fixtures | 3-15 Years | 5 Years   |
| Software                    | 3-6 Years  | 3 Years   |

##### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

##### *Revaluations*

Following initial recognition at cost, freehold land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve. An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus. In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

##### *Derecognition*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

##### (o) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (o) Exploration and development expenditure (continued)

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

##### (p) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

##### (q) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and the benefits incidental to ownership.

###### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased term, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

###### *Finance leases*

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in the Income Statement. The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

##### (r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the group prior to the end of the period that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services.

##### (s) Interest bearing liabilities

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (t) Employment benefits

###### *Short-term benefits*

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

###### *Other long-term benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

###### *Retirement benefit obligations*

All Australian-based employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (9.25% of the employee's average ordinary salary for the year ended 30 June 2014) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

###### *Termination benefits*

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

###### *Equity-settled compensation*

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

##### (u) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (u) Contributed equity (continued)

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

##### (v) Earnings per share

Basic earnings per share is determined by dividing net profit/loss attributable to members of the Company, excluding any costs of servicing equity (other than dividends), by the weighted average number of ordinary shares outstanding during the financial year.

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

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

##### (w) Discontinued operations/assets held for sale

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative period.

#### 3. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

|                          | Consolidated  |                |
|--------------------------|---------------|----------------|
|                          | 2014<br>\$    | 2013<br>\$     |
| <b>(a) Revenue</b>       |               |                |
| Management fees received | -             | 216,661        |
| Interest revenue         | 55,960        | 113,701        |
| Sundry revenue           | 3,637         | 16,838         |
|                          | <u>59,597</u> | <u>347,200</u> |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 3. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS (continued)

|                                               | Consolidated     |                |
|-----------------------------------------------|------------------|----------------|
|                                               | 2014<br>\$       | 2013<br>\$     |
| <b>(b) Other expenses</b>                     |                  |                |
| Administration expenses                       | 131,615          | 79,555         |
| Conference expenses                           | 27,226           | 4,819          |
| Depreciation and amortisation expense         | 39,131           | 5,780          |
| Foreign exchange loss                         | 147,833          | 67,287         |
| Impairments                                   | 159,711          | -              |
| Insurance                                     | 27,741           | 20,269         |
| Legal fees                                    | 95,315           | 50,314         |
| Listing and share registry expenses           | 52,366           | 51,583         |
| Occupancy costs                               | 70,068           | 23,424         |
| Other                                         | 231,809          | 27,097         |
| Professional relations and marketing expenses | 69,932           | 33,983         |
| Salary and wages                              | 112,321          | -              |
| Statutory compliance                          | 58,381           | 41,750         |
|                                               | <u>1,223,449</u> | <u>405,861</u> |

#### 4. INCOME TAX EXPENSE

|                                                 | Consolidated |            |
|-------------------------------------------------|--------------|------------|
|                                                 | 2014<br>\$   | 2013<br>\$ |
| <b>(a) Income tax expense:</b>                  |              |            |
| The major components of income tax expense are: |              |            |
| Current tax                                     | -            | -          |
| Deferred tax                                    | -            | -          |
| Income tax expense reported in profit or loss   | <u>-</u>     | <u>-</u>   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 4. INCOME TAX EXPENSE (continued)

|                                                                                                                                             | Consolidated |            |
|---------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|
|                                                                                                                                             | 2014<br>\$   | 2013<br>\$ |
| <b>(b) Numerical reconciliation of income tax expense recognised in profit or loss and tax expense calculated at the statutory tax rate</b> |              |            |
| Accounting loss from continuing operations before income tax                                                                                | (2,126,153)  | (961,410)  |
| At the parent entity's statutory tax rate of 30% (2013: 30%)                                                                                | (637,846)    | (288,423)  |
| Non-deductible expenses                                                                                                                     | -            | 1,363      |
| Foreign tax credits                                                                                                                         | -            | 1,352      |
| Adjustment for foreign income tax rates                                                                                                     | 2,316        | 32,147     |
| Deferred tax assets/(liabilities) not recognised                                                                                            | (64,036)     | 63,238     |
| Current year tax losses not recognised                                                                                                      | 699,566      | 190,323    |
| Aggregate income tax expense                                                                                                                | -            | -          |

#### (c) Tax losses

The Group has tax losses for which no deferred tax asset is recognised on the balance sheet that are available indefinitely for offset against future taxable income, subject to continuing to meet relevant statutory tests. As at 30 June 2014 the total revenue losses carried forward were estimated to be approximately \$6,730,000. Tax losses incurred prior to 30 June 2010 have been forfeited as the company failed the continuity of ownership test and same business test as required by the Australian taxation legislation in order to utilise company tax losses.

#### (d) Unrecognised temporary differences

At 30 June 2014, the Group has temporary differences for which a deferred tax asset has not been recognised of approximately \$169,614 (2013: \$143,085). These temporary differences exclude unused tax losses (see Note 4(c)).

#### (e) Tax consolidation

Effective from 1 July 2003, Anatolia Energy Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group under tax consolidation legislation. Anatolia Energy Ltd is the head entity of the tax consolidate group. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. No deferred tax assets have been recognised with respect to unused tax losses as it is not probable that they will be recoverable in the future.

