THUNDELARRA

ABN 74 950 465 654

# FINANCIAL STATEMENTS 2016

## DIRECTORS

**Philip G Crabb**
Non-Executive Chairman

**Frank DeMarte**
Executive Director

**Malcolm R J Randall**
Non-Executive Director

## CHIEF EXECUTIVE OFFICER

Antony Lofthouse

## SECRETARY

Frank DeMarte

## REGISTERED OFFICE AND BUSINESS ADDRESS

Suite 8, Level 1,
186 Hampden Road
NEDLANDS WA 6009

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Facsimile: +618 9389 5593

Email: info@thundelarra.com.au
Web: www.thundelarra.com

Australian Business Number:
74 950 465 654

## AUDITOR

Stantons International
Level 2, 1 Walker Avenue
WEST PERTH WA 6005

## SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
PERTH WA 6000

Telephone: 1300 850 505 (within Australia)
Telephone: +61 3 9473 2555 (outside Australia)

Facsimile: 1300 783 2555 (within Australia)
Facsimile: +61 3 9415 4000 (outside Australia)

## STOCK EXCHANGE

Australian Securities Exchange Limited
Home Branch Perth

Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

## ASX CODE

THX

## CONTENTS



## ASX ADDITIONAL INFORMATION

The Annual Report covers both Thundelarra Limited as an individual entity and the Consolidated Entity consisting of Thundelarra Limited and its controlled entities.

# CORPORATE GOVERNANCE STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

## APPROACH TO CORPORATE GOVERNANCE

Thundelarra Limited ACN 085 782 994 (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.thundelarra.com, under the section marked "Corporate Governance":

**Charters**
Board
Audit Committee
Nomination Committee
Remuneration Committee
Risk Committee

**Policies and Procedures**
Policy and Procedure for the Selection and (Re)Appointment of Directors
Process for Performance Evaluations
Securities Trading Policy
Code of Conduct (summary)
Compliance Procedures (summary)
Procedure for the Selection, Appointment and Rotation of External Auditor
Shareholder Communication and Investor Relations Policy
Diversity Policy (summary)
Induction Program
Policy on Continuous Disclosure (summary)

The Company reports below on whether it has followed each of the recommendations during the 2015/2016 financial year (**Reporting Period**). The information in this statement is current at 30 November 2016. This statement was approved by a resolution of the Board on 14 December 2016.

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

#### Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management and has documented this in its Board Charter, which is disclosed on the Company's website.

#### Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The checks which are undertaken, and the information provided to shareholders are set out in the Company's Policy and Procedure for the Selection and (Re) Appointment of Directors, which is disclosed on the Company's website.

The Company provided shareholders with all material information in relation to the re-election of Frank DeMarte as a director at its last Annual General Meeting held on 26 February 2016.

#### Recommendation 1.3

The Company has a written agreement with each director and senior executive setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is related party of the

# CORPORATE GOVERNANCE STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

Chief Executive Officer or any of its directors has been disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

### Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board as outlined in the Company's Board Charter. The Company's Secretary's role is also outlined in the employment agreement between the Company Secretary and the Company.

### Recommendation 1.5

The Company has established a Diversity Policy. However, the Diversity Policy does not include requirements for the Board to establish measurable objectives for achieving gender diversity or for the Board to assess annually both the objectives and progress towards achieving them. Nor has the Board set measurable objectives for achieving gender diversity. The Board considers that the Company has in place policies and arrangements to encourage diversity in employment. Further, due to the Company's current operations, size and small number of employees, the Board considers that it is difficult to set meaningful measurable objectives for achieving gender diversity. The Board will review its position and may develop measurable objectives when the Company's operations increase.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out in the following table. "Senior executive" for these purposes means those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance:

| | Proportion of women |
|---|---:|
| Whole organisation | 3 out of 10 (30%) |
| Senior executive positions | 0 out of 2 (0%) |
| Board | 0 out of 3 (0%) |

### Recommendation 1.6

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors in accordance with the process disclosed in the Company's Process for Performance Evaluations.

Each of the directors (including the Chair) completes a questionnaire and the Chair discusses the responses to the questionnaire with the Board on a round-table basis. The Chair is reviewed on this basis by the rest of the Board. Where a Board member also performs an executive role (eg. in the case of the Chief Financial Officer and Company Secretary), the review also addresses the directors' executive role.

During the Reporting Period, an evaluation of the Board, its committees and individual directors took place in accordance with the process disclosed above.

### Recommendation 1.7

The Chair is responsible for evaluating the performance of the Company's two senior executives, the Chief Executive Officer and the Chief Financial Officer & Company Secretary in accordance with the process disclosed in the Company's Process for Performance Evaluations.

The evaluation is conducted at the time of the executive's annual remuneration review, and involves an interview with the Chair to discuss performance against the Chief Executive Officer's contract with the Company. The Chair also evaluates the performance of the Chief Executive Officer on an ongoing basis via informal discussions about performance.

The Chief Financial Officer and Company Secretary's performance was reviewed as part of his review as a Board member. Please refer to Recommendation 1.6 above.

During the Reporting Period a performance evaluation of the Chief Executive Officer took place in accordance with the process disclosed above.

# CORPORATE GOVERNANCE STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

#### Recommendation 2.1

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Although the Board has not established a separate Nomination Committee, it has adopted a Nomination Committee Charter, which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee, as disclosed on the Company's website.

When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. Separate meetings of the full Board in its capacity as the Nomination Committee are held, and minutes of those meetings are taken. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

#### Recommendation 2.2

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the composition of its current Board. The Board members have a high level of experience and expertise in the resources sector. The Board comprises directors who possess the following skills, qualifications and experience:

- extensive corporate experience;
- technical skills and qualifications;
- experience in management and marketing in the resources sector;
- financial qualifications; and
- geological experience.

The Board does not wish to increase its size until the Company's operations warrant it, and considers that this mix of skills is appropriate for the Company's current circumstances.

#### Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations. During the Reporting Period, the sole independent director of the Company was Malcolm Randall. Mr Randall has been on the Board since 2003 as a none-executive director.

The Board has considered Mr Randall's independence, and notwithstanding his length of service on the Board, the Board considers that Mr Randall is sufficiently independent because he is not a member of management, he is free of any business or other relationship that could materially interfere with the independent exercise of his judgement and consistently makes decisions that are in the best interests of the Company. Accordingly, the Board considers Mr Randall to be an independent director.

