PROMESA

# PROMESA LIMITED

# AND CONTROLLED ENTITIES

**ACN 36 124 541 466**

Annual Report
Year ended 30 June 2014

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## CORPORATE DIRECTORY

This annual report covers Promesa Limited and its controlled entity ("Consolidated Group" or "Group") during the year ended 30 June 2014. The Companies functional and presentation currency is AUD ($).

| | | |
|---|---|---|
| **OFFICERS** | Mr Hersh Solomon Majteles<br>Mr Ananda Kathiravelu<br>Mr Michael Sebbag<br>Mr Timothy Wise<br>Mr Damon Sweeny | (Non-Executive Chairman)<br>(Executive Director)<br>(Executive Technical Director)<br>(Non- Executive Director)<br>(Company Secretary) |
| **REGISTERED OFFICERS** | Suite 7, 55 Hampden Road<br>NEDLANDS WA 6009 | |
| **AUSTRALIAN SOLICITORS** | Steinepreis Paganin<br>Lawyers and Consultants<br>Level 4, Next Building<br>16 Milligan Streets | |
| **PERUVIAN SOLICITORS** | Estudo Egusquiza<br>Edificio Torre Parque Mar<br>Av. Larco N° 1301, Oficina 1203<br>Miraflores, Lima - Perú | |
| **AUDITORS** | Bentleys Audit & Corporate (WA) Pty Ltd<br>Level 1, 12 Kings Park Road<br>WEST PERTH WA 6005 | |
| **SHARE REGISTRY** | Advanced Share Registry Ltd<br>110 Stirling Highway<br>NEDLANDS WA 6009<br>Telephone: (08) 9389 8033<br>Facsimile: (08) 9389 7871 | |
| **PRINCIPAL PLACE OF BUSINESS** | Suite 7, 55 Hampden Road<br>NEDLANDS WA 6009<br>Telephone: (08) 9389 8884<br>Facsimile: (08) 6389 0576 | |
| **ASX CODE** | PRA | |
| **WEBSITE** | www.promesa.com.au | |

## DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2014.

**Directors**

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

| | |
|---|---|
| Hersh Solomon Majteles | Non-Executive Chairman |
| Ananda Kathiravelu | Executive Director |
| Michael Sebbag | Executive Technical Director |
| Timothy Wise | Non-Executive Director (appointed 18 March 2014) |
| Mario Enrique Camacho Bolivar | Non-Executive Alternate Director (resigned 18 March 2014) |

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

**Company Secretary**

Damon Sweeny held the position of Company Secretary at the end of the financial year.

## PRINCIPAL ACTIVITIES

### CORPORATE ACTIVITY

#### Capital Raising

On 12 August 2013 the Company announced a placement of 1,652,142 shares at $0.035 raising $58,000 in equity capital from institutional, sophisticated and professional investors.

On 4 November 2013 the Company announced a placement of 2,145,000 shares at $0.035 raising $75,075 in equity capital from institutional, sophisticated and professional investors.

On 14 November 2013 the Company announced a placement of 1,425,000 shares at $0.035 raising $49,875 in equity capital from institutional, sophisticated and professional investors.

On 10 December 2013 the Company announced a placement of 35,714,285 shares at $0.035 raising $1,250,000 in equity capital from institutional, sophisticated and professional investors, with 20,000,000 free attaching unlisted options exercisable at $0.05 and an expiry date of 10 December 2015.

On 27 February 2014 the Company issued 5,952,381 shares valued at $208,159 and 34,166,167 free attaching options exercisable at $0.05 and an expiry date of 27 February 2016, to Jett Capital Advisors LLC per the General Meeting held on 27 February 2014 in relation to broker and capital raising costs.

On 28 May 2014 the Company announced a placement of 19,819,820 shares at $0.027 and 29,729,731 shares at $0.019 raising $1,100,000 in equity capital from institutional, sophisticated and professional investors.

The proceeds from the placement will be used primarily to fund the Company's Peruvian exploration and development program at the Alumbre and Quinual Projects.

### Minera Fabricio S.A.C Concession Agreement

During the year the Company has renegotiated the agreement previously announced to the ASX on the 9 October 2012 with the vendor concession holder at the Aurifera Chorobal concession within the project area of the Alumbre Project. The agreement with the vendor now details farm-in terms to acquire a 100% interest from the concession holder (the previous agreement was for an 80% interest). The key terms are as follows:

a) US$40,000 payable on registration of the agreement;
b) US$460,000 payable within 5 years after execution of the agreement with no exploration commitment;
c) If production on the concession commences, a 1.5% Net Smelter Return (NSR) royalty will be payable to the concession holder or can be bought for US$1,000,000.

This agreement is a significant improvement in conditions and terms previously announced to the ASX.

### Oban S.A.C. Concession Agreement

A farm in agreement to acquire a 70% interest from the Magdalena's concession holder. The remaining instalments to be paid should the group decide to pursue the concession and will be settled as follows:

a) USD $ 77,000 payable 31 January 2013 after execution of the agreement;
b) USD $ 120,000 payable 31 May 2014 after execution of the agreement together with the 1,250,000 options to acquire share in Promesa at an exercise price of AUD$0.20 (24 month expiry)
c) USD $ 55,900 payable 30 November 2014 after execution of the agreement
d) USD $ 56,000 payable 30 November 2015 after execution of the agreement
e) USD $ 56,000 payable 30 November 2016 after execution of the agreement

If production commences, a 2% Net Smelter Return royalty will be payable to the concession holder

### A & C Recursos Mineros S.A Concession Agreement

During the year the group entered into a farm in agreement to acquire an 70% interest from the Claudia's concession holder. The remaining instalments to be paid should the group consider to pursue the concession will be settled as follows:

a) USD $ 45,000 payable 31 May 2013 after execution of the agreement.
b) USD $ 60,000 payable 30 November 2013 after execution of the agreement.
c) USD $ 120,000 payable 31 May 2014 after execution of the agreement. *
d) USD $ 295,000 payable 30 November 2014 after execution of the agreement.**

If production commences, a 2% Net Smelter Return royalty will be payable to the concession holder.

The company relinquished their interest in the Claudia concessions which are held by A & C Recursos Mineros via Oban S.A.C. as result of low exploration potential.

* The company paid $60,000.00 on the 12 September 2014 and will pay a further $60,000.00 on the 12 October 2014.

** will only be payable in the event that the termination payments are not paid.

## Resignation and Appointment of Non-Executive Director

The Company announced the resignation of Mr Mario Enrique Camacho Bolivar and the appointment of Mr Timothy Wise as non-executive director on the Promesa Board on 18 March 2014. Mr Timothy Wise was a non-executive alternative director of the company. Mr. Wise has a Bachelor of Science degree from the University of Western Australia. Mr Timothy Wise is the founder of Wisepeak. He was joint founder and CEO of Wasabi Energy Limited and was the joint founder of The Tap Doctor. He previously worked as a stock broker for Patersons Securities Limited. Mr Timothy Wise was previously a Non-Executive Director on the Boards of Transerv Energy and Valdera Resources.

## Resignation and Appointment of Company Secretary

The Company announced the resignation of Mr Philip Re and the appointment of Mr Damon Sweeny as company secretary on the 30 May 2014. Mr Damon Sweeny is a Chartered Secretary and member of the Governance Institute of Australia. He holds an MBA from Curtin University Australia, along with a Graduate Diploma of Applied Corporate Governance from Chartered Secretaries Australia. With over 25 years' experience in the mining, accounting and governance fields, Damon has held directorships or company secretarial positions in a number of private and ASX-listed entities for over 10 years. He has been closely involved with the mining sector in Western Australia and has a strong management and financial reporting background.

## PROMESA - REVIEW OF OPERATIONS

Promesa Ltd ("Promesa", "the Company") is a Perth based ASX listed Company, with a substantial portfolio of exploration properties in Peru. An emerging precious and base metals explorer with a portfolio of advanced mineral prospects including six projects at discovery stage in Peru.

- Focused on Latin America since 2010.
- Targeting high tonnage, low cost deposits in proven, world-class mineral provinces.
- Exploration footprint of more than 35,000ha within Peru.
- An exciting opportunity for investors, Promesa is actively generating new prospects to expand its project pipeline.
- Promesa is one of a small group of ASX listed companies providing investors an exposure to Peru.

Peru is one of the world's most exciting exploration regions for prospective geology and project development, offering significant and low cost gold and gold-copper deposits. It also presents a strong and attractive business development environment, with low sovereign and financial risk, a mature stable mining law and sophisticated business, legal and operating practises.

## SUMMARY OF PERUVIAN PROJECTS

The company is focused on precious and base metal exploration projects which are located in Peru's mineral rich Western Cordillera region.

Exploration concessions are located close to world class deposits developed by Barrick, Newmont, Xstrata, BHP Billiton and Vale.

During the year the Company made several announcements regarding the progress of exploration at the Quinual and Alumbre project located in the La Libertad Department, following earlier outstanding geophysics results returned on these properties.

The region hosts several world class gold and copper mines including El Galena, Conga and Tantahuatay.

The company also holds concessions in the Ancash and Huancavelica Departments.

## ALUMBRE PROJECT

### Background

The Alumbre Project is a Cu-Mo porphyry system located 70km southeast of Trujillo in northern Peru (refer to Figure 1). The project is serviced by the nearby Pan Americana Highway and includes excellent infrastructure to the project area (refer to Figure 1). The Alumbre Project area consists of approximately 2,200ha which adjoins a larger regional concession holding area of approximately 24,600ha. Promesa has control of the concessions either through outright ownership of through option to purchase agreements.


*Figure 1 – Project location of Alumbre and Quinual Project*

The area was partially explored by Newmont, Savage Resources and Pasminco in the early to late 1990's. Savage Resources focused on the areas of low-sulphidation epithermal veining some distance away from the current focus of Promesa.

The Company has completed extensive exploration work on the Alumbre Project. This includes detailed geological mapping, rock geochemistry, ground magnetics, induced polarisation (IP) geophysics and alteration mineral mapping. Alteration mineralogy has been determined using a hand held spectrometer and thin-section microscopic petrology. Sulphide mineral identification has been determined using a scanning electron microscope. This work indicates that a significant sulphide-bearing porphyry system exists at Alumbre. The data indicates that the present land surface is between the lower parts the epithermal environment and the upper parts of the porphyry environment.

Induced polarisation (IP) geophysics program has revealed a strong chargeability anomaly extending from near surface to below the modelled 600m depth (refer to Figure 2). The IP anomaly identified by Promesa is located approximately 500m southeast of Savage Resources drill hole CJK-1 which returned 110m at 0.12g/t Au (including 8m at 0.50g/t Au).

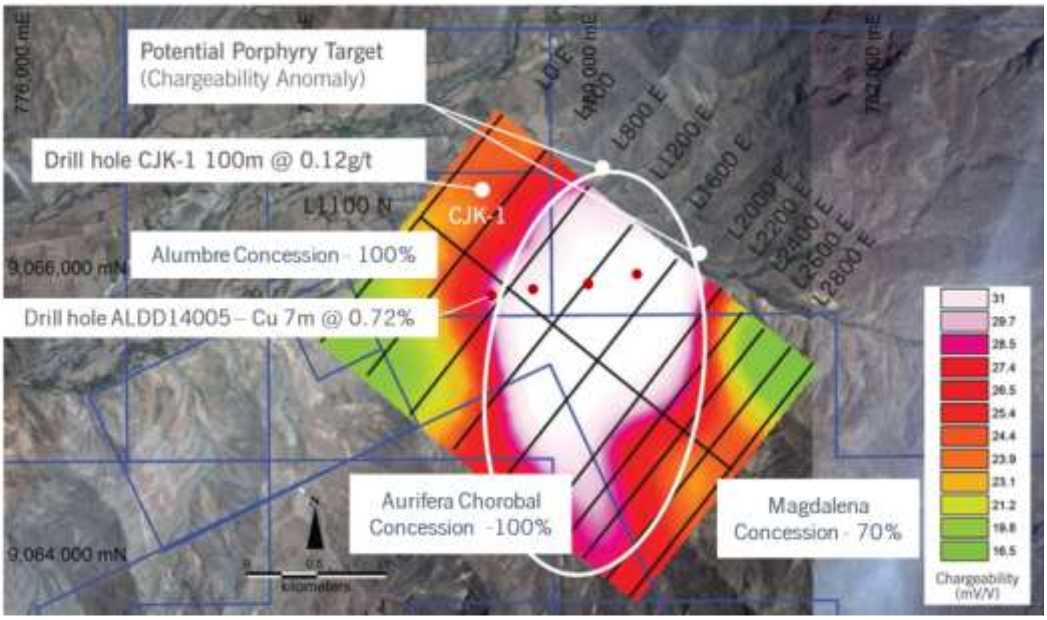


***Figure 2 – Alumbre Project Dec 2012 Geophysics Chargeability Results at 400m depth***

The IP anomaly is approximately 700m wide and 1500m long with a large chargeable volume and is open at depth. The chargeability anomaly has a size and intensity commensurate with what would be expected from a moderate to large sized mineralised porphyry system

Alteration mineralogy has been determined using a hand held spectrometer and thin-section microscopic petrology. Sulphide mineral identification has been determined using a scanning electron microscope. This work indicates that a significant sulphide-bearing porphyry system exists at Alumbre. The data indicates that the present land surface is between the lower parts the epithermal environment and the upper parts of the porphyry environment.

Independent consultants have been engaged throughout the exploration programs (i.e. geophysics program, mapping phases, reinterpreted estimate magnetic susceptibility) and have confirmed the prospectivity of the property and the high-sulphidation to porphyry environment.

Following the geophysics program, a detailed geological mapping and geochemical sampling program was undertaken and completed. More than 600 surface rock samples have been collected over the project spread between concessions Magdalenita 19 (306 samples), Gaya 104 ( 272 samples), and Magdalenita 18 (54 samples). Detailed mapping shows several intrusive units are partially overlain by volcanic tuffs as illustrated in Figure 3. Strong argillic and silica alteration of the intrusive and volcanic units is present at surface over the area of the chargeability anomaly. Figures 4 to 6 illustrate the geochemical results from the expanded sampling and mapping program over the project area at Alumbre. The strongly argillic area appears to form a geochemically depleted lithocap interpreted to be from intense acid leaching and late-stage hydrothermal alteration.