To date, there is no tax sharing agreement in place for tax liabilities incurred.

Under the terms of the tax funding agreement, Anatolia Energy Ltd and each of the entities in the income tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in the amount receivable or payable to the other entity in the tax consolidated group.

Anatolia Uranium Pty Ltd is not currently eligible to join the tax consolidated group due to a non-resident interposed entity. Anatolia Uranium (BVI) Ltd, Mozawl Mining, Constellres Limited and A Dur Madencilik Ltd Sti are not members of the tax consolidated group, as they are not Australian resident companies and Mozawl Mining is also not wholly owned.

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2014

### 5. EARNINGS PER SHARE

|                                                                                        | Consolidated |             |
|----------------------------------------------------------------------------------------|--------------|-------------|
|                                                                                        | 2014         | 2013        |
|                                                                                        | \$           | \$          |
| Loss attributable to ordinary equity holders of the parent from continuing operations  | (2,126,153)  | (957,575)   |
| Loss attributable to discontinued operations                                           | -            | -           |
| Net loss for the period                                                                | (2,126,153)  | (957,575)   |
| Weighted average number of ordinary shares for basic loss per share                    | 213,620,271  | 158,716,571 |
| Basic and diluted loss per share (cents per share) from continuing operations          | (1.00)       | (0.60)      |
| Basic and diluted loss per share (cents per share) from discontinued operations        | -            | -           |
| Basic and diluted loss per share attributable to ordinary equity holders of the parent | (1.00)       | (0.60)      |

At 30 June 2014 there were a total of 12,234,000 (2013: 1,484,000) unlisted options on issue and 47,917,750 (2013: 47,917,750) listed options on issue. Refer to Note 14 for details on these options.

The total number of potential ordinary shares that are anti-dilutive is 60,151,750 (2013: 49,401,750).

### 6. CASH AND CASH EQUIVALENTS

|                                                                                                             | Consolidated |           |
|-------------------------------------------------------------------------------------------------------------|--------------|-----------|
|                                                                                                             | 2014         | 2013      |
|                                                                                                             | \$           | \$        |
| <b>Current</b>                                                                                              |              |           |
| Cash at bank and on hand                                                                                    | 1,167,851    | 1,392,762 |
|                                                                                                             | 1,167,851    | 1,392,762 |
| <b>Reconciliation to cash flow statement</b>                                                                |              |           |
| For the purposes of the cash flow statement, cash and cash equivalents consist of the following at 30 June: |              |           |
| Cash at bank and on hand                                                                                    | 112,985      | 392,762   |
| Term deposits                                                                                               | 1,054,866    | 1,000,000 |
|                                                                                                             | 1,167,851    | 1,392,762 |

Cash at bank and term deposits earn interest at floating rates based on the bank's variable interest rate and the cash balance. Interest rates during the 2014 financial year varied between 0% to 5.25% in Australia and 0% to 10.25% in Turkey (2013: 0% to 6.75%).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 6. CASH AND CASH EQUIVALENTS (continued)

|                                                                           | Consolidated |           |
|---------------------------------------------------------------------------|--------------|-----------|
|                                                                           | 2014         | 2013      |
|                                                                           | \$           | \$        |
| <b>Reconciliation of net loss after tax to cash flows from operations</b> |              |           |
| Net loss                                                                  | (2,126,153)  | (957,575) |
| Depreciation and amortisation                                             | 39,131       | 5,780     |
| Loss attributable to minority equity interest                             | (2,546)      | (3,835)   |
| Interest received                                                         | (55,960)     | (113,701) |
| Impairments                                                               | 159,711      | -         |
| Management fees                                                           | -            | (216,661) |
| Share of loss of associate                                                | -            | 464,403   |
| Share option expenses                                                     | 335,964      | 13,535    |
| Foreign exchange translations                                             | 71,966       | 28,848    |
| <b>Changes in assets and liabilities</b>                                  |              |           |
| (Increase)/Decrease in other operating receivables                        | 273,926      | (308,591) |
| (Increase)/Decrease in prepayments                                        | (24,026)     | (3,877)   |
| ((Increase)/Decrease in other non-current assets                          | (467,309)    | -         |
| (Decrease)/Increase in trade creditors                                    | 67,984       | 63,857    |
| (Decrease)/Increase in other creditors and accruals                       | (16,055)     | 129,211   |
| (Decrease)/Increase in provisions                                         | 8,238        | -         |
| Net operating assets of subsidiaries acquired                             | -            | 61,670    |
| Net cash from operating activities                                        | (1,735,129)  | (836,936) |

#### 7. TRADE AND OTHER RECEIVABLES

|                   | Consolidated |         |
|-------------------|--------------|---------|
|                   | 2014         | 2013    |
|                   | \$           | \$      |
| <b>Current</b>    |              |         |
| GST receivable    | 37,927       | 31,618  |
| VAT receivable    | -            | 292,561 |
| Other receivables | 19,252       | 43,870  |
|                   | 57,179       | 368,049 |