The length of service of each director is set out in the Directors' Report on pages 8 to 9 of the Company's 2016 Annual Report.

#### Recommendation 2.4

The Board does not have a majority of directors who are independent. The Board considers that its composition is appropriate for the Company's circumstances and includes an appropriate mix of skills and expertise relevant to the Company. The Company gives consideration to the balance of independence on the Board, and will continue to review its composition.

#### Recommendation 2.5

During the Reporting Period, the Company did not have an independent Chair. The non-independent Chair of the Board is Philip Crabb. The Board believes that Mr Crabb is the most appropriate person for the position of Chair because of his industry experience and knowledge. Philip Crabb and his associate's substantial shareholding is the only factor that precludes him from being considered independent. The Board believes that Mr Crabb makes decisions that are in the best interests of the Company.

# CORPORATE GOVERNANCE STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

The Chief Executive officer is Mr Antony Lofthouse who is not a director or Chair of the Board.

### Recommendation 2.6

The Company has an induction program that it uses to when new directors join the Board and when new senior executives are appointed. The goal or the program is to assist new directors to participate fully and actively in Board decision-making at the earliest opportunity and to assist senior executives to participate fully and actively in management decision-making at the earliest opportunity. The Company's Induction Program is disclosed on the Company's website.

The full Board in its capacity as the Nomination Committee regularly reviews whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and the Board committees effectively using a Board skills matrix. Where any gaps are identified, the Board considers what training or development should be undertaken to fill those gaps. In particular, the Board ensures that any director who does not have specialist accounting skills or knowledge has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the Company's financial statements.

### PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

### Recommendation 3.1

The Company has established a Code of Conduct for its directors, senior executives and employees, a summary of which is disclosed on the Company's website.

The Company has also adopted a Whistleblower Policy to encourage the reporting of violations (or suspected violations) of the Company's Code of Conduct and provide effective protection from victimisation or dismissal to those reporting by implementing systems for confidentiality and report handling.

### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### Recommendation 4.1

The Board has established an Audit Committee. The members of the Audit Committee are the Company's two non-executive directors, Malcolm Randall (Chair) and Philip Crabb. The Audit Committee is not structured in compliance with Recommendation 4.1 as it comprises only two members. The Board is unable to establish an Audit Committee that meets the compositional requirements of Recommendation 4.1. However, the Board considers it appropriate that the Audit Committee comprise the Company's two non-executive directors, one of whom is independent and the committee is chaired by an independent director who is not also Chair of the Board.

The Company has also established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Details of director attendance at Audit Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 19 of the Company's 2016 Annual Report.

The Board has adopted an Audit Committee Charter which describes the Audit Committee's role, composition, functions and responsibilities.

### Recommendation 4.2

Before the Board approved the Company financial statements for the half year ended 31 March 2016 and the full-year ended 30 September 2016 and each of the quarters ending 31 December 2015, 31 March 2016, 30 June 2016 and 30 September 2016, it received from the Chief Executive Officer and the Chief Financial Officer a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

# CORPORATE GOVERNANCE STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and must arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and who is in a position to answer questions about the audit. Each year, the Company writes to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair allows a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

A representative of the Company's auditor, Stanton's International attended the Company's annual general meeting held on 26 February 2016.

### PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1

The Company has established written policies and procedures for complying with its continuous disclosure obligations under the ASX Listing Rules. A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

### PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

### Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.thundelarra.com as set out in its Shareholder Communication and Investor Relations Policy.

### Recommendation 6.2

The Company has designed and implemented an investor relations program to facilitate effective two-way communication with investors. The program is set out in the Company's Shareholder Communication and Investor Relations Policy.

### Recommendation 6.3

The Company has in place a Shareholder Communication and Investor Relations Policy which outlines the policies and processes that it has in place to facilitate and encourage participation at meetings of shareholders.

### Recommendation 6.4

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically. The contact details of the Company and its share registry are available on its website at www.thundelarra.com.au. Further, shareholders may register to receive Company information on its website.

### PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Recommendation 7.1

The Board has not established a separate Risk Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Risk Committee. Accordingly, the Board performs the role of Risk Committee however, the Chief Executive Officer also attends meetings of the Risk Committee by invitation. Although the Board has not established a separate Risk Committee, it has adopted a Risk Committee Charter. When the Board convenes as the Risk Committee it carries out those functions which are delegated to it in the Company's Risk Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Risk Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Risk Committee during the Reporting period, however risk-related discussions occurred from time to time during the year as required.

# CORPORATE GOVERNANCE STATEMENT

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### Recommendation 7.2

The full Board in its capacity as the Risk Committee reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board. The Board carried out these reviews during the Reporting Period.

### Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

### Recommendation 7.4

Using its risk management framework, the Board has identified the following risk categories – liquidity, strategic risk, operational, environmental, compliance, human capital, workplace, health and safety, financial reporting, market and commodity related.

As the Company is not in production nor has any major operations, the Company has not identified any material exposure to any economic, environmental and/or social sustainability risks.
However, the Company does have a material exposure to the following economic risks:

| **Economic risk type** | **Mitigation strategies** |
|---|---|
| Market risk – movements in commodity prices | The group manages its exposure to market risk by monitoring market conditions and making decisions based on industry experience. |
| Future capital – cost and availability of funds to meet the Company's business needs | The Company monitors its cash reserves and manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the group's current and future operations. |

### PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### Recommendation 8.1

The Board has established a Remuneration Committee. The members of the Remuneration Committee are the Company's two non-executive directors, Malcolm Randall (Chair) and Philip Crabb. The Remuneration Committee is not structured in compliance with Recommendation 8.1 as it comprises only two members. However, the Board considers it appropriate that the Remuneration Committee comprise the Company's two non-executive directors, one of whom is independent and the committee is chaired by an independent director who is not also Chair of the Board.

Details of director attendance at Remuneration Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 19 of the Company's 2016 Annual Report.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

### Recommendation 8.2

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences at page 10 of the Company's 2016 Annual Report. The Company has not adopted a policy regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements as it does not currently pay performance based remuneration.