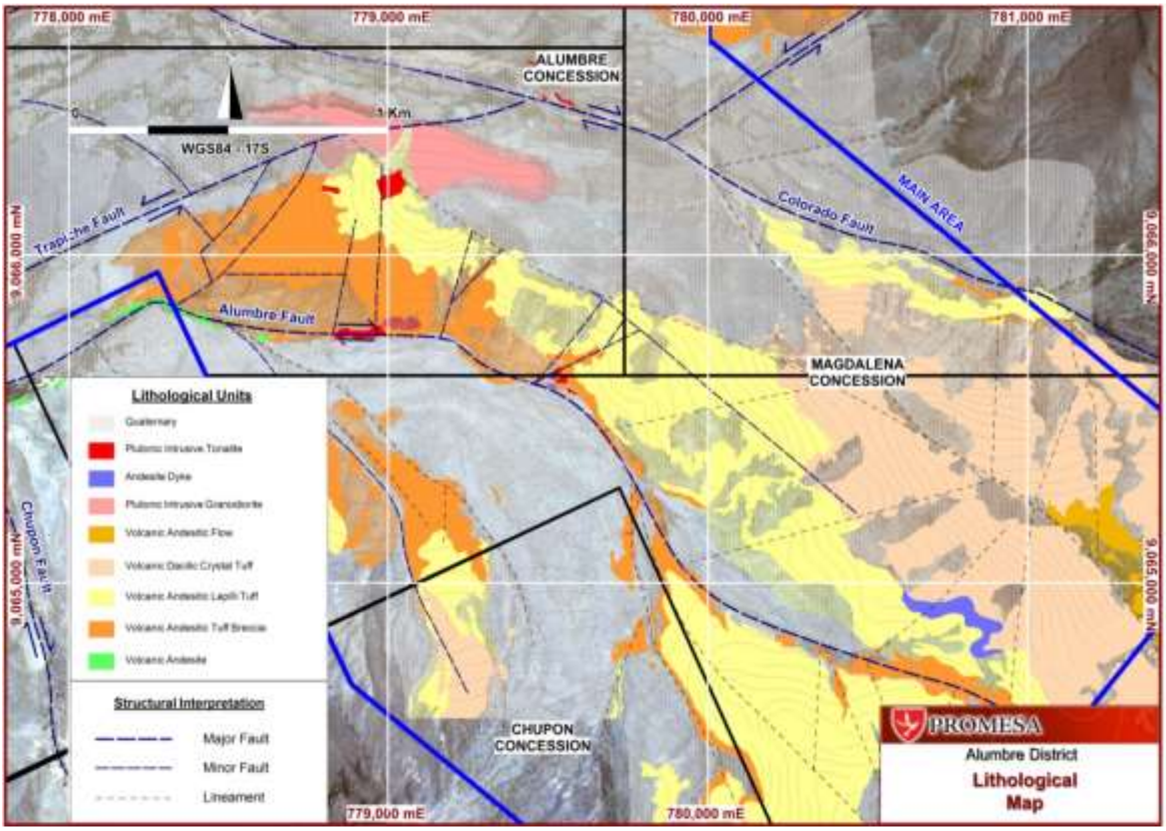


*Figure 3 – Alumbre Project Lithology Map*

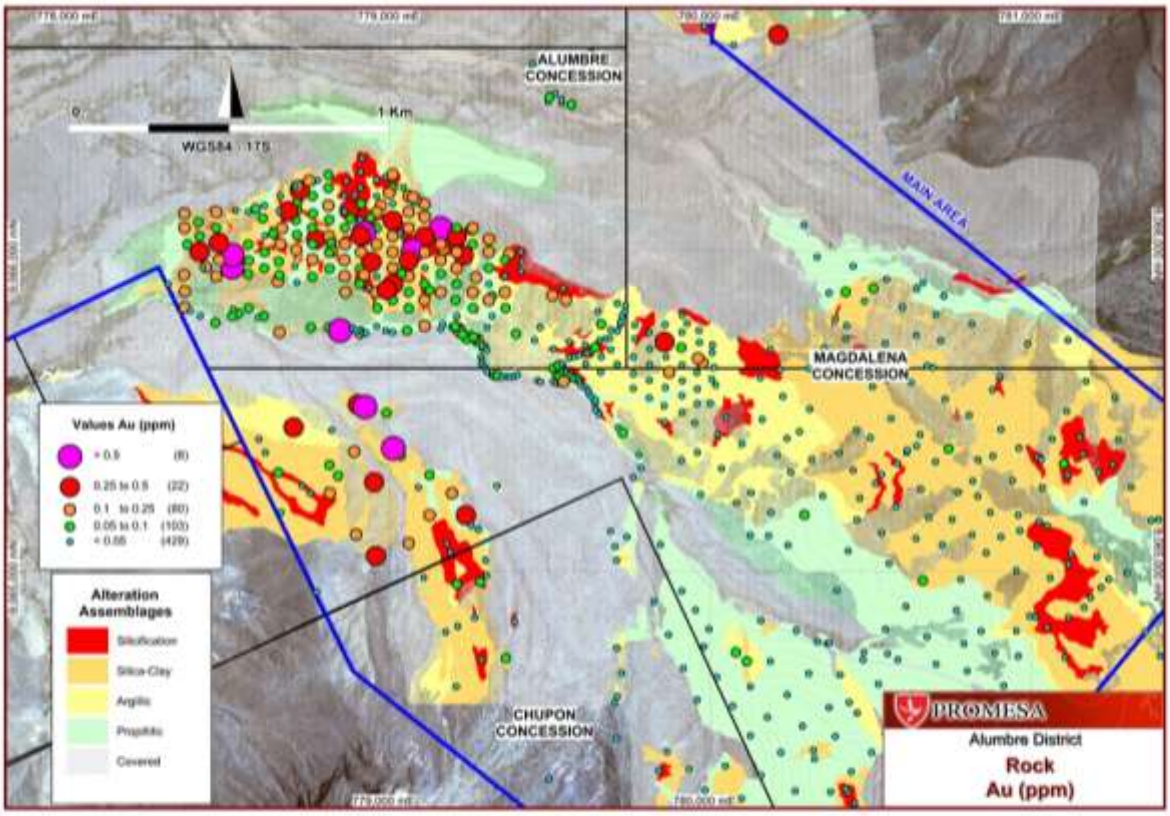


*Figure 4 – Alumbre Project Geochemical Sampling Results for Au*

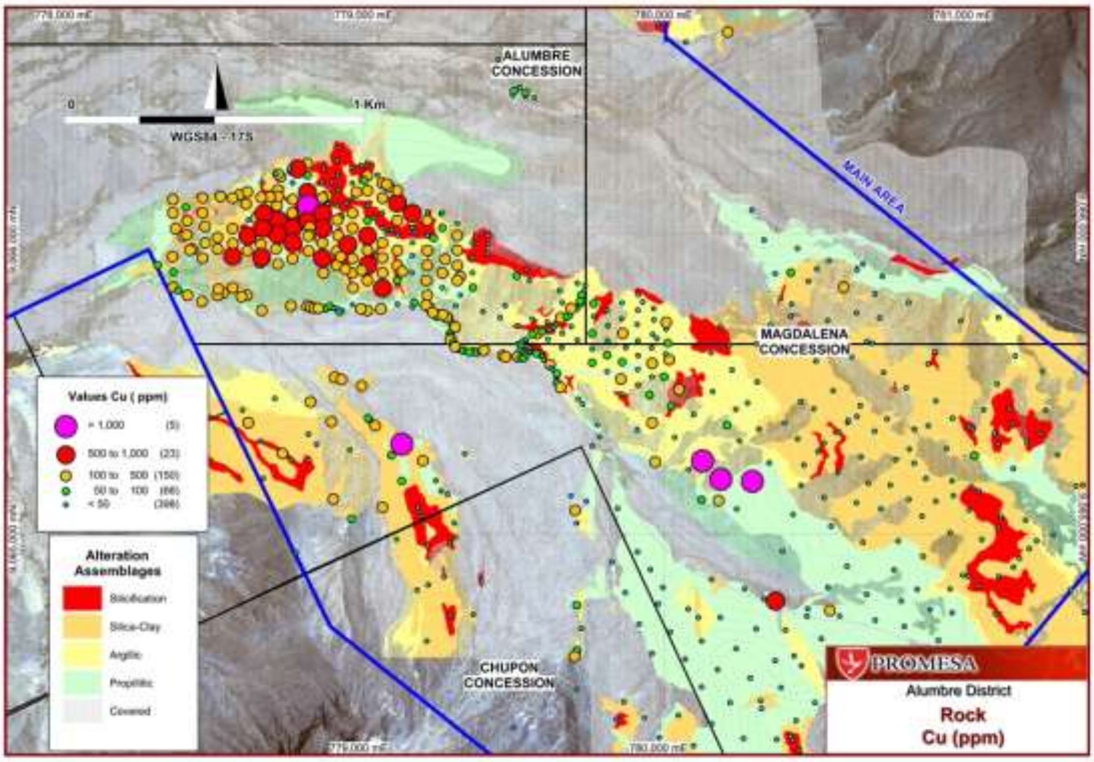


*Figure 5 – Alumbre Project Geochemical Sampling Results for Cu*

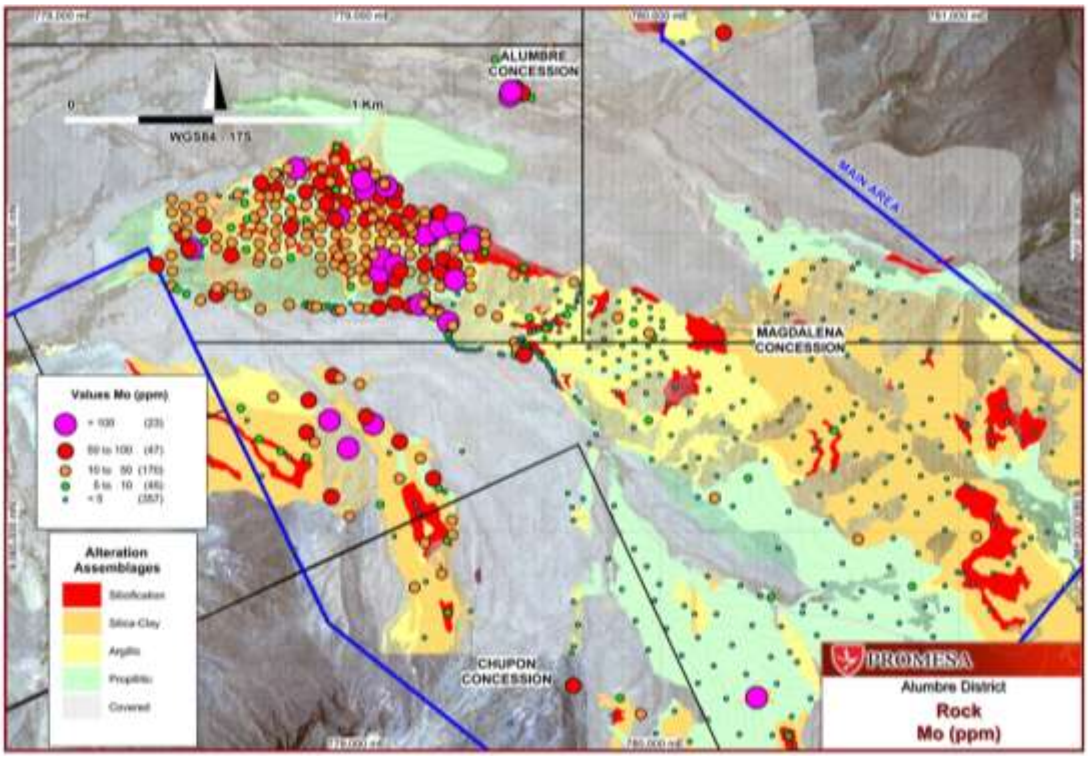


*Figure 6 – Alumbre Project Geochemical Sampling Results for Mo*

The Company's spectrometer specialist has identified hydrothermal alteration mineral species using a Terraspec spectrometer (refer to Figure 7 illustrating the results). Alteration mapping, assisted by the results of the Terraspec spectrometer, have determined that a valid porphyry-style alteration system exists, with the strongest argillic and silica-clay alteration over the area of the chargeability anomaly. The hydrothermal system appears to have multiple intrusive centres, each possibly representative of a separate intrusive event.

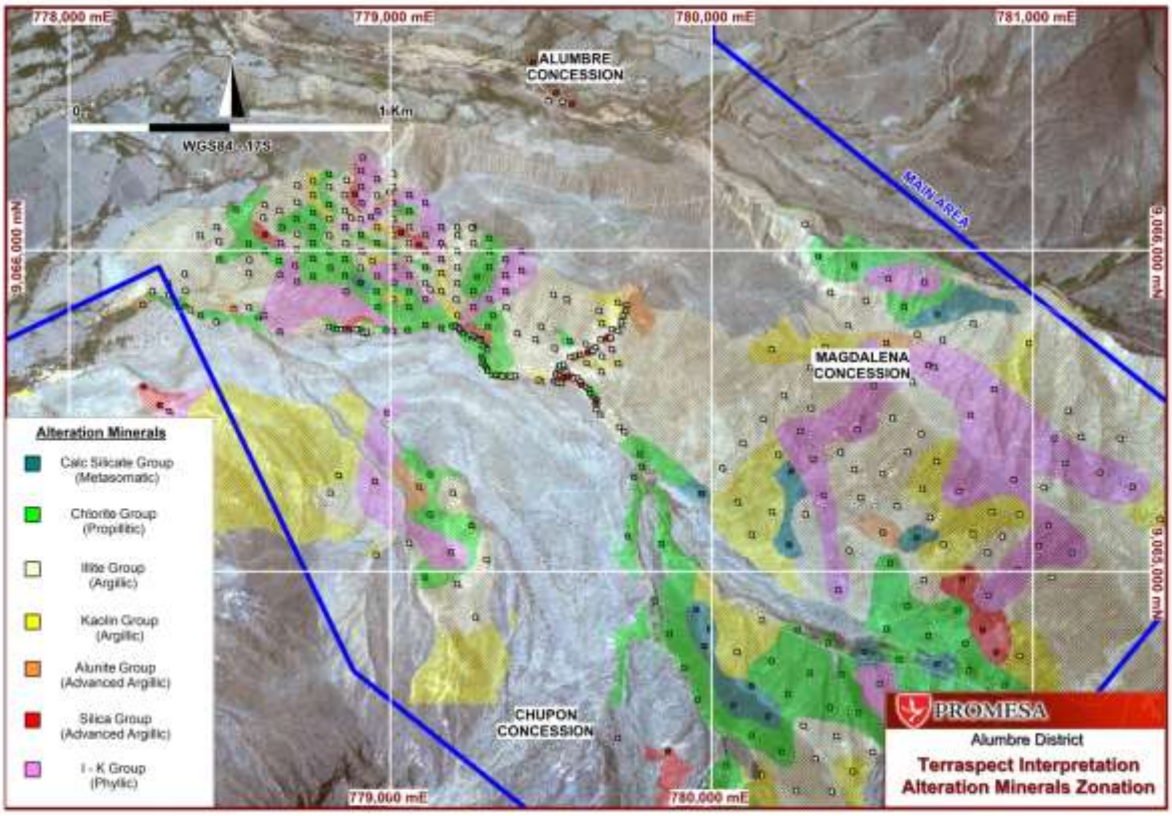


*Figure 7 – Alumbre Project Terraspec Alteration Minerals Zonation Map*

## Exploration Update

During the year to June 30, 2014, the company completed and gained all government, property access and social approvals for drilling on the Alumbre Project. A 1985.5m diamond drill program over 5 diamond drill holes was completed during the period (refer to Figure 8 and 9).

Field work on other properties related to reconnaissance visits to further properties offered to the Company was also undertaken.

The Alumbre Project joint venture partners Oban S.A.C had renegotiated terms with respect to the required airborne geophysics program to be completed Promesa by November 2013. This term was renegotiated to the extent that a 12 month extension was agreed between Oban Mining and Promesa. Quotations for the geophysics program over the Magdalena and Alumbre concessions have been received.

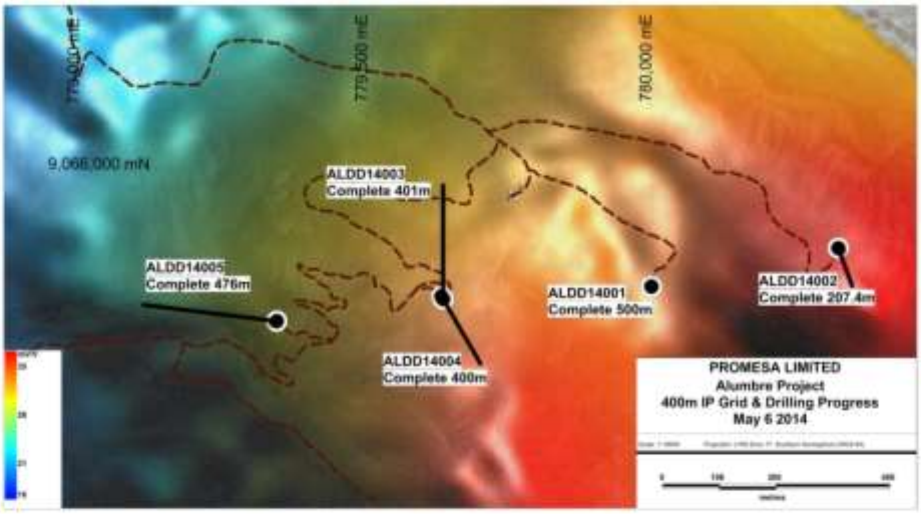


***Figure 8 - Alumbre Project showing the very strong Chargeability response at a depth of 400m and the proposed drill pad locations.***

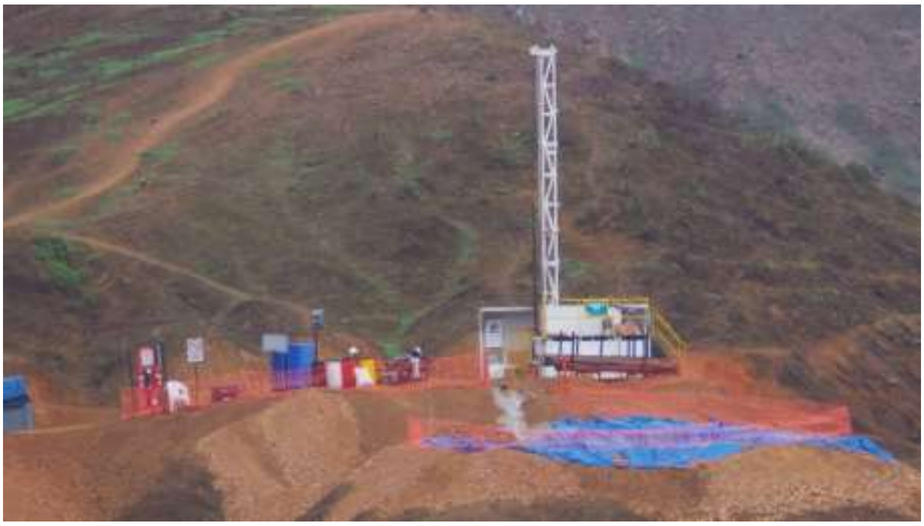

***Figure 9 – Drill rig on site of first drill hole ALDD14001.***

***Table 1 – Stage 1 Drill Hole Significant Assay Results at Alumbre Project.***

| Hole ID | From (m) | Interval (m) | Significant Result |
|---|---|---|---|
| ALDD14001 | 214 | 4 | 0.15% Cu |
| ALDD14002 | 90 | 2 | 0.16%Cu |
| ALDD14003 | 191 | 2 | 1,000 ppm Mo |
| ALDD14004 | 184 | 4 | 0.16ppm Au, 0.16% Cu |
| ALDD14005 | 75 | 2 | 1475ppm Mo (incl. 1m at 2000ppm) |
| ALDD14005 | 261 | 1 | 2%Cu |
| ALDD14005 | 403 | 2 | 0.31%Cu |
| ALDD14005 | 416 | 7 | 0.72Cu |

The drill program indicates increasing magnetite, copper, molybdenum and veinlet density from east to west as illustrated in Figure 10. Whilst potassic alteration (dark brown unit on the drill string in Figure 10 increases from strong to very strong from ALDD14004 to ALDD14005, magnetite increases substantially between the same two drill holes. Significant molybdenum and copper values in ALDD14005 show that the mineralised system supports our exploration strategy.