Trade and other receivables mostly comprise of Goods and Services Tax and Value Added Tax receivable from Australian and Turkish operations. As the Group only trades with recognised third parties, there is no requirement for collateral.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 8. OTHER CURRENT ASSETS

|                  | Consolidated  |               |
|------------------|---------------|---------------|
|                  | 2014<br>\$    | 2013<br>\$    |
| <b>Current</b>   |               |               |
| Prepaid expenses | 50,055        | 26,029        |
|                  | <u>50,055</u> | <u>26,029</u> |

#### 9. EXPLORATION AND EVALUATION ASSETS

|                                            | Consolidated      |                   |
|--------------------------------------------|-------------------|-------------------|
|                                            | 2014<br>\$        | 2013<br>\$        |
| <b>Non-current</b>                         |                   |                   |
| Balance at 1 July                          | 14,685,260        | -                 |
| Acquired through business combinations (i) | -                 | 14,000,507        |
| Expenditure incurred                       | 3,173,246         | 684,753           |
| Less: impairment expense                   | (159,711)         | -                 |
|                                            | <u>17,698,795</u> | <u>14,685,260</u> |

- (i) On 30 April 2013, Anatolia Energy Ltd acquired a total ownership interest of 100% in Anatolia Uranium Pty Ltd through the merger of joint-venture partner Vetter Uranium Ltd into wholly-owned subsidiary Anatolia Uranium (BVI) Ltd.

Anatolia Uranium Pty Ltd holds a 100% ownership interest in A Dur Madencilik Ltd Sti, a company incorporated in Turkey which holds the licence and mining tenement for the Temrezli uranium project.

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

Capitalised costs amounting to \$3,425,803 (2013: \$460,616) have been included in cash flows from investing activities in the statement of cash flows.

#### 10. PROPERTY, PLANT AND EQUIPMENT

|                                 | Consolidated |            |
|---------------------------------|--------------|------------|
|                                 | 2014<br>\$   | 2013<br>\$ |
| <b>Non-current</b>              |              |            |
| Leasehold improvements, at cost | 2,898        | -          |
| Less: Accumulated depreciation  | (44)         | -          |
|                                 | <u>2,854</u> | <u>-</u>   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

|                                     | Consolidated |          |
|-------------------------------------|--------------|----------|
|                                     | 2014         | 2013     |
|                                     | \$           | \$       |
| Plant and equipment, at cost        | 72,118       | 48,854   |
| Less: Accumulated depreciation      | (36,645)     | (23,539) |
|                                     | 35,473       | 25,315   |
| Furniture and fittings, at cost     | 71,471       | 60,488   |
| Less: Accumulated depreciation      | (34,821)     | (19,638) |
|                                     | 36,650       | 40,850   |
| Software, at cost                   | 30,500       | 23,436   |
| Less: Accumulated depreciation      | (19,614)     | (10,567) |
|                                     | 10,886       | 12,869   |
| Total property, plant and equipment | 85,863       | 79,034   |

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year were as follows:

|                                         | Leasehold<br>Improvements | Plant and<br>Equipment | Furniture and<br>Fittings | Software | Total    |
|-----------------------------------------|---------------------------|------------------------|---------------------------|----------|----------|
| Carrying amount at 1 July 2012          | -                         | 2,228                  | -                         | -        | 2,228    |
| Additions                               | -                         | -                      | 2,865                     | -        | 2,865    |
| Disposals                               | -                         | -                      | -                         | (37)     | (37)     |
| Additions through business combinations | -                         | 21,944                 | 37,212                    | 12,575   | 71,731   |
| Revaluation increments / (decrements)   | -                         | 2,535                  | 4,299                     | 1,453    | 8,287    |
| Depreciation expense                    | -                         | (1,392)                | (3,526)                   | (1,122)  | (6,040)  |
| Balance at 30 June 2013                 | -                         | 25,315                 | 40,850                    | 12,869   | 79,034   |
| Additions                               | 2,898                     | 24,039                 | 12,056                    | 7,480    | 46,473   |
| Disposals                               | -                         | -                      | -                         | -        | -        |
| Additions through business combinations | -                         | -                      | -                         | -        | -        |
| Revaluation increments / (decrements)   | -                         | (191)                  | (330)                     | 8        | (513)    |
| Depreciation expense                    | (44)                      | (13,690)               | (15,926)                  | (9,471)  | (39,131) |
| Balance at 30 June 2014                 | 2,854                     | 35,473                 | 36,650                    | 10,886   | 85,863   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 11. OTHER NON-CURRENT ASSETS

|                    | Consolidated |      |
|--------------------|--------------|------|
|                    | 2014         | 2013 |
|                    | \$           | \$   |
| <b>Non-current</b> |              |      |
| VAT refundable     | 467,309      | -    |
|                    | 467,309      | -    |

Other non-current assets comprise of Value Added Tax receivable from Turkish operations.

#### 12. TRADE AND OTHER PAYABLES

|                              | Consolidated |         |
|------------------------------|--------------|---------|
|                              | 2014         | 2013    |
|                              | \$           | \$      |
| <b>Current</b>               |              |         |
| Trade creditors              | 259,912      | 242,241 |
| Other creditors and accruals | 41,780       | 165,951 |
|                              | 301,692      | 408,192 |

The above trade and other payables carry the following terms and conditions:

- Trade creditors are non-interest bearing and are generally cleared on 30 to 60 day terms.
- Other creditors are non-interest bearing and have payment terms of between 30 and 90 days.