### Recommendation 8.3

The Company's Securities Trading Policy includes a statement of the Company's policy on prohibiting participants in the Company's Employee Share Option Plan (Plan) entering into transactions or arrangements which limit the economic risk of participating in the Plan.

# DIRECTORS' REPORT

The Directors present their report on the Consolidated Entity consisting of Thundelarra Limited and the entities it controlled at the end of, or during, the year ended 30 September 2016.

## INFORMATION ON DIRECTORS

The following persons were Directors of Thundelarra Limited ("Company") and were in office during the financial year and until the date of this report unless otherwise stated.

| | |
|---|---|
| Mr Philip G Crabb | Non-Executive Chairman |
| Mr Frank DeMarte | Executive Director |
| Mr Malcolm R J Randall | Non-Executive Director |

## PRINCIPAL ACTIVITY

The principal activity of the Consolidated Entity during the year was mineral exploration in Australia. Other than the foregoing, there were no significant changes in those activities during the year.

## RESULT OF OPERATIONS

During the year the Consolidated Entity incurred a consolidated operating loss after tax of $5,514,791 (2015 – loss $3,696,239).

## DIVIDENDS

No dividends have been paid during the financial year and no dividend is recommended for the current year.

## NATIVE TITLE

Claims of native title over certain of the Consolidated Entity's tenements have been made, and may in the future be made under the Commonwealth Native Title Act. In the event that native title is established by an indigenous community over an area that is subject to the Company's mining tenements, the nature of the native title may be such that consent to mining may be required from that community but is withheld.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year not otherwise dealt with in this report, except for:

*Acquisition of Red Dragon Mines NL*
On the 18 December 2015, the Company completed the acquisition of Red Dragon Mines NL (and its wholly owned subsidiary Zeus Mining Pty Ltd). As a result of completion, the vendors of Red Dragon Mines NL were issued with 17,927,166 fully paid ordinary shares issued in the capital of the Company at a deemed issue price of $0.077 per share.

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial period, the Directors are not aware of matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years, the financial effects of which have not been provided for in the 30 September 2016 financial statements:

*Research Development Refund*
In October 2016, the Company received Research & Development refund of $401,256 for 2014/2015.

*Granting of Employee Options*
In November 2016, the Company issued 4,350,000 unquoted options to eligible employees, vesting on the date which is 6 months from the issue date, exercisable at 6 cents each and expiring on 14 November 2019.

*Disposal of Listed Securities*
In December 2016, the Company disposed of 3,203,656 shares in the Intiger Group Limited for an amount of $245,713.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Details of important developments in the operations of the Consolidated Entity are set out in the review of operations section of this report. The Consolidated Entity will continue to explore its Australian tenement areas of interest for minerals, and any significant information or data will be released in the market and to shareholders.

## ENVIRONMENTAL ISSUES AND REGULATIONS

The Consolidated Entity has interests in mining tenements (including prospecting, exploration and mining leases). The leases and licence conditions contain environmental obligations. The Consolidated Entity has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance

# DIRECTORS' REPORT

is low, and has not identified any compliance breaches during the year. The directors are not aware of any environmental matters which would have a significant adverse effect on the Consolidated Entity.

## CORPORATE INFORMATION

| | |
|---|---|
| Thundelarra Limited | Parent entity |
| Element 92 Pty Ltd | 100% owned controlled entity |
| Red Dragon Mines Pty Ltd | 100% owned controlled entity |

## INFORMATION ON DIRECTORS

| ***PHILIP G CRABB*** | ***Non-Executive Chairman*** |
|---|---|
| ***Qualifications*** | *FAusIMM, MAICD* |
| ***Skills and Experience*** | Mr Crabb is a Fellow of the Australasian Institute of Mining and Metallurgy and a member of the Institute of Company Directors. Mr Crabb has been actively engaged in mineral exploration and mining activities for the past 46 years in both publicly listed and private exploration companies. He has considerable experience in field activities, having been a drilling contractor, quarry manager and mining contractor. Mr Crabb has extensive knowledge of the Australian Mining Industry and has experience with management of Australian publicly listed companies. Mr Crabb was re-appointed a director on 7 March 2012. |
| ***Other current Directorships*** | Aldershot Resources Limited (since 2010). |
| ***Former Directorships in last three years*** | Magnetite Mines Limited (formerly Royal Resources Limited) from 2005 to 2014. |
| ***Special Responsibilities*** | Member of Nomination Committee from March 2012.<br>Member of Audit Committee from March 2012. |
| ***Interest in Shares and Options at the date of this report*** | 55,194,289 Fully paid ordinary shares.<br>750,000 Unquoted options expiring 26 February 2021 exercisable at 8 cents each. |

| ***MALCOLM R J RANDALL*** | ***Non-Executive Director*** |
|---|---|
| ***Qualifications*** | *B.Applied Chem, FAICD* |
| ***Skills and Experience*** | Mr Randall holds a Bachelor of Applied Chemistry Degree and is a member of the Australian Institute of Company Directors. He has extensive experience in corporate, management and marketing in the resource sector, including more than 20 years with the Rio Tinto group of companies. His experience extends over a broad range of commodities including iron ore, diamonds, base metals, coal, uranium, and industrial minerals both in Australia and internationally. Mr Randall was appointed a director on 8 September 2003. |
| ***Other current Directorships*** | Magnetite Mines Limited (formerly Royal Resources Limited) (since 2006).<br>Summit Resources Limited (since 2007).<br>Kalium Lakes Limited (since 2016). |
| ***Former Directorships in last three years*** | Iron Ore Holdings Ltd from 2003 to 2014.<br>MZI Resources Limited (formerly Matilda Zircon Ltd) from 2009 to 2016. |
| ***Special Responsibilities*** | Chairman of Audit Committee from April 2013.<br>Chairman of Nomination Committee from December 2004.<br>Chairman of Remuneration Committee from April 2013. |
| ***Interest in Shares and Options at the date of this report*** | 1,400,000 Fully paid ordinary shares.<br>750,000 Unquoted options expiring 26 February 2021 exercisable at 8 cents each.<br>500,000 Unquoted options expiring 28 February 2017 exercisable at 23 cents each.<br>1,500,000 Unquoted options expiring 28 February 2019 exercisable at 6 cents each. |