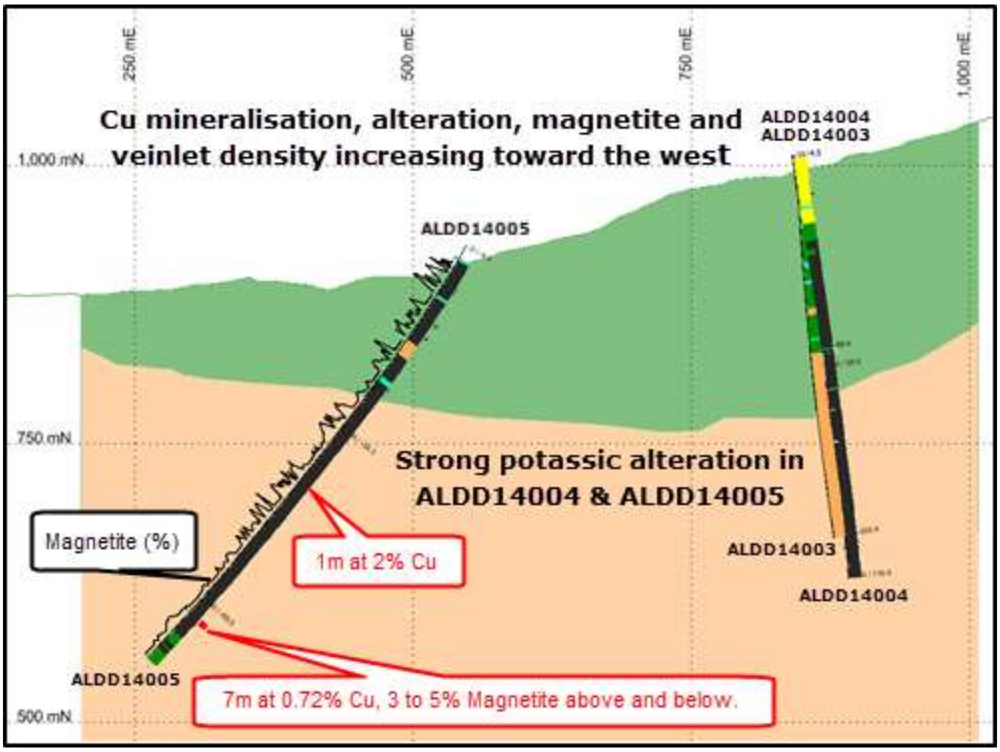


***Figure 10 – Cross Section View at 9,065,750 N of drillholes 3, 4 and 5 with andesitic volcanics (green colour) overlying porphyritic tonalites and diorite intrusives (beige colour) at Alumbre.***

The mineralisation is associated with strongly potassic, felsic to intermediate intrusives, hydrothermal breccias and andesitic tuffs. The potassic alteration is represented by secondary biotite and potassium feldspar. The geological sequence is represented by various andesitic crystal tuffs which overlay porphyritic tonalite and dioritic intrusive rocks.

In recent years magnetic modelling using new methods like MVI have been used to outline porphyry targets particularly at low altitudes (G. Ellis, B. Wet and I. Macleod 2012) and applied by major mining companies to target and generate new exploration prospects. Terra Resources Consultant had reinterpreted historical ground magnetic data using Magnetic Vector Inversion (MVI) methodology to estimate magnetic susceptibility. MVI takes into account geological processes such as local tectonics and alteration to solve for both the magnitude and direction of the rock's magnetisation, providing a more accurate picture of subsurface geology than traditional susceptibility models. The MVI model depicts a significant area of interest at Alumbre (1.9km by 2.1km) as illustrated in Figure 11. There is a clear association of magnetite with copper mineralisation as illustrated in Figure 12. In recent years magnetic modelling using methods like MVI have been used to outline porphyry targets particularly at low attitudes.

The MVI model shows that ALDD14005 intersected the magnetic model approximately at the location of the strongly mineralised intercept of 7m at 0.72% Cu. Drilling to date has shown that the mineralisation is associated with strongly potassic felsic to intermediate intrusives, hydrothermal breccias and andesitic tuffs and that there is a correlation between magnetite and copper sulphide mineralisation.

The large MVI anomaly clearly extends in all directions outside the Company's surveyed magnetic data area. The MVI image indicates the potential for multiple porphyry intrusive centres. Large porphyry systems are generally clustered within camps extending for about ten kilometres. The extension of the MVI image outside of the current data area indicates the potential for discovery of a new regional porphyry camp. The magnetic susceptibility readings and magnetic modelling using the MVI method, geochemistry, structure, alteration, geophysics and stage 1 drill program. All combine to indicate the district-scale potential of the Alumbre project. Indications are that a significant sulphide-bearing porphyry system exists at Alumbre.

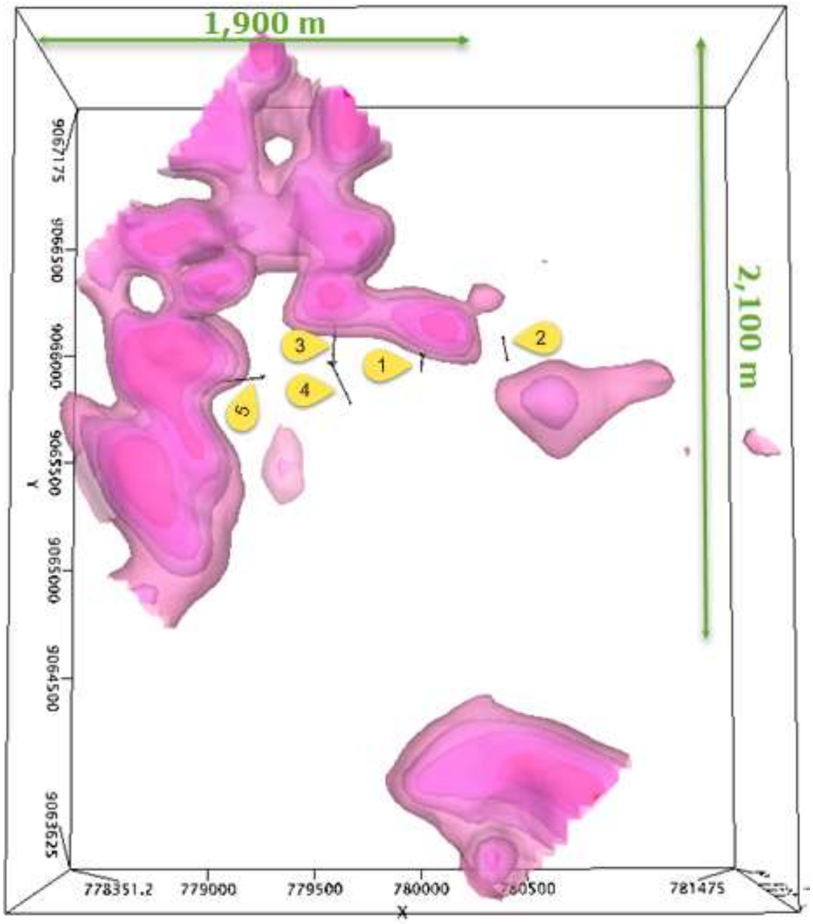


*Figure 11 - Alumbre Project magnetic suspectibility 3D MVI model andStage 1 drillholes.*

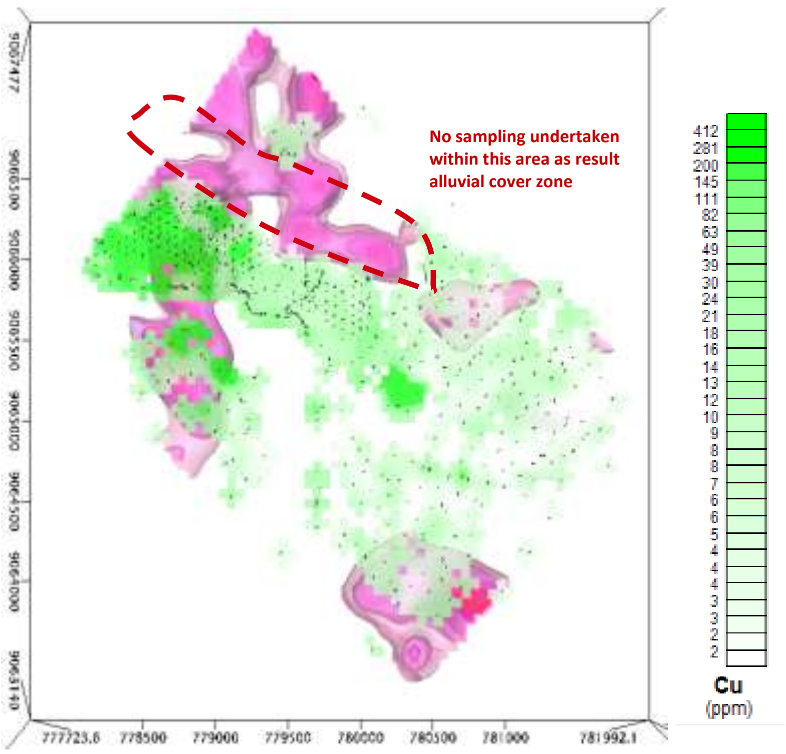


***Figure 12 - Alumbre Project - Geochemistry Rock Samples Cu (ppm) and magnetic susceptibility model 3D MVI.***

The company has received approval for new platforms and four extra holes to be drilled at Alumbre. Therefore, assuming commencement of drilling by mid-August 2014, assay result will be only be released to the market by early December 2014.

The company is applying for a semi-detailed Environmental Impact Assessment (EIAsd) for a third stage drill program over a broader area than currently allowed under the current DIA to investigate high Cu geochemistry and magnetic susceptibility targets.  This process will take approximately 3 to 4 months.

The company with assistance of our legal counsel in Lima is also investigating the option of purchasing surface rights over project area which is held by the Government the Superintendencia de Bienes Nacionales (SBN) which is the government department responsible for Land Titles, Land Use, Housing, Construction Water and Sanitation.

The Company has recently completed magnetic susceptibility measurements of the drill core.  This information will be used to update the modelling of the magnetic susceptibility and understanding of the potential porphyry system which may be associated with the magnetic anomaly.

The company has received approval for new platforms and four extra holes to be drilled at Alumbre. Therefore, assuming commencement of drilling by mid-August 2014, assay result will be only be released to the market by early December 2014.

The company is applying for a semi-detailed Environmental Impact Assessment (EIAsd) for a third stage drill program over a broader area than currently allowed under the current DIA to investigate high Cu geochemistry and magnetic susceptibility targets.  This process will take approximately 3 to 4 months.

## QUINUAL PROJECT

### Background

The Quinual Project is a high-sulphidation target with geochemical evidence for porphyry related mineralisation. Quartz alunite alteration is present over an area of 2.5km$^2$ (refer to Figure 13 and 14). The geological setting consists of tertiary volcanic rocks belonging to the Calipuy Group, with overlying dacitic to rhyolitic tuffs.

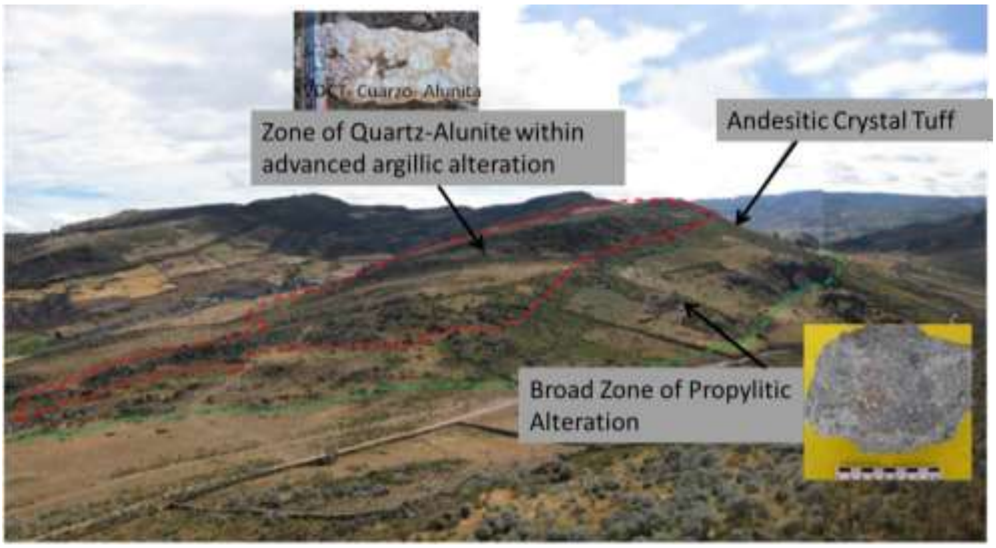


*Figure 13 -- Panoramic View of the Quinual Project looking North-West*

Quinual is located in Peru's north, 60km southeast of the major city of Trujillo and 10km from Alumbre project. Quinual can be accessed via Pan Americana Highway and good infrastructure nearby.

Historical data shows high geochemical values for arsenic (As), antimony (Sb), mercury (Hg) and tellurium (Te) and low gold (Au) as illustrated in Figure 15 for As and Figure 16 for Au and has similarities to the Marte-Lobo 5.8 Moz Au (Maricunga-Chile) and El Galeno +700Mt @ 0.64% Cu deposits.

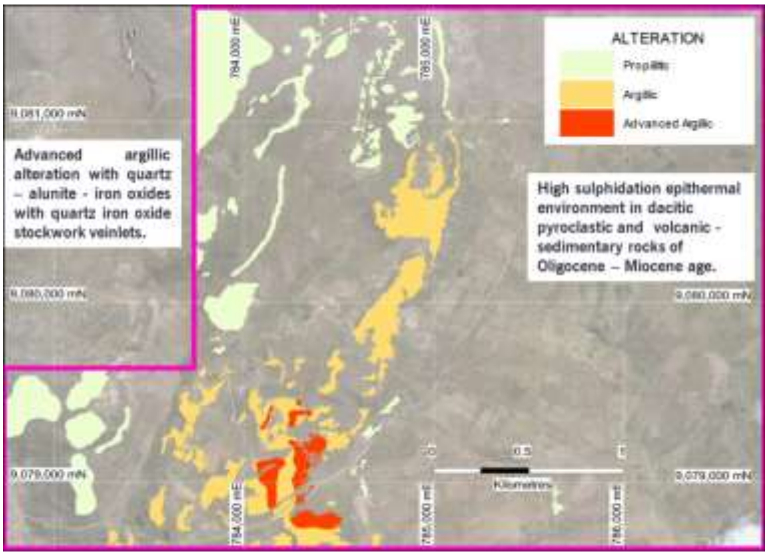


*Figure 14 -- Quinual Project Epithermal Alteration Environment*

Results of the geophysics program were reported during the last quarter which indicated a strong IP chargeability anomaly at approximately a 200m depth (Figure 17). This may be indicative of a large concealed mineralised zone as illustrated in Figure 18 which demonstrates a high chargeability anomaly at approximately 100 to 150m depth below surface.