#### 13. PROVISIONS

|                                    | Consolidated |      |
|------------------------------------|--------------|------|
|                                    | 2014         | 2013 |
|                                    | \$           | \$   |
| <b>Current</b>                     |              |      |
| Provision for employee termination | 8,238        | -    |
|                                    | 8,238        | -    |

#### 14. CONTRIBUTED EQUITY

|                            | Consolidated |            |
|----------------------------|--------------|------------|
|                            | 2014         | 2013       |
|                            | \$           | \$         |
| <b>(a) Ordinary shares</b> |              |            |
| Ordinary shares            | 56,688,422   | 51,794,473 |

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 14. CONTRIBUTED EQUITY (continued)

|                                             | Number      | \$         |
|---------------------------------------------|-------------|------------|
| <b>Movement in ordinary shares on issue</b> |             |            |
| At 1 July 2013                              | 173,907,836 | 51,794,473 |
| Share placements (i)                        | 60,833,333  | 5,200,000  |
| Share issue costs                           | -           | (306,051)  |
| At 30 June 2014                             | 234,741,169 | 56,688,422 |

(i) During the 2014 financial year, the Company raised \$5,200,000 (before costs) from the following:

a. On 17 September 2013 the Company announced that;

- it had received firm commitments to raise up to \$4.2 million through the placement of up to 52,500,000 fully paid ordinary shares, over 2 tranches, at an issue price of 8.0 cents per share to institutional and sophisticated investors (**Placement**); and
- it had executed a binding term sheet to enter into a Put Option Subscription Agreement (**Azarga Put**) with Azarga Resources (**Azarga**) whereby, at the Company's election and subject to certain conditions precedent being met within defined timeframes, Azarga is required to apply for a total of 16,666,666 fully paid ordinary shares at an issue price of 12.0 cents per share, over 2 equal tranches, to raise a total of \$2.0 million. Major operations conditions precedent to be met before the Company could exercise the Put Option include, inter alia:
  - Completion of a minimum of 6,000m drilling program on the Project
  - Completion of 2 planned hydrological pump tests
  - Appointment of a firm to conduct the PFS
  - Appointment of a firm to conduct the EIS on the Project

All conditions precedent have subsequently been met and the Tranche 1 exercise election, raising \$1.0 million by the issue of 8,333,333 ordinary shares at 12 cents per share, was completed on 4 March 2014.

- b. On 25 September 2013, the Company raised \$2,086,894 from the issue of 26,086,175 fully paid ordinary shares to institutional investors at \$0.08 per share.
- c. On 7 November 2013, the Company raised \$2,113,106 from the issue of 26,413,825 fully paid ordinary shares to institutional investors at \$0.08 per share.

|                           | Number     | \$ |
|---------------------------|------------|----|
| <b>(b) Listed options</b> |            |    |
| At 1 July 2013            | 47,917,750 | -  |
| At 30 June 2014           | 47,917,750 | -  |

All listed options are exercisable at \$0.18 with an expiry date of 15 June 2017.

|                             | Number     | \$ |
|-----------------------------|------------|----|
| <b>(c) Unlisted options</b> |            |    |
| At 1 July 2013 (i)          | 1,484,000  | -  |
| Options issued (ii)         | 10,750,000 | -  |
| At 30 June 2014             | 12,234,000 | -  |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 14. CONTRIBUTED EQUITY (continued)

(i) At 30 June 2013 the following unlisted options were on issue:

- a. 84,000 options exercisable at \$0.18 with an expiry date of 14 November 2014. These options were issued in accordance with the terms of the Scheme of Arrangement and Joint Venture Agreement with Anatolia Uranium Pty Ltd (formerly Aldridge Uranium Pty Ltd). In accordance with AASB 3 Business Combinations, no value has been recognised for these options, as they relate to contingent consideration initially valued at nil for the acquisition of the investment in Anatolia Uranium Pty Ltd.
- b. 400,000 options exercisable at \$0.065 with an expiry date of 30 November 2017. These options were issued to Managing Director Jim Graham and vested on 10 December 2012.
- c. 1,000,000 options exercisable at \$0.08 with an expiry date of 30 November 2017. These options were issued to Managing Director Jim Graham. 500,000 options vested on 10 December 2012, 250,000 options vested on 1 August 2013 and 250,000 options vested on 1 August 2014.

(ii) 10,750,000 incentive options were issued pursuant to the Company's Executive and Non-Executive Incentive Option Plan on 23 January 2014 following approval in the Company's Annual General Meeting on 29 November 2013. These options are exercisable at \$0.05 with an expiry date of 29 November 2018. 5,375,000 options vested immediately, 2,687,500 options vested on 29 May 2014 and 2,687,500 options will vest on 2 November 2014. Refer to note 26 for details regarding the issue of these options to Company directors.

|                                       | Number     | \$ |
|---------------------------------------|------------|----|
| <b>(d) A Class Performance Shares</b> |            |    |
| At 1 July 2013                        | 11,692,202 | -  |
| At 30 June 2014                       | 11,692,202 | -  |

The A Class Performance Shares are convertible to 10,631,375 ordinary shares upon achievement of milestones prior to 10 February 2016.

|                                       | Number | \$ |
|---------------------------------------|--------|----|
| <b>(e) D Class Performance Shares</b> |        |    |
| At 1 July 2013                        | 50     | -  |
| At 30 June 2014                       | 50     | -  |

The D Class Performance Shares are convertible to 2,109,500 ordinary shares at the holder's discretion prior to 14 January 2016.