# DIRECTORS' REPORT

| ***FRANK DEMARTE*** | ***Executive Director*** |
|---|---|
| ***Qualifications*** | *BBus(Acct), FGIA, FCIS, FAICD* |
| ***Skills and Experience*** | Mr DeMarte has over 31 years of experience in the mining and exploration industry in Western Australia. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an Executive Director, Company Secretary and Chief Financial Officer of the Company.<br><br>Mr DeMarte is experienced in areas of secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a Bachelor of Business majoring in Accounting and is a Fellow of the Governance Institute of Australia Ltd (formally the Chartered Secretaries of Australia) and a Fellow of the Australian Institute of Company Directors. Mr DeMarte was appointed a director on 30 April 2001. |
| ***Other current Directorships*** | Magnetite Mines Limited (formerly Royal Resources Limited) (since 2004). |
| ***Former Directorships in last three years*** | None. |
| ***Special Responsibilities*** | Member of Nomination Committee from December 2004.<br>Member of Remuneration Committee from April 2013.<br>Chief Financial Officer and Company Secretary. |
| ***Interest in Shares and Options at the date of this report*** | 4,955,193 Ordinary shares.<br>1,500,000 Unquoted options expiring 26 February 2021 exercisable at 8 cents each.<br>500,000 Unquoted options expiring 28 February 2017 exercisable at 23 cents each.<br>5,000,000 Unquoted options expiring 28 February 2019 exercisable at 6 cents each. |

## COMPANY SECRETARY

**FRANK DEMARTE** *BBus (Acct), FGIA, FCIS, FAICD*

The Company Secretary is Mr Frank DeMarte. Mr DeMarte has over 32 years of experience in the mining and exploration industry in Western Australia and has held executive positions with a number of listed mining and exploration companies.

Mr DeMarte is experienced in areas of secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a Bachelor of Business majoring in Accounting and is a Fellow of the Governance Institute of Australia Ltd (formally the Chartered Secretaries of Australia) and a Fellow of the Australian Institute of Company Directors. Mr DeMarte was appointed to the position on 8 September 2003.

## SHARES UNDER OPTION

As at the date of this report, there were 24,150,000 unissued ordinary shares of the Company under option as follows:

| Date options granted | Expiry date | Exercise price of options | Number of options |
|---|---|---|---|
| 7 March 2012 | 28 February 2017 | $0.23 | 2,000,000 |
| 28 February 2014 | 28 February 2019 | $0.06 | 11,500,000 |
| 18 March 2014 | 18 March 2017 | $0.06 | 500,000 |
| 4 September 2015 | 4 September 2018 | $0.08 | 3,150,000 |
| 26 February 2016 | 26 February 2021 | $0.08 | 3,000,000 |
| 27 July 2016 | 30 June 2018 | $0.10 | 4,000,000 |
| 15 November 2016 | 14 November 2019 | $0.06 | 4,350,000 |

During the financial year:

(1) 1,150,000 options exercisable at $0.09 expired on 31 October 2015; and
(2) 6,750,000 options exercisable at $0.84 expired on 27 February 2016.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other entity.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED)

This Remuneration Report details the nature and amount of remuneration for each of the directors and other senior management personnel of the Company.

### (a) Details of Key Management Personnel

The following persons were key management personnel of Thundelarra Limited during the financial year:

| | |
|---|---|
| Philip G Crabb | Non-Executive Chairman |
| Frank DeMarte | Executive Director |
| Malcolm R J Randall | Non-Executive Director |
| Antony L Lofthouse | Chief Executive Officer |

### (b) Compensation of Key Management Personnel

*(i) Compensation Policy*
The Company's remuneration policy for executive directors is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration, which is market related. Overall, the remuneration policy is subject to the discretion of the Board and can be altered to reflect the competitive market and business conditions, where it is in the best interest of the Company and the shareholders to do so.

The Board's reward policy reflects its obligations to align executives' remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Directors' and executives' remuneration is reviewed by the board of directors, having regard to various goals set. This remuneration and other terms of employment are commensurate with those offered within the exploration and mining industry.

Non-executive directors' remuneration is in the form of directors' fees and are approved by shareholders as to the maximum aggregate remuneration. The Board recommends the actual payment to non-executive directors. The Board's reward policy for non-executive directors reflects its obligation to align remuneration with shareholders' interests and to retain appropriately qualified talent for the benefit of the Group.

Remuneration packages are set at levels that are intended to attract and retain directors and executives capable of managing the Group's operations.

(A) Remuneration Committee
The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and all other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

(B) Remuneration Structure
In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

(C) Non-Executive Director Compensation

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

*Structure*
The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

# DIRECTORS' REPORT

## REMUNERATION Report (Audited) (continued)

### (b) Compensation of Key Management Personnel (continued)

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. An additional fee may also be paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitments required by directors who serve on one or more sub committees.

Each non-executive director receives $49,000 per annum effective from 1 July 2014 ($28,000 per annum prior to 1 July 2014), exclusive of any superannuation obligations for being a director of the Company. The exception to this fee structure is the Chairman of the Board who receives $90,000 per annum effective from 1 July 2016 ($62,000 per annum prior to 1 July 2016) exclusive of any superannuation ($31,846 per annum prior to 1 July 2014).

Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose board they sit. The compensation of non-executive directors for the year ended 30 September 2016 is detailed as per the disclosures on page 13.

(D) Executive Compensation

*Objective*
The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company, business unit and individual performance against targets set by remuneration committee to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

*Structure*
In determining the level and make-up of executive remuneration, the remuneration committee will review individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Since an annual review of the remuneration for the executives in July 2014, there has not been any changes to the Chief Executive Officer remuneration of $250,000 per annum exclusive of any superannuation effective from 1 July 2014 ($175,000 per annum prior to 1 July 2014) and the Company Secretary and Chief Financial Officer of $200,000 per annum exclusive of any superannuation effective from 1 July 2014 ($162,500 per annum prior to 1 July 2014).