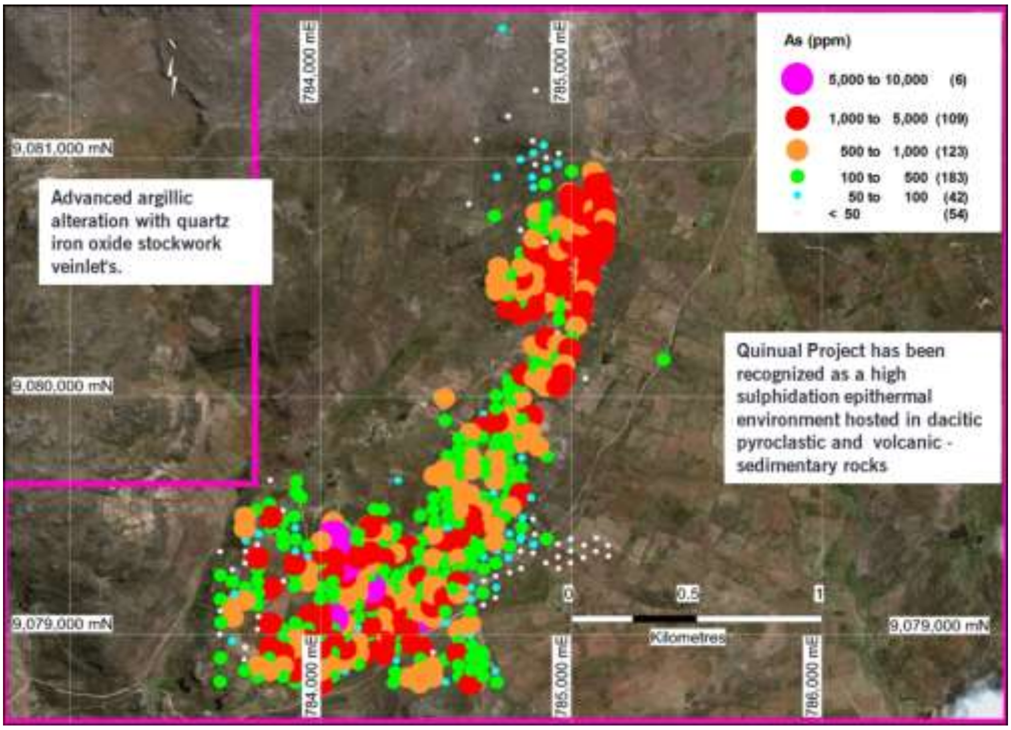


*Figure 15- Arsenic geochemical results for the Quinual Project*

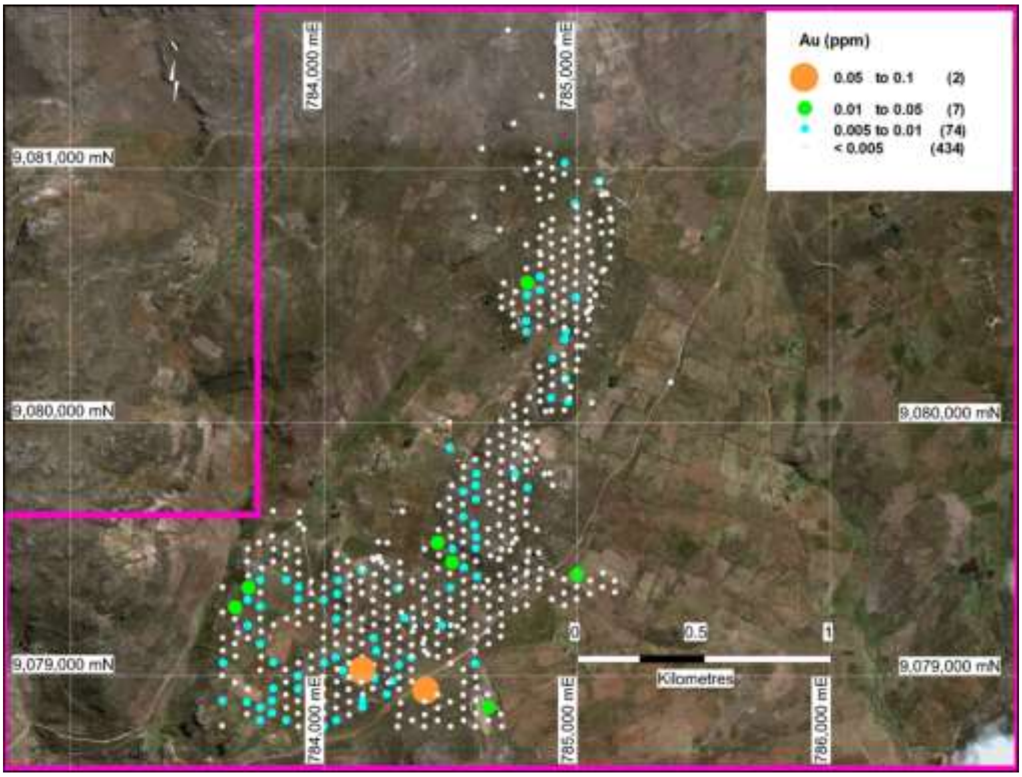


*Figure 16- Au geochemical results for the Quinual Project*

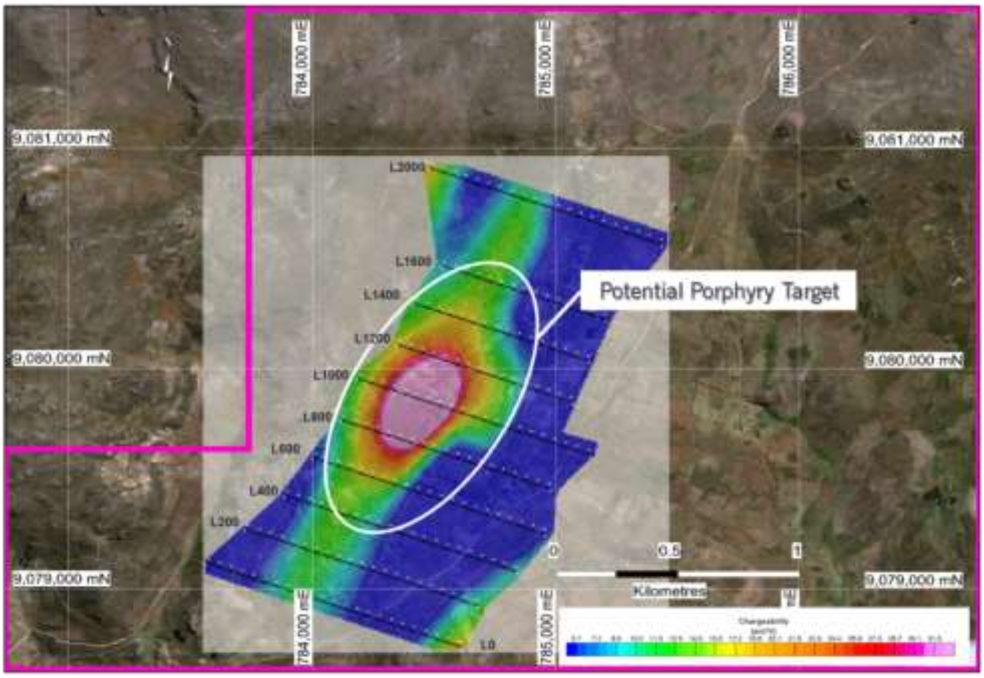


*Figure 17 – Quinual - Chargeability Response at 200m depth*

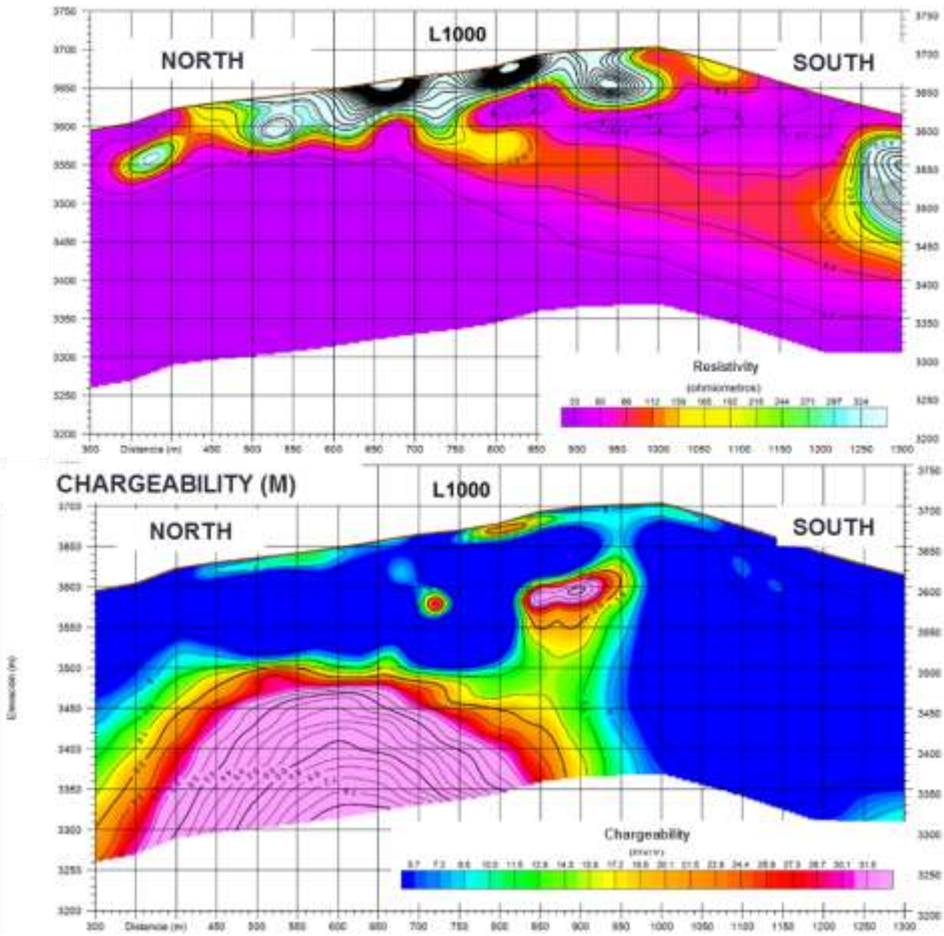


*Figure 18 – Quinual Project – IP geophysics Northing Section View at L1000*

## Exploration Update

Exploration activity has demonstrated that geochemical and geophysical results improve to the south of the prospect and further mapping and sampling is planned for in the last quarter of 2015. This work will coincide with the commencement of community and social engagement to prepare the project for environmental studies and potential drilling to be undertaken in the first half 2015.

## OLLEROS PROJECT

## Background

The Olleros prospect is located in the central Andes of Peru, near the major cities of Huaraz and Recuay in the Ancash Department. Olleros is a district where significant exploration activity is currently being undertaken by major mining companies. The Olleros Project is surrounded by a concession held by Barrick Gold Corporation.

Olleros is in the same geological, structural and metallogenic corridor as Barrick's Pierina Gold Mine, which is a low cost and multimillion ounce production operation. The Olleros concession of 3600 ha, has been applied for based on the geological assessment of 5 alteration zones found in an area of 12km x 6 km as illustrated Figure 19.  The areas are Parianan, Antacocha, Pariapata, Huantume and Aco.  Each area demonstrates alteration zones with the potential for epithermal and porphyry occurrences. Mineralisation is hosted in volcanic rocks of the Calipuy Group, intruded by porphyritic bodies composed of dacites and riodacite. Geochemical results for gold, copper and molybdenum anomalies show encouraging values.

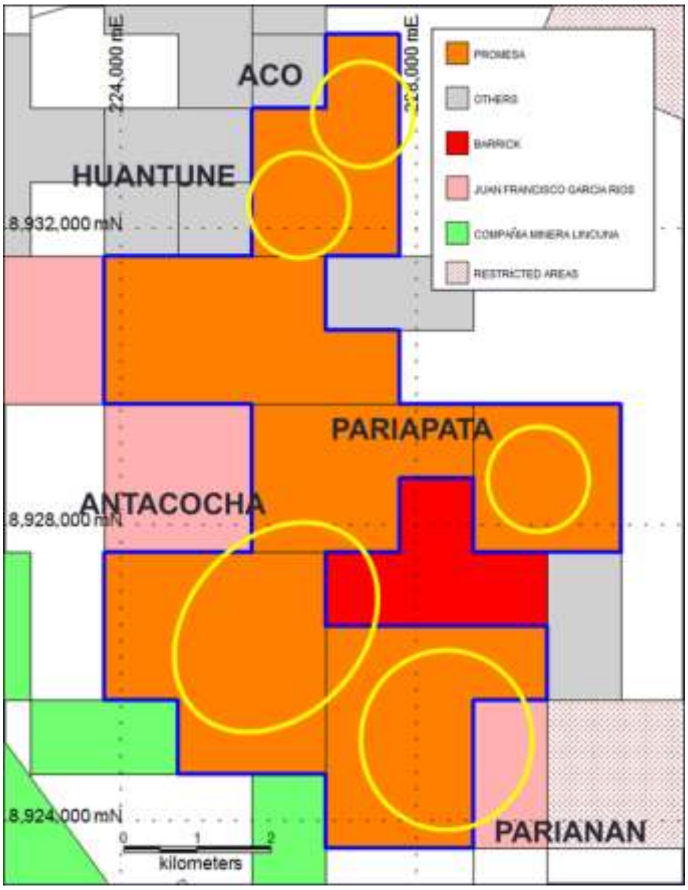


*Figure 19 – Olleros Project Area demonstrating 5 project targets and concession neighbours*

Olleros was the subject of exploration in the early 1990's. Work conducted included geochemical, geophysical and diamond drilling by various mining companies including Barrick, IRL Peru, Teck and Meridian.

The concessions are within the corridor of Au and Cu deposits of the Cordillera Blanca hosted by Calipuy Group volcanic rocks, dacite to rhyodacitic intrusives and pyroclastic tuffs. Regional controls on mineralisation in the area are regional NW-SE faults and local NE-SW faults. The best known deposit of this corridor is Barrick's Pierina Mine. This prospect will increase the Company concession base and further strengthen the Company's exploration footprint in Peru.

## Exploration Update

The Company is currently assessing social and community issues within the concession area and is planning to undertake further sampling and mapping of these concessions.

## NEW PROJECTS

Promesa continues to be active in evaluating potential new projects in order to complement existing exploration activity within Peru. The company has also applied for several concessions within Peru and is awaiting registration from Ingemmet (part of the Peruvian Ministry of Energy and Mines).

### Operating Results

The Loss of the Consolidated Group after providing for income tax interests amounted to $1,157,013 (2013: $6,844,874).

### Dividends Paid or Recommended

No Dividends were paid or declared for payment.

### Financial Position

The net assets of the Consolidated Group have increased by $1,367,302 from $3,502,644 on 30 June 2013 to $4,869,946 on 30 June 2014.

The ability of the Company to continue as a going concern is principally dependent upon successfully raising sufficient working capital and managing cashflow in line with available funds.

### Significant Changes in State of Affairs

The significant changes in the state of affairs of the Consolidated Group which occurred during the financial year are outlined in the section headed Corporate Activity above.

### After Balance Date Events

The Company raised further capital post balance date as follows:

1. On 28 August 2014 the Company announced that it raised $683,000 via the issue of 27,320,000 shares at $0.025 per share on 22 August 2014 via a Share Purchase Plan;
2. On 29 August 2014 the Company issued 454,545 shares to a consultant under a personal offer from its 15% capacity pursuant to Listing Rule 7.1; and
3. On 10 September 2014 the Company announced a placement of 40,000,000 shares at $0.025 raising $1,000,000 in equity capital from institutional, sophisticated and professional investors.

There were no other significant post balance date events.

**Future Developments, Prospects and Business Strategies**

Likely future developments in the operations of the Group are referred to elsewhere in the Annual Report. Other than as referred to in this report, further information as to likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

**Environmental Issues**

The Consolidated Group's activities are subject to the environmental risks inherent in the exploration industry. The Consolidated Group will be subject to environmental laws and regulations in connection with operations it may pursue in the mining and exploration industry, which operations are currently in Peru. The Consolidated Group intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Consolidated Group may be the subject of accidents or unforeseen circumstances that could potentially subject the Consolidated Group to extensive liability.