#### (f) Capital Management

Given the current changing nature of the operations of the Company, the short term gearing objective is for minimal or no debt with all working capital requirements to be met from fresh issues of equity to retail and sophisticated investors.

The company does not propose to pay any dividend for 2014 and considers it unlikely that an interim dividend will be paid during the 2015 financial year.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 15. RESERVES

|                             | Consolidated |            |
|-----------------------------|--------------|------------|
|                             | 2014<br>\$   | 2013<br>\$ |
| (a) Option reserve          |              |            |
| Balance at 1 July           | 2,340,655    | 2,327,120  |
| Share based payment expense | 335,964      | 13,535     |
| Balance at 30 June          | 2,676,619    | 2,340,655  |

The option reserve is used to record the value of share based payments provided to Directors or suppliers as part of their compensation for services rendered.

#### (b) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

|                                                                              | Consolidated |            |
|------------------------------------------------------------------------------|--------------|------------|
|                                                                              | 2014<br>\$   | 2013<br>\$ |
| (c) Analysis of items of other comprehensive income by each class of reserve |              |            |
| Foreign currency translation reserve                                         |              |            |
| Exchange differences on translation of foreign controlled entities           | 248,585      | 275,620    |
|                                                                              | 248,585      | 275,620    |

#### 16. ACCUMULATED LOSSES

|                    | Consolidated |              |
|--------------------|--------------|--------------|
|                    | 2014<br>\$   | 2013<br>\$   |
| Balance at 1 July  | (38,329,433) | (37,371,858) |
| Loss for the year  | (2,126,153)  | (957,575)    |
| Balance at 30 June | (40,455,586) | (38,329,433) |

#### 17. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise cash and cash equivalents raised from issuing equity instruments. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. When necessary, the Group may also enter into short term financing transactions, principally debtor factoring, in order to manage cash flows arising from the Group's operations. It is, and has been throughout the financial year, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 17. FINANCIAL INSTRUMENTS (continued)

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

|                              | Consolidated |           |
|------------------------------|--------------|-----------|
|                              | 2014         | 2013      |
|                              | \$           | \$        |
| <b>Financial assets</b>      |              |           |
| Cash and cash equivalents    | 1,167,851    | 1,392,762 |
| Trade and other receivables  | 524,488      | 368,049   |
| Total financial assets       | 1,692,339    | 1,760,811 |
| <b>Financial liabilities</b> |              |           |
| Trade and other payables     | 301,692      | 408,192   |
|                              | 301,692      | 408,192   |

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

#### Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows. The Group's exposure to interest rate risk relates primarily to cash and cash equivalents. The majority of the Group's cash and cash equivalents is invested with Australian financial institutions.

At balance date, the Group had the following financial assets exposed to variable interest rate risk that are not designated in cash flow hedges:

|                               | Consolidated |           |
|-------------------------------|--------------|-----------|
|                               | 2014         | 2013      |
|                               | \$           | \$        |
| <b>Financial assets</b>       |              |           |
| Cash and cash equivalents (i) | 1,167,851    | 1,392,762 |
| Net exposure                  | 1,167,851    | 1,392,762 |

- (i) Cash and cash equivalents earn interest at floating rates based on the bank's variable interest rate and the cash balance. Interest rates during the 2014 financial year varied between 0% and 10.25% (2013: 0% and 6.75%).

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 17. FINANCIAL INSTRUMENTS (continued)

|                                | Consolidated                   |                                     |
|--------------------------------|--------------------------------|-------------------------------------|
|                                | Loss<br>(Higher) / Lower<br>\$ | Equity<br>(Higher) /<br>Lower<br>\$ |
| <b>Year ended 30 June 2014</b> |                                |                                     |
| +1% (100 basis points)         | (11,679)                       | (11,679)                            |
| -1% (100 basis points)         | 11,679                         | 11,679                              |
| <b>Year ended 30 June 2013</b> |                                |                                     |
| +1% (100 basis points)         | (13,928)                       | (13,928)                            |
| -1% (100 basis points)         | 13,928                         | 13,928                              |

#### Credit risk

Credit risk arises from the financial assets of the Group, which primarily comprises cash and cash equivalents and trade and other receivables. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to financial loss to the Group. The maximum exposure is equal to the carrying amount of these assets as indicated in the statement of financial position.

The Group manages this risk by investing with recognised credit worthy third parties. Cash and cash equivalents are usually spread amongst a number of financial institutions all of which have credit ratings of AA or better, to minimise the risk of counterparty default. At year end, the majority of cash and cash equivalents are held by two financial institutions with a credit rating of AA.