(E) Fixed Compensation

*Objective*
Fixed compensation is reviewed annually by the Remuneration Committee. The process consists of a review of companywide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

*Structure*
Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

(F) Other Compensation

Notwithstanding Guideline 8.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive Directors should not receive Options, the Directors consider that the grant of the options is designed to encourage the Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

# DIRECTORS' REPORT

Under the Company's current circumstances the granting of options is an incentive to each of the Directors, which is a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the Directors.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (b) Compensation of Key Management Personnel (continued)

Details of the remuneration of each director of Thundelarra Limited and other key management personnel, including their personally related entities are set out below:

Remuneration of key management personnel for the year ended 30 September 2016

| | | Short-Term | | | Post Employment | Other Long Term | Share Based Payment | Total $ | % Remuneration |
|---|---|---|---|---|---|---|---|---|---|
| **Names** | | **Salary & Directors Fees** | **Annual Leave Movement** | **Other** | **Superannuation** | **Long Service Leave** | **Equity Options** | | **Consisting of Options for the Year** |
| **Executive Director** | | | | | | | | | |
| Frank DeMarte | 2016 | 265,971 | (66,920) | 6,777 | 25,267 | 19,527 | 35,500 | 286,122 | 12% |
| | 2015 | 200,000 | (5,681) | 6,336 | 19,000 | - | - | 219,655 | - |
| **Non-Executive Directors** | | | | | | | | | |
| Malcolm R J Randall | 2016 | 49,942 | - | - | 4,745 | - | 17,775 | 72,462 | 25% |
| | 2015 | 49,000 | - | - | 4,655 | - | - | 53,655 | - |
| Philip G Crabb | 2016 | 70,731 | - | 1,231 | 6,719 | - | 17,775 | 96,456 | 18% |
| | 2015 | 62,000 | - | 1,409 | 5,890 | - | - | 69,299 | - |
| **Executive** | | | | | | | | | |
| Antony L Lofthouse | 2016 | 254,807 | 1,218 | 4,598 | 24,207 | - | - | 284,830 | - |
| | 2015 | 250,000 | (1,331) | 10,321 | 23,750 | - | 76,380 | 359,120 | 21% |
| **Totals** | 2016 | 641,451 | (65,702) | 12,606 | 60,938 | 19,527 | 71,100 | 739,920 | 10% |
| | 2015 | 561,000 | (7,012) | 18,066 | 53,295 | - | 76,380 | 701,720 | 11% |

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (c) Employment Agreements for Key Management Personnel

| Name | Base salary | Terms of Engagement | Notice Period |
|---|---|---|---|
| F DeMarte (1) | $200,000 | No fixed term | Twelve months |
| A L Lofthouse (2) | $250,000 | No fixed term | Six months |

(1) Base salary of $200,000 effective 1 July 2014, reviewed annually. Payment of a benefit on early termination by the Company, other than gross misconduct, equal to 12 months base salary including superannuation, subject to the termination benefit provisions in Pt 2D.2 – Division 2 of the Corporations Act 2001.

(2) Base salary of $250,000 effective 1 July 2014, reviewed annually. Payment of a benefit on early termination by the Company, other than gross misconduct, equal to 6 months base salary including superannuation and entitlements.

### (d) Shareholdings of Key Management Personnel (Consolidated and Parent Entity)

The number of shares held in Thundelarra Limited during the financial year.

| 30 September 2016 | Balance 1 October 2015 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 September 2016 |
|---|---|---|---|---|---|
| P G Crabb | 49,196,493 | - | - | 5,997,796 | 55,194,289 |
| F DeMarte | 3,905,882 | - | - | 1,049,311 | 4,955,193 |
| M R J Randall | 1,009,191 | - | - | 390,809 | 1,400,000 |
| A L Lofthouse | 3,041,176 | - | - | 600,000 | 3,641,176 |
| Total | 57,152,742 | - | - | 8,037,919 | 65,190,658 |

| 30 September 2015 | Balance 1 October 2014 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 September 2015 |
|---|---|---|---|---|---|
| P G Crabb | 49,056,493 | - | - | 140,000 | 49,196,493 |
| F DeMarte | 3,905,882 | - | - | - | 3,905,882 |
| M R J Randall | 1,009,191 | - | - | - | 1,009,191 |
| A L Lofthouse | 3,041,176 | - | - | - | 3,041,176 |
| Total | 57,012,742 | - | - | 140,000 | 57,152,742 |

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (e) Share Based Compensation Options

During the financial year options were granted as equity compensation benefits to key management personnel. The options were issued at no consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the equity at the exercise price. The contractual life of each option granted is five years. No options have been granted since the end of the year to key management personnel. For further details relating to options, refer to note 20.

Compensation Options: Granted and vested during the year ended 30 September 2016.

| 30 September 2016 | Terms and Conditions for each Grant | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Key Management Personnel | Number Vested | Number Granted | Grant Date | Fair Value per option at Grant Date ($) (Note 21) | Exercise Price per option ($) (Note 21) | Expiry Date | First Exercise Date | Last Exercise Date |
| P G Crabb | 750,000 | 750,000 | 26/02/16 | $0.0237 | $0.08 | 26/02/21 | 26/02/16 | 26/02/21 |
| F DeMarte | 1,500,000 | 1,500,000 | 26/02/16 | $0.0237 | $0.08 | 26/02/21 | 26/02/16 | 26/02/21 |
| M R J Randall | 750,000 | 750,000 | 26/02/16 | $0.0237 | $0.08 | 26/02/21 | 26/02/16 | 26/02/21 |
| A L Lofthouse | - | - | - | - | - | - | - | - |
| Total | 3,000,000 | 3,000,000 | | | | | | |

Compensation Options: Granted and vested during the year ended 30 September 2015.

| 30 September 2015 | Terms and Conditions for each Grant | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Key Management Personnel | Number Vested | Number Granted | Grant Date | Fair Value per option at Grant Date ($) (Note 21) | Exercise Price per option ($) (Note 21) | Expiry Date | First Exercise Date | Last Exercise Date |
| P G Crabb | - | - | - | - | - | - | - | - |
| F DeMarte | - | - | - | - | - | - | - | - |
| M R J Randall | - | - | - | - | - | - | - | - |
| A L Lofthouse | 2,000,000 | 2,000,000 | 4/09/15 | $0.03819 | $0.08 | 4/09/18 | 4/09/15 | 4/09/18 |
| Total | 2,000,000 | 2,000,000 | | | | | | |

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (f) Shares Issued on exercise of compensation options

No shares were issued to key management personnel on exercise of compensation options for the year ended 30 September 2016. No other key management personnel exercised compensation options during the year ended 30 September 2015.