Further, the Consolidated Group may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Consolidated Group from undertaking its desired activities. The Consolidated Group is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Consolidated Group's cost of doing business or affect its operations in any area.

The Consolidated Group considered the NGER Act and based on the current position is satisfied that it will not impact on the Consolidated Group's compliance.

## INFORMATION ON DIRECTORS

| **Ananda Kathiravelu** | **Managing Director** |
|---|---|
| Qualifications | Mr Kathiravelu holds a Bachelor of Business and a Graduate Diploma of Applied Finance and Investment, and is an associate of the Securities Institute of Australia. |
| Experience | Ananda Kathiravelu has been in the financial services funds management and stockbroking industries for over 20 years.<br>Mr Kathiravelu is the Managing Director of Armada Capital Limited, and was a Non-Executive Director of Pryme Oil and Gas Limited from 1 December 2005 until 14 October 2009. Mr Kathiravelu is also the Non-Executive Chairman of Potash Minerals Ltd and a Non-Executive Director of Radar Iron Ltd. His areas of expertise include corporate advice, capital raising, mergers and acquisitions. His focus is in the junior resource sector. |
| Interest in Shares and Options | 1,296,672 Ordinary Shares |
| Directorships held in other listed entities | Ananda Kathiravelu is the Non-Executive Chairman of Potash Minerals Ltd (Appointed 10 August 2006) and Non-Executive Director of Radar Iron Ltd (Appointed 21 September 2010) |

| **Hersh Solomon Majteles** | **Non Executive Director/Chairman** |
|---|---|
| Qualifications | Mr Majteles is a commercial lawyer and has been in private legal practice since 1972. |
| Experience | He has over 35 years' experience in business, corporate, property and commercial law and practice.<br>Since 1983 he has been a Director of a number of publicly listed companies involved in the mining and exploration for gold, base metals, coal, uranium, oil and gas and in the bio tech sector. |
| Interest in Shares and Options | 1,937,008 Ordinary Shares |
| Directorships held in other listed entities | Mr Majteles is Non-Executive Chairman of Metals Australia Limited (ASX:MLS) and a Non-Executive Director of Blaze International Limited (ASX:BLZ), Prime Minerals Limited (ASX:PIM) and Power Resources Limited (ASX:PWW). |

| **Michael Sebbag** | **Executive Technical Director (Appointed 10 July 2012)** |
|---|---|
| Qualifications | Mr. Sebbag qualified as a Mining Engineer from University of New South Wales in 1996 and has also completed a Master's Degree in Mineral Economics from Curtin University in 2000. |
| Experience | Mr. Sebbag has over 15 years global experience in the mining industry. Mr. Sebbag's resource disciplines include coal, precious and base metals. Most recently he was employed by Barrick Gold Corporation (NYSE: ABX, TSX: ABX) over an 11 year period where he held senior management and operational roles. Mr. Sebbag has been responsible for several major studies, expansion projects, technical expertise and operational management in the resource sector over several continents. His roles have included all aspects of the project life cycle from exploration to project development, community and government engagement, due diligence and operations. Currently Mr. Sebbag is an Independent Mining Consultant who provides specialist advice and peer review on project development, technical expertise and mentoring, as well as merger and acquisition assistance for international mining and exploration companies. |
| Interest in Shares and Options | 285,000 Ordinary Shares<br><br>3,000,000 Directors Options |
| Directorships held in other listed entities | Nil |

| **Mario Enrique Camacho Bolivar** | **Non-Executive Director (resigned 18 March 2014)** |
|---|---|
| Qualifications | Mr Bolivar qualified as a Mechanical Engineer in 1995 and has over 15 years experience in all aspects of project engineering, including technical and administrative project coordination, engineering consulting, inspection, quality control and assurance. |
| Experience | He is based in Colombia and since February 2009 has been President of Grupo Pegasus Colombia SA. In this role, he is responsible for |

| | |
|---|---|
| | business analysis, defining strategic direction, approving application of resources, identifying and approving investment decisions, reviewing the Integrated Management System to ensure compliance with legal and financial obligations of the business, and overseeing its policies and strategic objectives. |
| Interest in Shares and Options | 20,000,000 Ordinary shares |
| Directorships held in other listed entities | Nil |

| **Timothy Wise** | **Non-Executive Alternate Director (appointed 18 March 2014)** |
|---|---|
| Qualifications | Bachelor of Science (University of Western Australia) |
| Experience | Mr Wise is the founder of Wisepeak international which delivers coaching mentoring and speaking services to a range of individuals and companies predominantly in Australia.<br>He was joint founder and CEO of Wasabi Energy Limited, an ASX listed energy Company with substantial investments in renewable energy technology and production. Mr Wise was the joint founder of The Tap Doctor, a successful Australia wide plumbing franchise. He has numerous private business interests and is an active investor in public listed companies. He previously worked as a stock broker for Patersons Securities Limited. Mr Wise was previously a Non-Executive Director on the Boards of Transerv Energy and Valdera Resources. |
| Interest in Shares and Options | Nil |
| Directorships held in other listed entities | Nil |

**Information on Company Secretary**

| **Damon Sweeny** | **Company Secretary (appointed 30 May 2014)** |
|---|---|
| Qualifications | Damon Sweeny is a Chartered Secretary and holds an MBA from Curtin University Australia, along with a Graduate Diploma of Applied Corporate Governance from Chartered Secretaries Australia. |
| Experience | With over 25 years' experience in the mining, accounting and governance fields, Damon has held directorships or company secretarial positions in a number of private and ASX-listed entities for over 10 years. He has been closely involved with the mining sector in Western Australia and has a strong management and financial reporting background. He is also company secretary of ASX listed Leopard Resources Limited, Applabs Technologies Ltd and Promesa Ltd. |

| **Philip Re** | **Company Secretary (resigned 30 May 2014)** |
|---|---|
| Qualifications | Mr Re holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and holds a Certificate of Public Practice. Mr Re has also completed a Graduate Diploma in Company Secretarial Practice. |

| | |
|---|---|
| Experience | Mr Re is a Director of Regency Corporate Pty Ltd where he provides corporate and Company secretarial services. Mr Re is currently the Company Secretary for Firestrike Minerals Limited (ASX: FIE).<br>In recent years Mr Re has been involved as a Director and Company Secretary for a number of public companies involving transactions in the mineral exploration industry. Recently Mr Re was a Director and the Company Secretary for ASX Listed Meridian Minerals Limited, Transit Holdings Limited and South American Ferro Metals Limited. |

## REMUNERATION REPORT – AUDITED

The information provided in the remuneration report includes remuneration disclosures that are required under Australian Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

Principles used to determine the nature and amount of remuneration
The Board determines the appropriate nature and amount of remuneration. The Board ensures that the executive reward satisfies the following criteria for good reward governance practice:
• competitiveness and reasonableness;
• acceptability to shareholders;
• alignment of executive remuneration to performance;
• transparency; and
• capital management.
The framework provides a mix of fixed and variable pay.

Non-Executive Directors and executive Director
Fees and payments to Non-Executive Directors and the Executive Director reflect the demands which are made on, and the responsibilities of, the Directors. Non executive Directors' fees and payments are reviewed annually by the Board.

Directors' fees
Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool limit currently stands at $300,000 per annum and will be approved at the next Annual General Meeting.

Retirement allowances
Superannuation contributions required under the Australian superannuation guarantee Legislation are deducted from the Directors' overall fee entitlements

Key Management Personnel Remuneration Policy
The Board's policy for determining the nature and amount of remuneration of key management for the Consolidated Group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Consolidated Group The contracts for service between the Consolidated Group and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

There is no requirements in regards to period of notice or termination amount payable stipulated in the contracts.

Key Management Personnel

| | |
|---|---|
| Hersh Solomon Majteles | Non-Executive Chairman |
| Ananda Kathiravelu | Executive Director |
| Michael Sebbag | Executive Technical Director |
| Mario Enrique Camacho Bolivar | Non-Executive Director (resigned 18 March 2014) |
| Timothy Wise | Non-Executive Alternate Director (appointed 18 March 2014) |
| Dean De Largie | Peru Exploration and Country Manager |

Performance income as a proportion of total remuneration

Executive Directors and Executives were not paid performance based bonuses.

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

There were no options issued as part of remuneration for the year ended 30 June 2014.

The remuneration paid to key management personnel are as follows:

**2014**

| Key Management Personnel | Short-term Benefits | | | | Post-employment Benefits | Other Long-term Benefits | Share based Payment | | Total | Total Remuneration Represented by Options | Performance Related |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash, salary & fees | Cash profit share | Non-cash benefit | Other | Super-annuation | Other | Equity | Options | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | % | % |
| Ananda Kathiravelu | 150,000 | - | - | - | 13,875 | - | - | - | 163,875 | - | - |
| Hersh Solomon Majteles | 40,000 | - | - | - | 3,700 | - | - | - | 43,700 | - | - |
| Mario Bolivar | - | - | - | - | - | - | - | - | - | - | - |
| Timothy Wise | 24,000 | - | - | - | - | - | - | - | 24,000 | - | - |
| Michael Sebbag | 160,000 | - | - | - | 19,200 | - | - | - | 179,200 | - | - |
| Dean De Largie | 190,000 | - | - | - | 17,575 | - | - | - | 207,575 | - | - |
| | 564,000 | - | - | - | 54,350 | - | - | - | 618,350 | - | - |

**2013**

| Key Management Personnel | Short-term Benefits | | | | Post-employment Benefits | Other Long-term Benefits | Share based Payment | | Total | Total Remuneration Represented by Options | Performance Related |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash, salary & fees | Cash profit share | Non-cash benefit | Other | Super-annuation | Other | Equity | Options | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | % | % |
| Ananda Kathiravelu | 193,153 | - | - | - | 16,200 | - | - | - | 209,353 | - | - |
| Hersh Solomon Majteles | 40,000 | - | - | - | 3,600 | - | - | - | 43,600 | - | - |
| Alejandro Calderon | 50,791 | - | - | - | - | - | - | - | 50,791 | - | - |
| Mario Bolivar | - | - | - | - | - | - | - | - | - | - | - |
| Timothy Wise | 20,581 | - | - | - | - | - | - | - | 20,581 | - | - |
| Michael Sebbag | 163,482 | - | - | - | 17,135 | - | - | 74,241 | 254,858 | 29.1% | - |
| Dean De Largie | 93,671 | - | - | - | 6,877 | - | - | 18,837 | 119,385 | 15.7% | - |
| | 561,678 | - | - | - | 43,812 | - | - | 93,078 | 698,568 | - | - |

**Number of Options Held by Key Management Personnel**

| | Opening 1.07.13 | Granted as part of remuneration | Exercised during the year | Other changes during the year | Closing 30.06.14 |
|---|---|---|---|---|---|
| Hersh Solomon Majteles | 1,000,000 | - | - | (1,000,000) | - |
| Ananda Kathiravelu | 1,500,000 | - | - | (1,500,000) | - |
| Mario Enrique Bolivar | - | - | - | - | - |
| Michael Sebbag | 3,000,000 | - | - | - | 3,000,000 |
| Timothy Wise | - | - | - | - | - |
| Dean De Largie | 2,250,000 | - | - | - | 2,250,000 |
| **Total** | **7,750,000** | **-** | **-** | **(2,500,000)** | **5,250,000** |

**Number of Options Held by Key Management Personnel**

| | Opening 1.07.12 | Granted as part of remuneration | Exercised during the year | Other changes during the year | Closing 30.06.13 |
|---|---|---|---|---|---|
| Hersh Solomon Majteles | 1,253,334 | - | - | (253,334) | 1,000,000 |
| Ananda Kathiravelu | 1,733,336 | - | - | (233,336) | 1,500,000 |
| Alejandro Calderon | - | - | - | - | - |
| Mario Enrique Bolivar | 10,000,000 | - | - | (10,000,000) | - |
| Michael Sebbag | 3,000,000 | 3,000,000 | - | (3,000,000) | 3,000,000 |
| Timothy Wise | - | - | - | - | - |
| Dean De Largie | - | 2,250,000 | - | - | 2,250,000 |
| **Total** | **15,986,670** | **5,250,000** | **-** | **(13,486,670)** | **7,750,000** |

**Number of Options Held by Key Management Personnel**

| | Balance 30.6.2014 | Total Vested but not exercisable 30.6.2014 | Total Vested and Exercisable 30.6.2014 | Total Unexercisable 30.6.2014 |
|---|---|---|---|---|
| Hersh Solomon Majteles | - | - | - | - |
| Ananda Kathiravelu | - | - | - | - |
| Mario Enrique Bolivar | - | - | - | - |
| Michael Sebbag | 3,000,000 | - | 3,000,000 | - |
| Timothy Wise | - | - | - | - |
| Dean De Largie | 2,250,000 | - | 2,250,000 | - |
| **Total** | **5,250,000** | **-** | **5,250,000** | **-** |

**Number of Shares Held by Key Management Personnel**

| | Balance 1.7.2013 | Received as Compensation | Options Exercised | Net Change Other | Balance 30.6.2014 |
|---|---|---|---|---|---|
| Hersh Solomon Majteles | 1,037,008 | - | - | 300,000** | 1,337,008 |
| Ananda Kathiravelu | 696,672 | - | - | - | 696,672 |

| | | | | | |
|---|---|---|---|---|---|
| Mario Enrique Bolivar | 20,000,000 | - | - | (20,000,000)* | - |
| Michael Sebbag | 285,000 | - | - | - | 285,000 |
| Timothy Wise | - | - | - | - | - |
| Dean De Largie | - | - | - | - | - |
| **Total** | **22,018,680** | **-** | **-** | **(19,700,000)** | **2,318,680** |

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

*On resignation

** On- market and off-market purchases

**Number of Options Held by Key Management Personnel**

| | Balance 30.6.2013 | Total Vested but not exercisable 30.6.2013 | Total Vested and Exercisable 30.6.2013 | Total Unexercisable 30.6.2013 |
|---|---|---|---|---|
| Hersh Solomon Majteles | 1,000,000 | - | 1,000,000 | - |
| Ananda Kathiravelu | 1,500,000 | - | 1,500,000 | - |
| Alejandro Calderon | - | - | - | - |
| Mario Enrique Bolivar | - | - | - | - |
| Michael Sebbag | 3,000,000 | - | 3,000,000 | - |
| Timothy Wise | - | - | - | - |
| Dean De Largie | 2,250,000 | - | 2,250,000 | - |
| **Total** | **7,750,000** | **-** | **7,750,000** | **-** |

**Number of Shares Held by Key Management Personnel**

| | Balance 1.7.2012 | Received as Compensation | Options Exercised | Net Change Other* | Balance 30.6.2013 |
|---|---|---|---|---|---|
| Hersh Solomon Majteles | 506,667 | - | - | 530,341 | 1,037,008 |
| Ananda Kathiravelu | 466,672 | - | - | 230,000 | 696,672 |
| Alejandro Calderon | - | - | - | - | - |
| Mario Enrique Bolivar | 20,000,000 | - | - | - | 20,000,000 |
| Michael Sebbag | - | - | - | 285,000 | 285,000 |
| Timothy Wise | - | - | - | - | - |
| Dean De Largie | - | - | - | - | - |
| **Total** | **20,973,339** | **-** | **-** | **1,045,341** | **22,018,680** |

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

* On- market and off-market purchases

## Voting and comments made at the Company's 2013 Annual General Meeting

The 2013 Remuneration Report was voted for, without any commentary or discussion, at the 2013 Annual General Meeting on a show of hands with proxy votes for of 20,433,465 (98.6%) and 203,334 votes against (0.98%) with 80,000 votes abstaining (0.42%).

| | 2014 $ | 2013 $ |
|---|---|---|

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| Transactions with related parties: | | | |
| a. | **Other Related Parties** | | |
| | Capital Raising and administrative fees paid to Armada Capital. Ananda Kathiravelu was a Director and had an interest in the company during the year. | 120,005 | 226,232 |

**END OF REMUNERATION REPORT**

**Meetings of Directors**

During the financial year, 6 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

| | Directors' Meetings | |
|---|---|---|
| | **Number eligible to attend** | **Number attended** |
| Ananda Kathiravelu | 3 | 3 |
| Hersh Solomon Majteles | 3 | 3 |
| Mario Bolivar | 3 | 0 |
| Timothy Wise | 3 | 3 |
| Michael Sebbag | 3 | 3 |

**Indemnification and Insurance of Directors and Officers**

During or since the end of the financial year the Consolidated Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Consolidated Group has paid premiums to insure each of the following current and former Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Consolidated Group, other than conduct involving a wilful breach of duty in relation to the Consolidated Group. The amount of the premium was $20,444 (2013: $19,970) for all Directors.