Trade and other receivables mostly comprise of GST and VAT receivable from Australian and Turkish tax authorities.

The following table provides information regarding the credit risk relating to cash and cash equivalents based on Standards & Poor's counterparty credit ratings.

|                                    | Consolidated     |                  |
|------------------------------------|------------------|------------------|
|                                    | 2014<br>\$       | 2013<br>\$       |
| <b>Cash and cash equivalents</b>   |                  |                  |
| AA rating                          | -                | 1,231,828        |
| AA- rating                         | 1,127,342        | -                |
| A1 rating                          | -                | 232              |
| BB+ rating                         | 40,509           | 160,702          |
|                                    | <u>1,167,851</u> | <u>1,392,762</u> |
| <b>Trade and other receivables</b> |                  |                  |
| Not rated                          | 524,488          | 368,049          |
|                                    | <u>524,488</u>   | <u>368,049</u>   |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 17. FINANCIAL INSTRUMENTS (continued)

##### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to ensure that trade debtors are repaid and managed within normal industry trading terms.

|                                     | Expiring within 1 year |           |
|-------------------------------------|------------------------|-----------|
|                                     | 2014                   | 2013      |
|                                     | \$                     | \$        |
| <b>Financial assets</b>             |                        |           |
| Cash and cash equivalents           | 1,167,851              | 1,392,762 |
| Trade and other receivables         | 57,179                 | 368,049   |
| Total financial assets              | 1,225,030              | 1,760,811 |
| <b>Financial liabilities</b>        |                        |           |
| Trade and other payables            | (301,692)              | (370,192) |
|                                     | (301,692)              | (370,192) |
| Net inflow on financial instruments | 923,338                | 1,390,619 |

##### Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the Australian functional currency of the Group. With cash and exploration and evaluation assets being held by the Turkish subsidiary A Dur Madencilik Ltd Sti, fluctuations in the exchange rates may impact on the Group's financial results.

The Group has not entered into any derivative financial instruments to hedge such transactions.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than Australian dollars:

|                                            | Consolidated |           |
|--------------------------------------------|--------------|-----------|
|                                            | 2014         | 2013      |
|                                            | \$AUD        | \$AUD     |
| <b>Financial assets</b>                    |              |           |
| Cash and cash equivalents – Turkish lira   | 40,509       | 51,934    |
| Trade and other receivables – Turkish lira | 467,309      | 292,561   |
| Trade and other payables – Turkish lira    | (31,619)     | (41,680)  |
| Net exposure                               | 476,199      | (302,815) |

##### Fair values

All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 18. RELATED PARTY DISCLOSURES

##### (a) Controlled entities consolidated

The consolidated financial statements include the financial statements of Anatolia Energy Limited and the subsidiaries listed in the table below.

| Name                           | Country of Incorporation | Class of Shares | % Equity Interest |      |
|--------------------------------|--------------------------|-----------------|-------------------|------|
|                                |                          |                 | 2014              | 2013 |
| Anatolia Uranium Pty Ltd       | Australia                | Ordinary        | 100               | 100  |
| Anatolia Uranium (BVI) Pty Ltd | British Virgin Islands   | Ordinary        | 100               | 100  |
| Mozawl Mining                  | Mauritius                | Ordinary        | 80                | 80   |
| Constellres Ltd                | Cyprus                   | Ordinary        | 100               | 100  |
| A Dur Madencilik Ltd Sti       | Turkey                   | Ordinary        | 100               | 100  |

Anatolia Energy Ltd acquired a total ownership interest of 100% in Anatolia Uranium Pty Ltd upon the merger of joint-venture partner Vetter Uranium Ltd into wholly-owned subsidiary Anatolia Uranium (BVI) Ltd on 30 April 2013. Anatolia Energy Ltd retains a 35% direct interest in Anatolia Uranium Pty Ltd and holds a 65% indirect interest through the company's interest in Anatolia Uranium (BVI) Ltd.

Anatolia Uranium Pty Ltd holds a 100% ownership interest in A Dur Madencilik Ltd Sti, a company incorporated in Turkey which holds the licence and mining tenement for the Temrezli uranium project.

##### (b) Related party transactions

The following related party transactions occurred during the financial year:

- (i) An amount of \$4,187 (excluding GST) has been paid to Akin Commodity Consulting Ltd, Canada, a related party to Dr Hikmet Akin, being specialist uranium and geological consulting fees for the year ended 30 June 2014.
- (ii) An amount of \$211,625 (excluding GST) has been paid to Wiranja Pty Ltd, a related party to Bob Annett, being geologist fees for the year ended 30 June 2014.
- (iii) An amount of \$136,329 (excluding GST) has been paid to Lee Boyd and Elovadae Trust, a related party to Lee Boyd, being corporate and administration consulting for the year ended 30 June 2014.
- (iv) An amount of \$262,302 (excluding GST) has been paid to Swellcap Ltd, a related party to Paul Cronin, being professional fees for the year ended 30 June 2014.
- (v) An amount of \$205,787 (excluding GST) has been paid to Nuclear Fuel Cycle Consulting, a related party to Jim Graham, being professional fees for the year ended 30 June 2014.