### (g) Options granted as part of remuneration

The following table summarises the value of options granted, exercised or lapsed for the year ended 30 September 2016.

| 30 September 2016 | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | % Remuneration Consisting of Options for the year |
|---|---|---|---|---|
| F DeMarte | 35,550 | - | - | 12% |
| M R J Randall | 17,775 | - | - | 25% |
| P G Crabb | 17,775 | - | - | 18% |
| A L Lofthouse | - | - | - | - |
| Total | 71,100 | - | - | 10% |

There were no alterations to the terms and conditions of options granted as remuneration since their grant.

The value of the options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at the close of trading on the date the options were exercised after deducting the price paid to exercise the options.

Options issued to employees vest on the basis that continual employment with the Company is achieved. All employees leaving while options are vesting will forfeit their options. Director options vest on date of issue.

For details on the valuation of the options, including models and assumptions used, please refer to Note 20. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (g) Options granted as part of remuneration (continued)

The following table summarises the value of options granted, exercised or lapsed for the year ended 30 September 2015.

| 30 September 2015 | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | % Remuneration Consisting of Options for the year |
|---|---|---|---|---|
| P G Crabb | - | - | - | - |
| F DeMarte | - | - | - | - |
| M R J Randall | - | - | - | - |
| A L Lofthouse | 76,380 | - | - | 21% |
| Total | 76,380 | - | - | 21% |

### (h) Equity instruments

Analysis of options and rights over equity instruments granted as compensation. Details of vesting profiles of the options granted as remuneration to each key management personnel of the group are detailed below:

| | Number of options granted | Grant Date of options | Exercise Price of options $ | Fair Value of Options on Grant Date $ | Financial year in which Options Expire |
|---|---|---|---|---|---|
| Executive Directors | | | | | |
| P G Crabb | 750,000 | 26/02/16 | $0.08 | $0.237 | 2021 |
| F DeMarte | 1,500,000 | 26/02/16 | $0.08 | $0.237 | 2021 |
| | 500,000 | 29/02/12 | $0.23 | $0.0531 | 2017 |
| | 5,000,000 | 28/02/14 | $0.06 | $0.0153 | 2019 |
| Non-Executive Directors | | | | | |
| M R J Randall | 750,000 | 26/02/16 | $0.08 | $0.237 | 2021 |
| | 500,000 | 29/02//12 | $0.23 | $0.0531 | 2017 |
| | 1,500,000 | 28/02/14 | $0.06 | $0.0153 | 2019 |
| Chief Executive Officer | | | | | |
| A L Lofthouse | 5,000,000 | 28/02/14 | $0.06 | $0.0153 | 2019 |
| | 2,000,000 | 4/09/15 | $0.08 | $0.03819 | 2018 |

# DIRECTORS' REPORT

## REMUNERATION REPORT (AUDITED) (continued)

### (i) Loans to key management personnel

There were no loans made to key management personnel during the year ended 30 September 2016.

### (j) Other transactions with key management personnel and their related parties

During the year there were no other transactions with key management personnel and their related parties.

### (k) Option holdings of Key Management Personnel (Consolidated and Parent Entity)

The number of options over ordinary shares held in Thundelarra Limited during the financial year.

| | | | | | | | Vested at 30 September 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| 30 September 2016 | Balance at beginning of period 1 October 2015 | Granted as Remuneration | Options Exercised | Options Expired | Net Change Other | Balance at end of period 30 September 2016 | Total | Exercisable | Not Exercisable |
| F DeMarte | 7,000,000 | 1,500,000 | - | (1,500,000) | - | 7,000,000 | 7,000,000 | 7,000,000 | - |
| M R J Randall | 2,750,000 | 750,000 | - | (750,000) | - | 2,750,000 | 2,750,000 | 2,750,000 | - |
| P G Crabb | 1,000,000 | 750,000 | - | (1,000,000) | - | 750,000 | 750,000 | 750,000 | - |
| A L Lofthouse | 7,000,000 | - | - | - | - | 7,000,000 | 7,000,000 | 7,000,000 | - |
| Total | 17,750,000 | 3,000,000 | - | (3,250,000) | - | 17,500,000 | 17,500,000 | 17,500,000 | - |

| | | | | | | | Vested at 30 September 2015 | | |
|---|---|---|---|---|---|---|---|---|---|
| 30 September 2015 | Balance at beginning of period 1 October 2014 | Granted as Remuneration | Options Exercised | Options Expired | Net Change Other | Balance at end of period 30 September 2014 | Total | Exercisable | Not Exercisable |
| F DeMarte | 8,500,000 | - | - | (1,500,000) | - | 7,000,000 | 7,000,000 | 7,000,000 | - |
| M R J Randall | 3,500,000 | - | - | (750,000) | - | 2,750,000 | 2,750,000 | 2,750,000 | - |
| P G Crabb | 2,000,000 | - | - | (1,000,000) | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| A L Lofthouse | 6,000,000 | 2,000,000 | - | (1,000,000) | - | 7,000,000 | 7,000,000 | 7,000,000 | - |
| Total | 20,000,000 | 2,000,000 | - | (4,250,000) | - | 17,750,000 | 17,750,000 | 17,750,000 | - |

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

The following table sets out the number of meetings of directors held during the year and the number of meetings attended by each director:

| | Board of Directors' Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | | Nomination Committee Meetings | |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Number attended** | **Number eligible to attend** | **Number attended** | **Number eligible to attend** | **Number attended** | **Number eligible to attend** | **Number attended** | **Number eligible to attend** |
| M R J Randall | 4 | 4 | 2 | 2 | 1 | 1 | - | - |
| F DeMarte (1) | 4 | 4 | 2 | 2 | 1 | 1 | - | - |
| P G Crabb | 4 | 4 | 2 | 2 | 1 | 1 | - | - |

Note 1: F DeMarte, who is the Company's Company Secretary and Chief Financial Officer, attends Committee meetings by invitation only.

**Committee Memberships**

As at the date of this report, the Company had an Audit Committee, Remuneration Committee and a Nomination Committee.

| Audit | Remuneration | Nomination |
|---|---|---|
| M R J Randall (C) | M J Randall (C) | M J Randall (C) |
| P G Crabb | P G Crabb | F DeMarte |
| | | P G Crabb |

Note: (C) Designates the Chairman of the Committee.