**Options**

At the end of the financial year the unissued ordinary shares of Promesa Limited under option were as follows:

| Options | Grant Date | Date of expiry | Exercise price | Number under options |
|---|---|---|---|---|
| Unlisted Options | 27 February 2014 | 27 February 2016 | $0.05 | 34,166,667 |
| Unlisted Options | 10 December 2013 | 10 December 2015 | $0.05 | 20,000,000 |
| Unlisted Class A Options | 9 December 2012 | 12 December 2014 | $0.15 | 1,000,000 |
| Unlisted Class B Options | 9 December 2012 | 12 December 2014 | $0.20 | 1,000,000 |
| Unlisted Class C Options | 9 December 2012 | 12 December 2014 | $0.25 | 1,000,000 |
| Unlisted Class A Employee Options | 24 June 2013 | 24 June 2015 | $0.15 | 750,000 |
| Unlisted Class B Employee Options | 24 June 2013 | 24 June 2015 | $0.20 | 750,000 |
| Unlisted Class C Employee Options | 24 June 2013 | 24 June 2015 | $0.25 | 750,000 |
| | | | | **59,416,667** |

During the year ended 30 June 2014, no ordinary shares of Promesa Limited were issued on the exercise of options.

**Partly paid shares**

As at the date of this report there are no partly paid shares outstanding.

**Proceedings on Behalf of Consolidated Group**

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Group or intervene in any proceedings to which Consolidated Group is a party for the purpose of taking responsibility on behalf of the Consolidated Group for all or any part of those proceedings.

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

**Non-audit Services**

There were no non-audit services provided by the auditor during the year.

**Auditor's Independence declaration**

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 40 of the Directors' report.

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

Ananda Kathiravelu, Director

Dated this 30th day of September 2014

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Consolidated Group. The Board guides and monitors business activities and affairs of the Consolidated Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Consolidated Group has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with Consolidated Group's needs. The Corporate Governance Statement has been structured with reference to ASX Corporate Governance Council's ("council") "Principles of Good Corporate Governance and Best Practise Recommendations" to the extent that they are applicable to the Consolidated Group.

Information about the Consolidated Group's corporate governance practises are set out 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 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.

*Board Processes*

The Board has established a framework for the management of the entity including a system of internal control, 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 Chairman and Company Secretary. Standing items include the management report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

The entity is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate Board committees, including a Nomination Committee, Remuneration Committee or an Audit 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 to each of these areas are further outlined within the Corporate Governance Statement below – see Nomination Committee, Remuneration Committee and Audit committee respectively.

*Director Education*

The Consolidated Group has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the entity concerning performance of Directors. Directors also have the opportunity to visit entity 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 Consolidated Group Information*

Each Director has the right of access to all relevant Consolidated Group information and to the Consolidated Group's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the entity's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman'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.

*Composition of the Board*

The names of the Directors of the Consolidated Group in office at the date of this report are set out in the Directors' Report.

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

- A minimum of three Directors, with a broad range of expertise both nationally and internationally
- Directors having extensive knowledge of the Consolidated Group'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 roles of Chairman and Managing Director are not to be exercised by the same individual.

Board members have experience in the management of public companies. The Board currently does not have a majority of independent Directors as recommended by the ASX Corporate Governance Council. The Directors consider that, given the current size and stage of development of the Consolidated Group, the current number of independent Directors in the Consolidated Group is appropriate for the effective execution of the Board's responsibilities. The Directors periodically monitor the need to appoint additional independent Directors.

During the year, Mr Hersh Solomon Majteles and Mr Timothy Wise were considered "Independent Directors" in terms of ASX Recommendations as they did not hold a substantial amount of shares in the Consolidated Group.

**Chairman**

The Chairman is an Independent Director and has been selected to bring specific skills and industry experience relevant to the Consolidated Group.

**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 Consolidated Group'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 of the Board 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 required to retire.

### Remuneration Committee

The Board considered that a formally constituted Remuneration Committee is not appropriate as the Board, as part of its usual role, oversees the appointment and remuneration of Directors and the Consolidated Group's executive officers. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include a mix of fixed remuneration, 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 maximising the Consolidated Group'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 Consolidated Group Directors under a resolution at a general meeting of shareholders.

Non Executive Directors may receive a base fee and can be remunerated by way of share and option issues approved under a resolution at a general meeting of shareholders.

The Board has no established retirement or redundancy schemes.

### Audit Committee

The Consolidated Group is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Audit Committee. Whilst the Consolidated Group does not have a formally constituted Audit Committee, the Board, as part of its usual role, undertakes audit related responsibilities including:

- 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;
- Assessing corporate risk assessment processes;

- 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 Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board;
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Securities Exchange and financial institutions;

- Reviewing the nomination and performance of the external auditor. The external audit engagement partner will be rotated every five years;
- Assessing the adequacy of the internal control framework and the Consolidated Group's code of ethical standards;
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

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, prior to announcement of the result.

The Board monitors the need to form an Audit Committee on a periodic basis.

### 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 Consolidated Group's risk profile. This includes assessing, monitoring and managing operational, financial reporting and compliance risks for the Consolidated Group. The Consolidated Group 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 Consolidated Group 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 Consolidated Group operated and the period up to the signing of the annual financial report for all material operations in the Consolidated Group.

*Risk Profile*

The Consolidated Group 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 Consolidated Group'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 framework, 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 & 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).

*Quality and Integrity of Personnel*

The Consolidated Group 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 constructive dialogue with employees and senior management.

*Financial Reporting*

The Consolidated Group'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.

*Environmental Regulation*

The Consolidated Group's operations are subject to significant environmental regulation in relation to its operational activities. The Consolidated Group is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

*Internal Audit*

The Consolidated Group 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 Consolidated Group.

*Conflict of Interest*

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Consolidated Group. 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.

*Code of Conduct*

The Consolidated Group has established a Code of Conduct (Code) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour of the Directors, officers, employees and contractors (collectively, the employees) in carrying out their roles for the Consolidated Group. Through this Code, the Consolidated Group seeks to encourage and develop a culture of professionalism, honesty and responsibility in order to maintain and enhance our reputation as a valued employer, business operator and “corporate citizen”. The Code is designed to broadly outline the ways in which the Consolidated Group wishes to conduct its business. The Code does not cover every possible situation that employees may face, but is intended to provide employees with a guide to taking a common-sense approach to any given situation, within an overall framework.

### Trading in the Consolidated Group’s securities by Directors and employees

The Consolidated Group has established a Security Trading Policy that is provided to all Directors and employees on commencement.

The constitution permits Directors to acquire shares in the Consolidated Group. Consolidated Group policy prohibits Directors from dealing in shares whilst in possession of price sensitive information. Directors must notify the company secretary once they have bought or sold shares in the Consolidated Group or exercised options over ordinary shares.

The Trading Policy also covers a “Block Out Period” of 5 days prior to the release of the following:

1. Company Annual Financial Report
2. Consolidated Interim Financial Report
3. Company’s Quarterly Report

The full Securities Trading Policy can be viewed on the ASX platform.

In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, the Consolidated Group on behalf of the Directors must advise the Australian Securities Exchange of any transactions conducted by them in shares and / or options in the Consolidated Group.

### Diversity

The Company believes that the promotion of diversity on Boards, in senior management and within the organisation generally:

- broadens the pool for recruitment of high quality Directors and employees;
- is likely to support employee retention;
- through the inclusion of different perspectives, is likely to encourage greater innovation; and
- is socially and economically responsible governance practice.

Currently there are no women employed by the organisation, in senior executive positions, or on the Board. Given the present size of the Consolidated Group, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Consolidated Group increases.

### Communication with Shareholders

The Board has formally documented the Consolidated Group's continuous disclosure procedures and established a Compliance policy. 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 Consolidated Group's securities, notifying them to the ASX and issuing media releases.

In summary, the continuous disclosure processes operate as follows:

- The Chairman and the company secretary are responsible for all communications with the ASX. Matters that may have an effect on the price of the Consolidated Group's securities are advised to the ASX on the day they are discovered. Senior executives monitor all areas of the Consolidated 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 Consolidated Group 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 Consolidated Group 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 Consolidated Group 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; and

- 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 Consolidated Group'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 on request

Other Information

Further information relating to the Consolidated Group's corporate governance practices and policies has been made publicly available on the Consolidated Group's website at www.promesa.com.au

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To The Board of Directors

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

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

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

Yours faithfully

**BENTLEYS**
**Chartered Accountants**

**MARK DELAURENTIS CA**
**Director**

Dated at Perth this 30th day of September 2014

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

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $ | $ |
| **Revenue** | | | |
| Other revenue | 2 | 4,782 | 26,745 |
| | | | |
| Administration Expense | | (70,443) | (74,837) |
| Amortisation and Depreciation | | (29,933) | - |
| Consultancy Costs | | (67,517) | (479,598) |
| Employee Benefit Expense | | (287,339) | (415,666) |
| Exploration Expenditure Impairment | 13 | (182,753) | (5,591,908) |
| Exploration Expenditure Written Off | | (129,333) | - |
| Financial Administration and Compliance Expenses | | (362,196) | (168,109) |
| Interest Expense | | (3,962) | - |
| Legal Expense | | (6,706) | (12,411) |
| Travel and Accommodation Expense | | (16,184) | (126,459) |
| Unrealised loss on financial asset | | (1,700) | - |
| Other Expense | | (3,729) | (2,631) |
| **Loss before income tax** | **3** | **(1,157,013)** | **(6,844,874)** |
| Income tax expense | 4 | - | - |
| **Loss for the Year** | | **(1,157,013)** | **(6,844,874)** |
| | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Exchange difference on translating foreign controlled | | 2,488 | (5,105) |
| | | | |
| **Total Comprehensive income for the Year** | | **(1,154,525)** | **(6,849,979)** |
| | | | |
| Basic and diluted loss per share (cents per share) | 7 | (0.61) | (5.58) |

The accompanying notes form part of this financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $ | $ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 272,307 | 312,931 |
| Trade and other receivables | 9 | 53,061 | 65,538 |
| Other assets | 10 | 10,588 | 83,322 |
| TOTAL CURRENT ASSETS | | 335,956 | 461,791 |
| NON-CURRENT ASSETS | | | |
| Property plant and equipment | 11 | 194,162 | 226,193 |
| Financial assets | 12 | 300 | 2,000 |
| Exploration expenditure | 13 | 4,915,917 | 3,329,138 |
| Other assets | 14 | 15,840 | 15,840 |
| TOTAL NON-CURRENT ASSETS | | 5,126,219 | 3,573,171 |
| TOTAL ASSETS | | 5,462,175 | 4,034,962 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 539,669 | 498,747 |
| Provisions | | 52,560 | 33,571 |
| TOTAL CURRENT LIABILITIES | | 592,229 | 532,318 |
| TOTAL LIABILITIES | | 592,229 | 532,318 |
| NET ASSETS | | 4,869,946 | 3,502,644 |
| | | | |
| EQUITY | | | |
| Issued capital | 16 | 11,058,926 | 9,084,552 |
| Foreign currency translation reserve | | (61,765) | (64,253) |
| Options reserve | 27 | 640,531 | 574,690 |
| Accumulated losses | | (6,767,746) | (6,092,345) |
| TOTAL EQUITY | | 4,869,946 | 3,502,644 |

The accompanying notes form part of this financial report.

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

| | Note | Issued Capital | Foreign Currency Translation Reserve | Options Reserves | Accumulated Losses | Total |
|---|---|---|---|---|---|---|
| **Balance 1 July 2012** | | **7,027,521** | **(59,148)** | **1,190,432** | **(313,504)** | **7,845,301** |
| Loss for the year | | - | - | - | (6,844,874) | (6,844,874) |
| Other comprehensive income | | - | (5,105) | - | - | (5,105) |
| **Total comprehensive income** | | - | (5,105) | - | (6,844,874) | (6,849,979) |
| **Transactions with owners recorded directly in equity** | | | | | | |
| Shares issued during the year | 16 | 2,166,577 | - | - | - | 2,166,577 |
| Capital raising costs | 16 | (109,546) | - | - | - | (109,546) |
| Share based payments | | - | - | 450,291 | - | 450,291 |
| Options cancelled and expired | | - | - | (1,066,033) | 1,066,033 | - |
| **Balance at 30 June 2013** | | **9,084,552** | **(64,253)** | **574,690** | **(6,092,345)** | **3,502,644** |

| | Note | Issued Capital | Foreign Currency Translation Reserve | Options Reserves | Accumulated Losses | Total |
|---|---|---|---|---|---|---|
| **Balance 1 July 2013** | | **9,084,552** | **(64,253)** | **574,690** | **(6,092,345)** | **3,502,644** |
| Loss for the year | | - | - | - | (1,157,013) | (1,157,013) |
| Other comprehensive income | | - | 2,488 | - | - | 2,488 |
| **Total comprehensive income** | | - | 2,488 | - | (1,157,013) | (1,154,525) |
| **Transactions with owners recorded directly in equity** | | | | | | |
| Shares issued during the year | 16 | 2,851,109 | - | - | - | 2,851,109 |
| Capital raising costs | 16 | (876,735) | - | - | - | (876,735) |
| Share based payments | | - | - | 547,453 | - | 547,453 |
| Options cancelled and expired | | - | - | (481,612) | 481,612 | - |
| **Balance at 30 June 2014** | | **11,058,926** | **(61,765)** | **640,531** | **(6,767,746)** | **4,869,946** |

The accompanying notes form part of this financial report.

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

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (775,879) | (811,860) |
| Payments for exploration expenditure | | (1,755,691) | (2,825,542) |
| Interest received | | 4,733 | 31,671 |
| Interest paid | | (3,962) | - |
| **Net cash used in operating activities** | **17** | **(2,530,799)** | **(3,605,731)** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of tenement | | - | (339,000) |
| Payments for rental bond | | - | (15,840) |
| Purchase of plant and equipment | | (477) | (66,890) |
| **Net cash used in investing activities** | | **(477)** | **(421,730)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 2,611,775 | 2,056,577 |
| Capital raising costs | | (121,123) | (109,546) |
| **Net cash provided by financing activities** | | **2,490,652** | **1,947,031** |
| | | | |
| Net increase (decrease) in cash held | | (40,624) | (2,080,430) |
| Cash at beginning of financial year | 8 | 312,931 | 2,393,361 |
| **Cash at end of financial year** | **8** | **272,307** | **312,931** |

The accompanying notes form part of this financial report.

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

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Promesa Limited an Australian listed Public Company incorporated in Western Australia and its controlled entities ('Consolidated Group' or 'Group').

**Basis of Preparation**

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

The financial report has been prepared in Australian Dollars, the currency of the legal parent entity.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

**Going concern**

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of $1,157,013 (2013: $6,844,874) and a net cash outflow from operating activity of $2,530,799 (2013: $3,605,731). Included in the loss for the year was impairment of exploration expenditure of $182,753 (2013: $5,591,908). As at 30 June 2014 the company had a working capital deficit of $266,861 (2013: deficit of $153,849).

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising capital from equity markets or by other means, and by managing cash flows in line with available funds, and / or the successful development of the Group's exploration assets. These conditions indicate a material uncertainty that may cast doubt about the ability of the Group to continue as a going concern.

On 28th August 2014, the Company raised $683,000 before costs from the issue of 27,320,000 shares at $0.025 through a Share Purchase Plan. On 10th September 2014, the company raised a further $1,000,000 from the issue of 40,000,000 shares at $0.025.

Based upon cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate, including the meeting of exploration commitments. In addition, given the Group's history of raising funds to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

**Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Promesa 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.

A list of controlled entities is contained in Note 19 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

**Business Combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination.

Acquisition related costs are recognised in profit or loss as incurred.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

**Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**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.

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.

**Financial Instruments**

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

*Classification and Subsequent Measurement*

i.*Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii.*Loans and receivables*

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

iii.*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv.*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v.*Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Impairment of Assets**

At each reporting date, the Consolidated Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

**Provisions**

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

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

**Borrowing Costs**

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

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

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

**Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative balances represent the balances of the legal parent.

**Foreign Currency Translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is Promesa Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

*(iii) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**Fair Value of Assets and Liabilities**

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

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

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

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

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

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

*Valuation techniques*

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

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

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

**Fair value hierarchy**

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

*Level 1*

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

*Level 2*

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

*Level 3*

Measurements based on unobservable inputs for the asset or liability.