#### 19. COMPENSATION OF KEY MANAGEMENT PERSONNEL

For details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014, refer to the remuneration report.

|                                     | Consolidated |            |
|-------------------------------------|--------------|------------|
|                                     | 2014<br>\$   | 2013<br>\$ |
| Short-term                          | 204,484      | 164,241    |
| Post-employment                     | -            | -          |
| Equity-settled share based payments | 258,348      | 13,535     |
| Total                               | 462,832      | 177,776    |

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2014

### 20. EVENTS SUBSEQUENT TO THE REPORTING DATE

Significant activities which occurred after the reporting date include:

- (i) On 22 July 2014 Mr Patrick Burke LLB was appointed as a non-executive director of the Company.
- (ii) On 31 July 2014 Mr Lee Boyd resigned as a director but remains as Company Secretary.
- (iii) On 13 August 2014, the Company announced that they had agreed to amend the Put Option Agreement with Azarga Resources (**Azarga**). Anatolia and Azarga have agreed that Azarga will pay \$375,000 to Anatolia in consideration for substituting the put option arrangement under the Put Option Agreement for a call option arrangement that will see Azarga subscribe for Call Options over 8.3 million shares in Anatolia at \$0.08 per share, maturing on 31 March 2015. Of the \$375,000 consideration, \$41,667 was received as consideration for issuing the new options as noted in point (iv) below.
- (iv) On 14 August 2014, pursuant to ASX Listing Rule 7.1, the Company issued 8,333,333 options to acquire shares in the capital in the Company exercisable at 8.0 cents per share and having an expiry date of 31 March 2015 to Azarga Resources in consideration of 0.5 cents per option which raised \$41,667.
- (v) On 18 August 2014, the Company announced a number of significant high grade eU<sub>3</sub>O<sub>8</sub> values from its recent and on-going drilling program of resource holes (step out and in-fill) and hydrogeological wells at its flagship Temrezli Uranium Project. The holes were intended to increase the understanding of the existing resource, and to facilitate and refine well field planning.
- (vi) On 27 August 2014 the Company announced that it had received commitments to raise up to \$6.0 million (before costs) through the issue of up to 75 million fully paid ordinary shares at 8.0 cents per share (**Share**) with 1 attaching free option to acquire shares in the capital of the Company for every 2 shares subscribed for, exercisable at 12.0 cents per share and having an expiry date of 30 September 2016 (**Attaching Option**) (together, the **Placement**). At this time the Company did not have sufficient capacity pursuant ASX Listing Rules 7.1 and 7.1A to issue all of the Placement securities which necessitated that the Placement to be completed over two tranches. The first tranche (**Tranche 1**) was to issue 50,000,000 Shares as soon as practical to raise \$4.0 million and to issue the balance of up to a further 25,000,000 Shares, to raise \$2.0 million, and the 37,500,000 Attaching Options following shareholder approval in general meeting (**Tranche 2**).
- (vii) On 3 September 2014 the Company issued 50,000,000 Tranche 1 Shares at an issue price of 8.0 cents per share to institutional and sophisticated investors which raised \$4.0 million before costs.
- (viii) On 5 September 2014 the Company dispatched a notice of meeting and explanatory statement for a general meeting of shareholders, scheduled to be held on 8 October 2014, which seeks that shareholders:
  - a. ratify the prior issues of securities made pursuant to ASX Listing Rules 7.1 and 7.1A;
  - b. approve the issue of the Tranche 2 Shares and Options; and
  - c. approve the issue of options to director Mr Patrick Burke pursuant to the conditions of his appointment.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any matters or circumstances which significantly affected or could significantly affect the operations of the consolidated group, the results of the operations, or the state of affairs of the consolidated group in future financial years.

### 21. REMUNERATION OF AUDITORS

The auditor of Anatolia Energy Limited is Moore Stephens Chartered Accountants.

|                                                                                                         | Consolidated |            |
|---------------------------------------------------------------------------------------------------------|--------------|------------|
|                                                                                                         | 2014<br>\$   | 2013<br>\$ |
| Amounts received or due and receivable by Moore Stephens for:                                           |              |            |
| An audit or review of the financial report of the entity and any other entity in the consolidated group | 46,700       | 41,750     |
|                                                                                                         | 46,700       | 41,750     |

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2014

### 22. SEGMENT INFORMATION

During the 2014 financial year, the Group only operated in one operating segment, being minerals exploration in Turkey.

### 23. DIVIDENDS PAID OR PROPOSED

No dividends have been paid during the year ended 30 June 2014 (2013: Nil). No dividends are proposed for the year ended 30 June 2014 (2013: Nil).

### 24. COMMITMENTS

#### Finance lease and hire purchase commitments – Group as lessee

The Group has no finance lease contracts for the year ended 30 June 2014. The Company does not have leased premises but rents shared serviced office space at Unit 3, 80 Colin Street, West Perth.