## RESIGNATION, ELECTION AND CONTINUATION IN OFFICE

In accordance with the Constitution of the Company, Philip G Crabb by rotation and being eligible, offers himself for re-election at the Annual General Meeting.

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums to insure the Directors and Officers of the Company against liabilities for costs and expenses that may be incurred by the Directors in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

## NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management

# DIRECTORS' REPORT

or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

The following fee was paid or payable to Stanton's International Securities Pty Ltd for non-audit services provided during the year ended 30 June 2016:

| | $ |
|---|---|
| Valuation of Options issued to employees and advisers | 950 |
| Independent experts report for shareholders in relation to the acquisition of Red Dragon Mines NL. | 8,525 |
| | 9,475 |

## AUDITOR INDEPENDENCE

The auditor's independence declaration for the year ended 30 September 2016 has been received and can be found on page 56.

Signed in accordance with a resolution of the directors.

**FRANK DEMARTE**
**Executive Director**

Perth, Western Australia
14 December 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | Notes | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|---|
| **REVENUE FROM CONTINUING OPERATIONS** | | | |
| Revenue | 4(a) | 84,558 | 195,719 |
| Other income | 4(b) | 367,627 | 353,312 |
| | | 452,185 | 549,031 |
| **EXPENDITURE** | | | |
| Amortisation and depreciation | | (45,021) | (57,846) |
| Employee benefits expense | 4(c) | (71,100) | (120,298) |
| Exploration expenditure written off or impaired | 4(d) | (4,644,808) | (2,764,111) |
| Administration expenses | 4(e) | (1,206,047) | (1,303,015) |
| **Profit/(Loss) from continuing operations before income tax expense** | | **(5,514,791)** | **(3,696,239)** |
| Income tax (expense)/benefit | 5 | - | - |
| **Net profit/(loss) from continuing operations for the year** | | **(5,514,791)** | **(3,696,239)** |
| **Other comprehensive income** | | | |
| Item that will not be reclassified to profit or loss | | - | - |
| Item that may be reclassified subsequently to profit or loss | | - | - |
| **Other comprehensive income for the year, net of tax** | | - | - |
| **Total comprehensive income/(loss) for the year** | | **(5,514,791)** | **(3,696,239)** |
| **Net Profit/(Loss) attributable to members of the parent entity** | | **(5,514,791)** | **(3,696,239)** |
| **Comprehensive income/(loss) attributable to members of the parent entity** | | **(5,514,791)** | **(3,696,239)** |
| Profit/(loss) per share attributable to ordinary equity holders: | | | |
| Basic earnings/(loss) (cents per share) | 7 | (1.57) | (1.16) |
| Diluted earnings/(loss) (cents per share) | 7 | (1.57) | (1.16) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 SEPTEMBER 2016

| | Notes | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6(b) | 3,817,917 | 4,004,173 |
| Trade and other receivables | 8 | 101,627 | 55,415 |
| Other financial assets | 9 | 407,687 | 128,132 |
| **TOTAL CURRENT ASSETS** | | 4,327,231 | 4,187,720 |
| **NON-CURRENT ASSETS** | | | |
| Other receivables | 8 | 324,706 | 374,706 |
| Property, plant and equipment | 10 | 143,963 | 188,325 |
| Exploration expenditure | 12(a) | - | - |
| Deferred tax asset | 13 | - | - |
| **TOTAL NON-CURRENT ASSETS** | | 468,669 | 563,031 |
| **TOTAL ASSETS** | | 4,795,900 | 4,750,751 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 14 | 313,935 | 239,686 |
| Provisions | 15 | 178,524 | 259,373 |
| **TOTAL CURRENT LIABILITIES** | | 492,459 | 499,059 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 15 | - | - |
| Deferred tax liability | 16 | - | - |
| **TOTAL NON-CURRENT LIABILITIES** | | - | - |
| **TOTAL LIABILITIES** | | 492,459 | 499,059 |
| **NET ASSETS** | | 4,303,441 | 4,251,692 |
| **EQUITY** | | | |
| Contributed equity | 17(a) | 57,461,564 | 52,049,324 |
| Reserves | 17(d) | 7,840,338 | 7,686,038 |
| Accumulated losses | 18 | (60,998,461) | (55,483,670) |
| **TOTAL EQUITY** | | 4,303,441 | 4,251,692 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| CONSOLIDATED | Notes | Contributed Equity $ | Reserves $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 October 2014** | | 51,997,625 | 7,565,740 | (51,787,431) | 7,775,934 |
| **Total comprehensive income for the year** | | | | | |
| Profit/(Loss) for the year | | - | - | (3,696,239) | (3,696,239) |
| **Total comprehensive income/(loss) for the year** | | - | - | (3,696,239) | (3,696,239) |
| **Transactions with owners recorded directly in equity:** | | | | | |
| Cost of share based payments | 17(d) | - | 120,298 | - | 120,298 |
| Shares issued during the year | 17(b) | 51,699 | - | - | 51,699 |
| Transaction costs | 17(b) | - | - | - | - |
| | | 51,699 | 120,298 | - | 171,997 |
| **Balance at 30 September 2015** | | 52,049,324 | 7,686,038 | (55,483,670) | 4,251,692 |