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

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

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

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

**Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Group.

*Impairment*

The Consolidated Group assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

*Exploration and evaluation costs*

Acquisition, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

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

*Share based payment transactions*
*The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 26.*

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

**Application of new and revised Accounting Standards**

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

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

The Group has applied AASB 13 'Fair Value Measurement' for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items.

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

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

*Standards and Interpretations in issue not yet adopted*

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

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

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards | 1 January 2017 | 30 June 2018 |
| AASB 1031 'Materiality' (2013) | 1 January 2014 | 30 June 2015 |
| AASB 2012-3 "Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 "Amendments to AASB 135 – Recoverable Amount Disclosures for Non Financial Assets' | 1 January 2014 | 30 June 2015 |
| AASB 2013-5 "Amendments to Australian Accounting Standards - Investment Entities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 "Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014 | 30 June 2015 |

The financial report was authorised for issue on 30 September 2014 by the Board of Directors.

**NOTE 2: REVENUE**

| | **2014** **$** | **2013** **$** |
|---|---|---|
| Other revenue | | |
| — Interest revenue | 4,782 | 26,745 |
| — Gain on Disposal of Atocha Lease | - | - |
| Total Revenue | 4,782 | 26,745 |

**NOTE 3: LOSS FOR THE YEAR**

| | **2014** **$** | **2013** **$** |
|---|---|---|
| **Significant expenses :** | | |
| Accounting and Secretarial | 104,000 | 90,000 |
| Consulting fees | 67,517 | 122,383 |

| | | |
|---|---|---|
| Depreciation | 29,933 | 47,105 |
| Directors fees | 268,350 | 278,775 |
| Share based payment | - | 450,293 |

## NOTE 4: INCOME TAX

| | 2014 $ | 2013 $ |
|---|---|---|
| (a) **Income tax expense** | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |
| Deferred income tax expense included in income tax expense comprises: | | |
| - (Increase) in deferred tax assets | - | - |
| - Increase in deferred tax liabilities | - | - |
| | - | - |

| | 2014 $ | 2013 $ |
|---|---|---|
| (b) **Reconciliation of income tax expense to prima facie tax payable** | | |
| The prima facie tax payable on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax on operating profit/(loss) at 30% | (347,104) | (2,053,462) |
| Add / (Less) | | |
| Tax effect of share based payment | - | 135,087 |
| Tax effect of other non-deductible expenses | 186,418 | 1,676,040 |
| Tax effect of: | | |
| Deferred tax asset not brought to account | 160,686 | 242,335 |

| | | | |
|---|---|---|---|
| Income tax attributable to operating loss | | - | - |
| The applicable weighted average effective tax rates are as follows: | | nil% | nil% |
| Balance of franking account at year end | | nil | nil |
| (c) **Deferred tax assets** | | | |
| Tax Losses | | 2,128,947 | 1,874,555 |
| Provisions and Accruals | | 87,681 | 48,881 |
| Capital Raising Costs | | 159,039 | 247,820 |
| Other | | | |
| | | 2,375,666 | 2,171,256 |
| Set-off deferred tax liabilities | 4(d) | - | - |
| Net deferred tax assets | | 2,375,666 | 2,171,256 |
| Less deferred tax assets not recognised | | (2,375,666) | (2,171,256) |
| Net tax assets | | - | - |
| (d) **Deferred tax liabilities** | | | |
| Other | | | - |
| | | - | |
| Exploration expenditure | | | |
| | | - | - |
| | | - | - |
| Set-off deferred tax assets | 4(c) | | |
| | | - | - |
| Net deferred tax liabilities | | - | - |
| (e) Tax losses | | | |
| Unused tax losses for which no deferred tax asset has been recognised | | 7,096,490 | 6,248,515 |

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2014 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

## NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

**Key management personnel compensation**

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Short-term benefits | 564,000 | 561,678 |
| Post employment benefits | 54,350 | 43,812 |
| Share-based payments | - | 93,078 |
| | 618,350 | 698,568 |

## NOTE 6: AUDITORS' REMUNERATION

| | | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| Remuneration of the auditor of the parent entity for: | | | |
| – | Bentleys Audit and Corporate (WA) Pty Ltd | 27,000 | 34,200 |
| – | Mazars (Peru) | 19,095 | 19,506 |
| | Total | 46,095 | 53,706 |

## NOTE 7: EARNING (LOSS) PER SHARE

| | | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| a. | Reconciliation of loss to profit or loss | | |
| | Loss used to calculate basic EPS | (1,157,013) | (6,844,874) |
| | | No | No |
| b. | Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 188,468,491 | 122,483,775 |

## NOTE 8: CASH AND CASH EQUIVALENTS

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Cash at bank and in hand | 272,307 | 197,066 |
| Short-term bank deposits | - | 115,865 |
| | 272,307 | 312,931 |

**Reconciliation of cash**

| | | |
|---|---|---|
| Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows: | 272,307 | 312,931 |
| Cash and cash equivalents | 272,307 | 312,931 |

## NOTE 9 : TRADE AND OTHER RECEIVABLES

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| CURRENT | | |
| GST Receivable | - | 25,067 |
| IGV Receivable | 799,827 | 673,801 |
| Provision for non-recovery | (799,827) | (673,801) |
| Interest Receivable | - | 25 |
| Receivables - Other Peru | 53,061 | 40,446 |
| | 53,061 | 65,538 |

## NOTE 10: OTHER ASSETS

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| CURRENT | | |
| Prepayments | 10,588 | 83,322 |
| | 10,588 | 83,322 |

## NOTE 11: PROPERTY PLANT AND EQUIPMENT

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| NON CURRENT | | |
| Plant and Equipment | 274,556 | 277,665 |
| Accumulated Depreciation | (80,394) | (51,472) |
| | 194,162 | 226,193 |

**Movements in carrying amounts**

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Opening net carrying amount | 226,193 | 176,418 |
| Addition | 477 | 66,890 |
| Disposals | - | - |
| Depreciation charge | (29,933) | (47,105) |
| Foreign currency exchange difference | (2,575) | 29,990 |
| Closing net carrying amount | 194,162 | 226,193 |

## NOTE 12: FINANCIAL ASSET

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Financial Assets available for sale | 2,000 | 2,000 |
| Less impairment | (1,700) | - |
| | 300 | 2,000 |

The financial instrument recognised at cost in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. Financial assets are classified as level 2.

## NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE

| | 2014 $ | 2013 $ |
|---|---|---|
| Exploration expenditure capitalised | | |
| Opening net carrying amount | 3,329,138 | 4,960,257 |
| Capitalised exploration and evaluation costs | 1,838,624 | 3,792,171 |
| Impaired exploration and evaluation costs | (182,753) | (5,591,908) |
| Forex adjustment | (69,092) | 168,618 |
| Closing net carrying amount | 4,915,917 | 3,329,138 |

The value of the Consolidated Group's interest in exploration expenditure is dependent upon:

- the continuance of the Consolidated Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Consolidated Group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to native people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

During the year the Group decided to relinquish its interests in the Claudia 2007 and 2008 concessions in its Magdalena project, as a result all costs associated with these concessions were impaired.

## NOTE 14: OTHER ASSETS

| | 2014 $ | 2013 $ |
|---|---|---|
| NON CURRENT | | |
| Bond | 15,840 | 15,840 |
| | 15,840 | 15,840 |

## NOTE 15: TRADE AND OTHER PAYABLES

| | 2014 $ | 2013 $ |
|---|---|---|
| CURRENT | | |
| Trade payables | 212,457 | 327,085 |

## NOTE 14: OTHER ASSETS

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| NON CURRENT | | |
| Bond | 15,840 | 15,840 |
| | 15,840 | 15,840 |

| | | |
|---|---|---|
| Sundry payables and accrued expenses | 229,262 | 50,316 |
| Accounts payable and accrued expenses to related parties | 97,950 | 121,346 |
| | 539,669 | 498,747 |

Trade and other payables are non interest bearing and usually settled within 30 to 60 days terms.

## NOTE 16: ISSUED CAPITAL

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| 256,407,920 (2013:156,821,704) Fully paid ordinary share with no par value | 11,935,661 | 9,194,098 |
| Less: Capital Raising Fees | (876,735) | (109,546) |
| Net Issued Capital | 11,058,926 | 9,084,552 |

| | No. | $ |
|---|---|---|
| **Ordinary shares** | | |
| Balance at 30 June 2013 | **156,821,704** | **9,084,552** |
| Issue for cash at $0.035 per share | 1,652,142 | 58,000 |
| Issue for cash at $0.035 per share | 2,145,000 | 75,075 |
| Issue for cash at $0.035 per share | 1,425,000 | 49,875 |
| Issue for cash at $0.035 per share | 35,714,285 | 1,250,000 |
| Issue for cash at $0.035 per share | 3,147,857 | 110,000 |
| Issued as consideration for capital raising fee | 5,952,381 | 208,159 |
| Issue for cash at $0.027 per share | 19,819,820 | 535,135 |
| Issue for cash at $0.019 per share | 29,729,731 | 564,865 |
| **At reporting date** | **256,407,920** | **11,935,661** |

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**Options**

| | 2014 No. |
|---|---|
| **Opening balance** | **38,815,000** |
| Granted during the year | 54,166,667 |
| Expired during the year | (33,565,000) |
| **At Reporting date** | **59,416,667** |

| | 2013 No. |
|---|---|
| **Opening balance** | **98,251,867** |
| Granted during the year | 30,265,000 |
| Expired and cancelled during the year | (94,951,867) |
| **At Reporting date** | **38,815,000** |

**Capital management**

The Consolidated Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being gold exploration, the Consolidated Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Consolidated Group's capital risk management is the current working capital position against the requirements of the Consolidated Group to meet exploration programmes and corporate overheads. The Consolidated Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Consolidated Group at 30 June 2014 and 30 June 2013 are as follows

| | 2014 $ | 2013 $ |
|---|---|---|
| Cash and cash equivalents | 272,307 | 312,931 |
| Trade and other receivables | 53,061 | 65,538 |
| Trade and other payables | (539,669) | (498,747) |
| Provisions | (52,560) | (33,571) |
| Working capital position | (266,861) | (153,849) |

## NOTE 17: CASH FLOW INFORMATION

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **a. Reconciliation of Cash Flow from Operations with Loss after Income Tax** | | |
| Loss after income tax | (1,157,013) | (6,844,874) |
| Cash flows excluded from loss attributable to operating activities | | |
| Non-cash flows in loss | | |
| Unrealised loss on financial asset | 1,700 | - |
| Share based payment | - | 500,293 |
| Depreciation and amortisation | 29,933 | 47,105 |
| Exploration Expenditure Impairment | 182,753 | 5,591,908 |
| Changes in assets and liabilities | | |
| (Increase )/ decrease in prepayment and receivables | 12,477 | 567,699 |
| Increase/(decrease) in trade payables and accruals | 14,468 | 210,979 |
| (Increase)/decrease in exploration cost capitalised | (1,615,117) | (3,678,841) |
| Cashflow from operations | (2,530,799) | (3,605,731) |

## NOTE 18: PARENT ENTITY DISCLOSURES

The balances shown below are that of the legal parent Promesa Limited.

| **a. Financial Position** | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 210,611 | 235,135 |
| Non-current assets | 4,788,668 | 25,498,911 |
| **Total assets** | 4,999,279 | 25,734,046 |
| **Liabilities** | | |
| Current liabilities | 481,227 | 247,013 |
| Non-current liabilities | - | - |
| **Total liabilities** | 481,227 | 247,013 |
| **Equity** | | |
| Issued capital | 28,500,548 | 26,526,175 |
| Option reserve | 640,531 | 8,897,809 |
| Accumulated losses | (24,623,027) | (9,936,950) |
| **Total equity** | 4,518,052 | 25,487,034 |

| **b. Financial Performance** | | |
|---|---|---|
| Loss for the year | (23,490,808) | (1,225,448) |
| Other comprehensive income | - | - |

| | | |
|---|---|---|
| **Total comprehensive income** | (23,490,808) | (1,225,448) |

**c. Guarantees Entered into by the Parent Entity in relation to the debts of its Subsidiaries**

The wholly owned subsidiary does not have any debts guaranteed as at 30 June 2014.

**d. Contingent liabilities of the Parent Entity**

The parent entity does not have any contingent liabilities as at 30 June 2014.

**e. Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity**

The parent entity does not have any commitments for the acquisition of property, plant and equipment.

## NOTE 19: INTEREST IN CONTROLLLED ENTITIES

The legal entity had the following subsidiaries

| Name of the subsidiary | Place of Incorporation | Class of shares | Percentage held |
|---|---|---|---|
| Peru Mineral SAC | Peru | ORDINARY | 100% |
| Pegoco SAC | Peru | ORDINARY | 100% |

## NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE

The Company raised further capital post balance date as follows:

1. On 28 August 2014 the Company announced that it raised $683,000 via the issue of 27,320,000 shares at $0.025 per share on 22 August 2014 via a Share Purchase Plan;
2. On 29 August 2014 the Company issued 454,545 shares to a consultant under a personal offer from its 15% capacity pursuant to Listing Rule 7.1; and
3. On 10 September 2014 the Company announced a placement of 40,000,000 shares at $0.025 raising $1,000,000 in equity capital from institutional, sophisticated and professional investors.

There were no other significant post balance date events.

## NOTE 21: RELATED PARTY TRANSACTIONS

| | 2014<br>$ | 2013<br>$ |
|---|---|---|

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

a. **Other Related Parties**

| | | |
|---|---|---|
| Capital Raising and administrative fees paid to Armada Capital. Ananda Kathiravelu was a Director and had an interest in the company during the year. | 120,005 | 226,232 |

## NOTE 22: SEGMENT REPORTING

*Segment Information*

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

The Group is managed primarily on the basis of mining exploration and treasury activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of reportable segments:

(i) Tenement exploration and evaluation:

The exploration of current project and the evaluation of new ones are reported in this segment. Segment assets, including acquisition costs of exploration licences and all expenses related to the tenements are reported in this segment.

(ii) Treasury

The reporting relating to income from cash holdings is reported in this segment.

**Basis of accounting for purposes of reporting by operating segments**

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial Report of the Group.

*Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

*Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets excluding exploration assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- trade payable and other payables;
- intangible assets.