### 25. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities at 30 June 2014.

### 26. SHARE BASED PAYMENTS

#### Summary of options granted

A total of 10,750,000 share options were granted during the year ended 30 June 2014 as share based payments. The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued in consideration for services received during the year ended 30 June 2014:

|                                                  | 2014<br>Number | 2014<br>WAEP<br>\$ | 2013<br>Number | 2013<br>WAEP<br>\$ |
|--------------------------------------------------|----------------|--------------------|----------------|--------------------|
| Outstanding at the beginning of the year         | 1,400,000      | (0.069)            | -              | -                  |
| Issue of options to key management personnel (i) | 8,250,000      | (0.050)            | 1,400,000      | (0.069)            |
| Issue of options for other services              | 2,500,000      | (0.050)            | -              | -                  |
| Outstanding at the end of the year               | 12,150,000     | (0.053)            | 1,400,000      | (0.069)            |

The outstanding balance as at 30 June 2014 is 12,150,000 options (2013: 1,400,000). Options granted are expensed over the vesting period of the options. The amount expensed for share based payments during the financial year was \$335,964.

The weighted average remaining contractual life of options outstanding at year-end was 4.30 years.

The weighted average fair value of options granted during the year was \$0.0354. These values were calculated using the Binomial option pricing model using the following inputs:

- Share price: \$0.07
- Expected average life of the option: 1 years
- Expected share price volatility: 100%
- Risk-free interest rate: 2.50%

The expected volatility of the Company has been determined having regard to the historical volatility of the market price of the Company's shares. The life of the options is based on the expected exercise patterns, which may not eventuate in the future.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 26. SHARE BASED PAYMENTS (continued)

- (i) Unlisted options were approved for issue to the directors of the Company at the Annual General Meeting held on 29 November 2013 and were subsequently issued on 23 January 2014. The exercise price, expiry date and vesting dates of the options are as follows:

| Director        | Number           | Exercise Price | Expiry Date      | Vesting Date     |
|-----------------|------------------|----------------|------------------|------------------|
| Dr Hikmet Akin  | 500,000          | \$0.05         | 28 November 2018 | 23 January 2014  |
|                 | 250,000          | \$0.05         | 28 November 2018 | 29 May 2014      |
|                 | 250,000          | \$0.05         | 28 November 2018 | 29 November 2014 |
|                 | <u>1,000,000</u> |                |                  |                  |
| Robert Annett   | 750,000          | \$0.05         | 28 November 2018 | 23 January 2014  |
|                 | 375,000          | \$0.05         | 28 November 2018 | 29 May 2014      |
|                 | 375,000          | \$0.05         | 28 November 2018 | 29 November 2014 |
|                 | <u>1,500,000</u> |                |                  |                  |
| Lee Boyd        | 750,000          | \$0.05         | 28 November 2018 | 23 January 2014  |
|                 | 375,000          | \$0.05         | 28 November 2018 | 29 May 2014      |
|                 | 375,000          | \$0.05         | 28 November 2018 | 29 November 2014 |
|                 | <u>1,500,000</u> |                |                  |                  |
| Jim Graham      | 1,250,000        | \$0.05         | 28 November 2018 | 23 January 2014  |
|                 | 625,000          | \$0.05         | 28 November 2018 | 29 May 2014      |
|                 | 625,000          | \$0.05         | 28 November 2018 | 29 November 2014 |
|                 | <u>2,500,000</u> |                |                  |                  |
| Dr Peter Kausch | 375,000          | \$0.05         | 28 November 2018 | 23 January 2014  |
|                 | 187,500          | \$0.05         | 28 November 2018 | 29 May 2014      |
|                 | 187,500          | \$0.05         | 28 November 2018 | 29 November 2014 |
|                 | <u>750,000</u>   |                |                  |                  |

#### 27. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent company of the group was Anatolia Energy Limited.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 30 JUNE 2014

#### 27. PARENT ENTITY DISCLOSURES (continued)

|                                                         | Consolidated |              |
|---------------------------------------------------------|--------------|--------------|
|                                                         | 2014         | 2013         |
|                                                         | \$           | \$           |
| <b>Result of the parent entity</b>                      |              |              |
| Profit/(loss) for the period                            | (1,311,444)  | (1,478,511)  |
| Other comprehensive income                              | -            | -            |
| Total comprehensive profit/(loss) for the period        | (1,311,444)  | (1,478,511)  |
| <b>Financial position of parent entity at year end</b>  |              |              |
| Current assets                                          | 1,194,500    | 1,318,828    |
| Total assets                                            | 21,304,752   | 17,244,653   |
| Current liabilities                                     | 241,119      | 99,487       |
| Total liabilities                                       | 241,119      | 99,487       |
| <b>Total equity of the parent entity comprising of:</b> |              |              |
| Share capital                                           | 56,688,422   | 51,794,473   |
| Option reserves                                         | 2,676,619    | 2,340,655    |
| Retained earnings                                       | (38,301,408) | (36,989,963) |
| Total equity                                            | 21,063,633   | 17,145,165   |

#### 28. GUARANTEES

The Group and the parent entity have not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

#### 29. CONTRACTUAL COMMITMENTS

At 30 June 2014 the consolidated group and the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: nil).

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Anatolia Energy, I state that:

1. In the opinion of the Directors, the financial statements and associated notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date, and
  - ii. Complying with Accounting Standards and Corporation Regulations 2001.
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 ending 30 June 2014.
3. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dr Hikmet Akin

Chairman

30 September 2014