**(i) Segment performance - Year ended 30 June 2014**

| | Exploration and Evaluation<br>$ | Treasury<br>$ | Total<br>$ |
|---|---|---|---|
| Interest Revenue | - | 4,782 | 4,782 |
| **Total segment revenue** | **-** | **4,782** | **4,782** |
| **Segment profit/(net loss) before tax** | **(312,086)** | **4,782** | **(307,304)** |

**Reconciliation of segment result to group net loss before tax:**

| | |
|---|---|
| Administration Expense | (70,433) |
| Amortisation and Depreciation | (1,595) |
| Consultancy | (67,517) |
| Employees Benefits Expenses | (287,339) |
| Financial Administration and Compliance Expense | (362,196) |
| Legal Expense | (6,706) |
| Travel and Accommodation Expense | (16,184) |
| Unrealised loss on financial asset | (1,700) |
| Other Expense | (36,039) |
| **Group net loss before tax** | **(1,157,013)** |

**(i) Segment performance - Year ended 30 June 2013**

| | Exploration and Evaluation<br>$ | Treasury<br>$ | Total<br>$ |
|---|---|---|---|
| Interest Revenue | - | 26,745 | 26,745 |
| **Total segment revenue** | **-** | **26,745** | **26,745** |
| **Segment net loss before tax** | **(5,591,908)** | **26,745** | **(5,565,163)** |

**Reconciliation of segment result to group net loss before tax:**

| | |
|---|---|
| Administration Expense | (74,837) |
| Consultancy | (479,598) |
| Employees Benefits Expenses | (415,666) |
| Financial Administration and Compliance Expense | (168,109) |
| Legal Expense | (12,411) |
| Travel and Accommodation Expense | (126,459) |
| Other Expense | (2,631) |
| **Group net loss before tax** | **(6,844,874)** |

**(ii) Segment assets - 30 June 2014**

| | Exploration and Evaluation | Treasury | Total |
|---|---|---|---|
| | $ | $ | $ |
| Segments assets | 4,915,917 | 272,307 | 5,188,224 |
| **Reconciliation of segment assets to group assets:** | | | |
| Unallocated assets | | | 273,951 |
| **Total group assets from continuing operations** | | | **5,462,175** |

**Segment assets - 30 June 2013**

| | Exploration and Evaluation | Treasury | Total |
|---|---|---|---|
| | $ | $ | $ |
| Segments assets | **3,329,138** | **312,931** | **3,642,069** |
| **Reconciliation of segment assets to group assets:** | | | |
| Unallocated assets | | | 392,893 |
| **Total group assets from continuing operations** | | | **4,034,962** |

**(iii) Segment liabilities**
**30 June 2014**

| | Exploration and Evaluation | Treasury | Total |
|---|---|---|---|
| | $ | $ | $ |
| Segments liabilities | 129,333 | - | 129,333 |
| **Reconciliation of segment assets to group assets:** | | | |
| Unallocated liabilities | | | 462,896 |
| **Total group liabilities from continuing operations** | | | 592,229 |

**(iii) Segment liabilities**
**30 June 2013**

| | Exploration and Evaluation | Treasury | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Segments liabilities** | - | - | - |
| **Reconciliation of segment assets to group assets:** | | | |
| Unallocated liabilities | | | 532,318 |
| **Total group liabilities from continuing operations** | | | 532,318 |

**(iv)Revenue by geographical region**

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | $ | $ |
| Australia | 4,782 | 26,745 |
| South America | - | - |
| Total revenue | 4,782 | 26,745 |

**(v) Assets by geographical region**

The location of segment assets is disclosed below by geographical location of the assets:

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | $ | $ |
| Australia | 546,258 | 257,816 |
| South America | 4,915,917 | 3,777,146 |
| Total Assets | 5,462,175 | 4,034,962 |

## NOTE 23: COMMITMENTS

**Exploration commitments**

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

| | 30 June 2014 | 30 June 2013 |
|---|---|---|
| | $ | $ |
| within one year | 135,479 | 127,335 |
| later than one year but not later than five years | - | - |
| later than five years | - | - |
| | 135,479 | 127,335 |

## NOTE 24: CONTINGENT LIABILITIES

**OBAN S.A.C Agreement**

The group has a farm in agreement to acquire an 70% interest from the Magdalena’s concession holder. The remaining instalments to be paid should the group consider to pursue the concession will be settled as follows:

a) US $ 55,900 payable 30 November 2014

b) US $ 56,000 payable 30 November 2015

c) US $ 56,000 payable 30 November 2016

d) If production commences, a 2% Net Smelter Return royalty will be payable to the concession holder

**COMPANIA MINERA FABRICIO S.A.C Agreement**

During the year the company has renegotiated the agreement previously announced to the ASX on the 9 October 2012 with the vendor concession holder at the Aurifera Chorobal concession within the project area of the Alumbre Project. The agreement with the vendor now details farm-in terms to acquire a 100% interest from the concession holder (the previous agreement was for an 80% interest). The key terms are as follows:

a) US$40,000 payable on registration of the agreement;

a) US$460,000 payable within 5 years after execution of the agreement with no exploration commitment;

b) If production on the concession commences, a 1.5% Net Smelter Return (NSR) royalty will be payable to the concession holder or can be bought for US$1,000,000.

Apart from what is disclosed above, in the opinion of the Directors there were no other contingent liabilities at 30 June 2014, and the interval between 30 June 2014 and the date of this report.

## NOTE 25: FINANCIAL RISK MANAGEMENT

a.**Financial Risk Management Policies**

The Consolidated Group financial instruments consist mainly of deposits with banks.

The main purpose of non-derivative financial instruments is to raise finance for Consolidated Group operations.

The Consolidated Group does not speculate in the trading of derivative instruments.

**i. Treasury Risk Management**

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Consolidated Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

**iii. Financial Risk Exposures and Management**

Interest rate risk

The Consolidated Group exposure to financial risk is limited to interest rate risk arising from assets and liabilities bearing variable interest rates. The weighted average interest rate on cash holdings is 1.70% at the 30 June 2014. All other assets and liabilities are non interest bearing. The net fair value of the Consolidated Group's financial assets and liabilities approximate their carrying value.

The Consolidated Group holds cash deposits with Australian banking financial institutions, namely the Westpac bank. Westpac has an AA rating with Standard & Poors counter party credit ratings.

Liquidity risk

Liquidity risk arises from the possibility that the Consolidated Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Consolidated Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Consolidated Group. Due to the nature of the Consolidated Group's activities, being mineral exploration, the Consolidated Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the

Consolidated Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Consolidated Group and the parent entity are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

Credit risk

There no material amounts of collateral held as security at balance date.

Credit risk is reviewed regularly by the Board. It arises through deposits with financial institutions.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties: only banks and financial institutions with an 'A' rating are utilised;

The Consolidated Group only invests in listed available-for-sale financial assets that have a minimum 'A' credit rating. Unlisted available-for-sale financial assets are not rated by external credit agencies. These are reviewed regularly by the Consolidated Group to ensure that credit exposure is minimised.

The credit risk for counterparties included in trade and other receivables at balance date is nil.

The Consolidated Group holds cash deposits with Australian banking financial institutions, namely the Westpac bank. Westpac has an AA rating with Standard & Poors.

Price risk

The Consolidated Group is not exposed to commodity price risk as it is still operating at the exploration level.

**b. Financial Instruments**

i. **Derivative Financial Instruments**

Derivative financial instruments are not used by the Consolidated Group.

The Consolidated Group does not enter into swap contracts.

ii. **Financial instrument composition and maturity analysis:**

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity. The Financial instruments are all classified as current.

As such, the amounts may not reconcile to the balance sheet.

| | | | Fixed Interest Rate Maturing | | | |
|---|---|---|---|---|---|---|
| | Weighted Average Effective Interest Rate | | Floating Interest Rate | | Non interest bearing | |
| | 2014 % | 2013 % | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| **Financial Assets:** | | | | | | |
| Cash and cash equivalents | 1.70% | 3.70% | 272,307 | 312,931 | - | - |
| Trade and other receivables | - | - | - | - | 53,061 | 65,538 |
| Financial asset available for sale | - | - | - | - | 300 | 2,000 |
| **Total Financial Assets** | | | 272,307 | 312,931 | 53,361 | 67,538 |
| **Financial Liabilities:** | | | | | | |
| Trade and sundry payables | - | - | - | - | 539,669 | 539,669 |
| **Total Financial Liabilities** | | | | | **539,669** | **539,669** |

iii. **Net Fair Values**

**Fair values estimation**

The carrying amounts of financial assets and financial liabilities are equal to their fair value.

Foreign Currency Risk

The Consolidated Group will be exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Board has assessed the movement by 10% and noted there is currently no material effect of foreign currency risk.

## NOTE 26 : SHARE BASED PAYMENTS

**Fair value of share or options granted in the year**

| Grant date/consultant entitled | Number of Instruments | Vesting Conditions | Fair Value at Grant Date | Expiry Date |
|---|---|---|---|---|
| Share Options granted to consultant for capital raising fees on 27 February 2014 at $0.016 | 34,166,167 Unlisted Options | Nil | $547,453 | 27/02/2016 |

The price was calculated by using the Black Scholes Option Pricing Model applying a risk free interest rate of 2.62% and an expected volatility of 102.19%.

**Movements in share options during the year**

| | 2014 No. | 2013 No. |
|---|---|---|
| **Unlisted Options** | | |
| At the beginning of reporting period | - | - |
| Granted on 10 December 2013 – free attaching | 20,000,000 | |
| Granted on 27 February 2014 | 34,166,667 | - |
| **At reporting date** | **54,166,667** | **-** |
| | | |
| **Director Options** | | |
| At the beginning of reporting period | 6,300,000 | 3,300,000 |
| Granted on 12 December 2012 | - | 3,000,000 |
| Expired on 31 December 2013 | (3,300,000) | - |
| **At reporting date** | **3,000,000** | **6,300,000** |
| | | |
| **Vendor and Caldwell Options** | | |
| At the beginning of reporting period | - | 40,000,000 |
| 31 January 2013 – expired | - | (40,000,000) |
| **At reporting date** | **-** | **-** |

| | | |
|---|---|---|
| **Class 1,2 and 3 Consulting Options** | | |
| At the beginning of reporting period | 2,250,000 | 3,000,000 |
| 09 December 2012 | - | - |
| 10 July 2012 – cancelled | - | (3,000,000) |
| Granted on 24 June 2013 | - | 2,250,000 |
| **At reporting date** | **2,250,000** | **2,250,000** |

In 2013, share options previously issued to Mr Sebbag as a consultant were cancelled by the Company during the year when Mr Sebbag was appointed as a director. The 3,000,000 options was expensed to the profit and loss to date with a value of $631,433. At 30 June 2013, $631,433 has been taken out of the reserve and to accumulated losses.

In 2013, included under consultancy cost in the statement of profit or loss and other comprehensive income is $450,291 which relates to equity-settled share-based payment transactions.

**Shares granted during the year**

During the year the following shares were granted for the fair value of services provided to the Company using the market price:

- 5,952,381 shares valued at $0.035 per share were issued to a consultant for capital raising fees.

**NOTE 27: RESERVES**

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1. The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued. Refer to Note 26 for share based payments during the year.

## DIRECTORS' DECLARATION

The Directors of the Consolidated Group declare that:

1. The financial Report and notes, as set out on pages 41 to 71 are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards and the Corporations Regulations 2001;
   b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and
   c. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Consolidated Group.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the Consolidated Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial Report and notes for the financial year comply with the Accounting Standards; and
   c. the financial Report and notes for the financial year give a true and fair view
3. In the Directors' opinion there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

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

Director
Ananda Kathiravelu
Dated this 30 day of September 2014

Bentleys
THINKING AHEAD

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# Independent Auditor's Report

## To the Members of Promesa Limited

We have audited the accompanying financial report of Promesa Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of 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 and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

## Opinion

In our opinion:

a. The financial report of Promesa 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*;

b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a net loss of $1,157,013 during the year ended 30 June 2014. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## Report on the Remuneration Report

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

## Opinion

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

Bentleys

**BENTLEYS**
**Chartered Accountants**

Mark Delaurentis

**MARK DELAURENTIS CA**
**Director**

Dated at Perth this 30th day of September 2014

## ADDITIONAL INFORMATION FOR LISTED COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

1. **Shareholding as at 29 September 2014**

a. **Distribution of Shareholders**

| Category (size of holding) | Number Holders | Number Ordinary |
|---|---|---|
| 1 - 1,000 | 23 | 8035 |
| 1,001 - 5,000 | 50 | 165,189 |
| 5,001 - 10,000 | 83 | 720,707 |
| 10,001 - 100,000 | 322 | 12,981,007 |
| 100,001 - and over | 281 | 273,887,527 |
| | **759** | **287,762,465** |

b. The number of shareholdings held in less than marketable parcels is 759.

c. The names of the substantial shareholders listed in the holding Company's register as at 29 September 2014 are:

| | | Number | % |
|---|---|---|---|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LTD | 32,856,624 | 11.418 |
| 2 | GRUPO PEGASUS SA | 19,000,000 | 6.603 |
| 3 | BOND STREET CUSTODIANS LIMITED <TINDAL-D04702 A/C> | 10,000,000 | 3.475 |

d. **Voting Rights**

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. **20 Largest Shareholders — Ordinary Fully Paid Shares**

| | Name | Shares Held | % Held |
|---|---|---|---|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 32,856,624 | 11.418 |
| 2 | GRUPO PEGASUS SA CRA 14A# | 19,000,000 | 6.603 |
| 3 | BOND STREET CUSTODIANS LIMITED | 10,000,000 | 3.475 |
| 4 | DREAMPT PTY LTD <DREAMPT A/C> | 7,100,000 | 2.467 |
| 5 | JETT CAPITAL ADVISORS HOLDINGS LLC | 5,952,381 | 2.069 |
| 6 | MINEROIL ENERGY SAC | 5,407,677 | 1.879 |
| 7 | SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/FUND A/C> | 5,100,000 | 1.772 |
| 8 | WILLINGVALE PTY LTD | 5,000,000 | 1.738 |
| 9 | CAVE GLEN PTY LTD | 5,000,000 | 1.738 |
| 10 | REGENCY CORPORATE PTY LTD | 3,889,611 | 1.352 |
| 11 | RINGSFORD PTY LTD <DG & GL WALKER S/F A/C> | 3,800,000 | 1.321 |
| 12 | MEGATOP NOMINEES PTY LTD <MORRIS SUPER FUND A/C> | 3,600,000 | 1.251 |
| 13 | WENRO HOLDINGS PTY LTD <COMSOURCE SUPER FUND A/C> | 3,252,251 | 1.13 |
| 14 | EAGLESHAM NOMINEES PTY LTD <EAGLESHAM NOMS P/L S/F A/C> | 3,061,261 | 1.064 |
| 15 | MR KELVIN CROSBY & MRS BEVERLEY CROSBY | 3,000,000 | 1.043 |
| 16 | DREAMPT PTY LTD <DREAMPT ACCOUNT | 2,960,001 | 1.029 |
| 17 | BOND STREET CUSTODIANS LIMITED <RTWF - D04766 A/C> | 2,843,201 | 0.988 |
| 18 | MR JOHN CHARLES VASSALLO & MRS JANELLE KERRIE VASSALLO <VASSALLO FAMILY S/F A/C> | 2,735,981 | 0.951 |
| 19 | ZEBON TWO PTY LTD <ZEBON PROPERTY A/C> | 2,686,668 | 0.934 |
| 20 | LIMITS PTY LIMITED <DUNCAN GAMBLE FAMILY A/C> | 2,595,000 | 0.902 |
| | | 129,840,656 | 45.124 |

f. **20 Largest options holders — Unlisted Consulting options**

| | Name | Number of Consulting options held | % Held of Issued Ordinary Capital |
|---|---|---|---|
| 1 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 20,000,000 | |
| 2 | JETT CAPITAL ADVISORS HOLDINGS LLC | 34,166,667 | |
| | | 54,166,667 | |

g. **Option holders - Director options**

| Name | Number of Options Held | % Held of Director Options |
|---|---|---|
| | 0 | 0 |

h. **Option holders - Employee options Class A, B & C**

| | Name | Number of Options Held | % Held of Vendor Options |
|---|---|---|---|
| 1 | DEAN DE LARGIE | 1,125,000 | 50 |
| 2 | CASADEAN SUPERANNUATION FUND | 1,125,000 | 50 |
| | | 2,250,000 | 100 |

i. **Option holders - Director options Class A, B & C**

| | Name | Number of Options Held | % Held of Vendor Options |
|---|---|---|---|
| 1 | NATALIE SEBBAG | 3,000,000 | 100 |
| | | 3,000,000 | 100 |

2. **The name of the company secretary is Mr Damon Sweeny**

3. **The address of the principal registered office in Australia is.**
C/- 7/55 Hampden Road
NEDLANDS WA 6009
Telephone 08 9389 8884

4. **Registers of securities are held at the following addresses**
Advanced Shares Registry
110 Stirling Hwy
NEDLANDS
WA 6009
Australia

**5. Securities Exchange Listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

**6. Unquoted Securities**

There are no unquoted shares.

There are 59,416,667 unquoted options.

**7. Farmout Agreements and tenements**

**Tenements for Gold, Copper and associated ore bodies**

| Projects ( Peru Company) | Location | Concessions | Resource | Interest |
|---|---|---|---|---|
| Alumbre (Peru Mineral S.A.C) | La Libertad , Peru | Gaya 104, Magdalenita 15,18 19 and Aurifer Chorobal | Gold , copper and associated ore bodies | 100% |
| Quinual (PEGOCO S.A.C) | La Libertad, Peru | Gaya 103 and Katros 101 to 103 | Gold , copper , Zinc and associated ore bodies | 100% |
| Huajoropampa (Peru Mineral S.A.C) | Huajoropampa, Peru | Gaya 101 | Gold, Zinc and lead | 100% |
| Yarpun (Peru Mineral S.A.C) | Ancash , Peru | Gaya 102 | Gold, Zinc , lead and silver | 100% |
| Olleros (Peru Mineral S.A.C) | Ancash, Peru | Baldur 101 to 106 | Gold , copper and associated ore bodies | 100% |
| Magdalena (Peru Mineral S.A.C) | La Libertad, Peru | Magdalenita 1 to 14, 16,17, 19 to 31, 2011 and Claudia 2007 to 2008 | Gold , copper and associated ore bodies | Up to 70% |
| Genex (Peru Mineral S.A.C) | Ancash, Peru | Baldur 107 | Gold , copper and associated ore bodies | 100% |

8. In accordance with ASX Listing Rule 4.10.19, the Company advises that, since listing, it has used its cash in a way consistent with its business objectives.