| CONSOLIDATED | Notes | Contributed Equity $ | Reserves $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 October 2015** | | 52,049,324 | 7,686,038 | (55,483,670) | 4,251,692 |
| **Total comprehensive income for the year** | | | | | |
| Profit/(Loss) for the year | | - | - | (5,514,791) | (5,514,791) |
| **Total comprehensive income/(loss) for the year** | | - | - | (5,514,791) | (5,514,791) |
| **Transactions with owners recorded directly in equity:** | | | | | |
| Cost of share based payments | 17(d) | - | 154,300 | - | 154,300 |
| Shares issued during the year | 17(b) | 5,689,392 | - | - | 5,689,392 |
| Transaction costs | 17(b) | (277,152) | - | - | (277,152) |
| | | 5,412,240 | 154,300 | - | 5,566,540 |
| **Balance at 30 September 2016** | | 57,461,564 | 7,840,338 | (60,998,461) | 4,303,441 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | Notes | Consolidated 2016 $ | 2015 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from government grant | | 85,957 | - |
| Other revenue received | | - | 353,312 |
| Payment to suppliers | | (1,403,075) | (1,220,882) |
| Interest paid | | - | - |
| Interest received | | 87,448 | 202,575 |
| Net cash inflow/(outflow) from operating activities | 6(a) | (1,229,670) | (664,995) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for tenements | | - | - |
| Payments for purchase of plant, equipment and vehicles | | (6,416) | (39,437) |
| Proceeds from sale of tenements | | - | - |
| Proceeds from sale of plant, equipment and vehicles | | 7,873 | - |
| Placement of security deposits | | - | (2,500) |
| Redemption of security deposits | | 50,000 | 85,066 |
| Exploration and evaluation expenditure | | (3,123,091) | (2,712,357) |
| Net cash inflow/(outflow) from investing activities | | (3,071,634) | (2,669,228) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from issue of shares and options | | 4,171,500 | 11,700 |
| Share issue costs | | (56,452) | - |
| Proceeds from borrowings | | - | - |
| Net cash inflow from financing activities | | 4,115,048 | 11,700 |
| Net increase/(decrease) in cash and cash equivalents held | | (186,256) | (3,322,523) |
| Cash and cash equivalents at the beginning of the financial year | | 4,004,173 | 7,326,696 |
| Cash and cash equivalents at the end of the financial year | 6(b) | 3,817,917 | 4,004,173 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 1. CORPORATE INFORMATION

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group") for the year ended 30 September 2016 was authorised for issue in accordance with a resolution of the directors on 14 December 2016. Thundelarra Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd.

Separate financial statements of Thundelarra Limited as an individual entity are no longer presented as the consequence of a change on the Corporations Act 2001, however required financial information for Thundelarra Limited as an individual entity is included in note 11.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Standards and Interpretations).

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

Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The group recorded a loss of $5,514,791 for the year ended 30 September 2016. Total exploration expenditure recognised in the year is $4,644,808. The group had cash assets of $3,817,917 at 30 September 2016 and investments held for trading and available for sale valued at $407,687 at the reporting date. The directors believe the going concern basis of preparation is appropriate.

#### (b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 September 2016 and are outlined below.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The Consolidated financial report also complies with International Financial Reporting Standards (IFRS).

#### (c) New accounting standards and interpretations adopted by the Group

None of the new accounting standards and amendments to the accounting standards are mandatory for the first time in their annual reporting period commencing 1 October 2015 affected any amounts recognised in the current reporting period or any prior reporting period, although it caused minor changes to the Group's disclosures.

#### (d) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

#### (d) Fair value of assets and liabilities (continued)

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.

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(d) Fair value of assets and liabilities (continued)**

*Fair value hierarchy (continued)*

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.

**(e) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

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

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

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

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(e) New standards and interpretations not yet adopted**

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018) (continued).

  To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

  Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *AASB 16: Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

  AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

  Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]

  AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:
  (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11
  (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations
  This Standard also makes an editorial correction to AASB 11.

  The directors anticipate that the adoption of these amendments will not have a material impact on the financial statements.

- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

#### (e) New standards and interpretations not yet adopted (continued)

AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127.

The directors anticipate that the adoption of these amendments will not have a material impact on the financial statements.

- AASB 2014-10: *Other standards not yet applicable*

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

#### (f) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Thundelarra 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 the subsidiaries is provided in Note 24.

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

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

#### (g) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.
The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(g) Business Combinations (continued)**

Fair value uplifts in the value of pre-existing equity holdings are taken to the Statement of Profit or Loss and Other Comprehensive Income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the Statement of Profit or Loss and Other Comprehensive Income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement comprehensive income.

**(h) Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*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 external valuer using a Black-Scholes option pricing model, using the assumptions detailed in note 21.

*Mineral Exploration and Evaluation*
Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. These costs may be carried forward in respect of an area that has not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area of interest are continuing. The ultimate recoupment of the costs carried forward is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

*Impairment of assets*
The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash flows are largely independent of other assets.

**(i) Deferred taxation**

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(i) Deferred taxation**

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

**(j) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Sale of concentrates or ore is recorded when control has passed to the buyer.

**(k) Cash and cash equivalents**

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as detailed above, net of outstanding bank overdrafts.

**(l) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**(m) Inventory**

*(i) Raw materials and stores, work in progress and finished goods*
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing inventory to its present location and conditions are accounted for as follows:

- ore stocks – cost of direct mining and a proportion of site overheads; and
- concentrates and work in progress – cost of direct mining, processing, transport and labour and a proportion of site overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*(ii) Spares for production*
Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such items are valued at net realisable value.

**(n) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(n) Income tax (continued)**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss, or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**(o) Other taxes**

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

**(p) Plant and equipment**

Plant and equipment is stated at cost less any accumulated depreciation and any impairment in losses.

(i) Depreciation
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

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

Leasehold improvements – over 5 years or period of lease
Plant and equipment – over 4 to 10 years
Motor vehicles – over 4 years
Office equipment – over 5 to 8 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

#### (p) Plant and equipment (continued)

(ii) Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the item value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognised.

#### (q) Exploration expenditure

(i) Exploration, development and joint venture expenditure carried forward represents an accumulation of net costs incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which:

(a) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively by its sale, or

(b) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the areas are continuing.

Accumulated costs in respect of areas of interest, which are abandoned, are written off in the income statement in the year in which the area is abandoned.

The net carrying value of each property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount that excess is fully provided against in the financial year in which this is determined.

For the years ending 30 September 2016 and 2015 the Group chose not to carry forward the value of exploration expenditure and fully provided for the carrying value of all exploration properties.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to the reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

#### (r) Trade and other payables

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(s) Provisions**

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(t) Employee leave benefits**

*(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of the employee departures, and periods of service. Where it is material expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(u) Earnings per share**

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(ii) Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

**(v) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(w) Borrowing costs**

Borrowing costs are recognised as an expense when incurred. Alternatively, borrowing costs can be capitalised for qualifying assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

#### (x) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

#### (y) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

#### (z) Interests in joint arrangements

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

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

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(z) Interests in joint arrangements (continued)**

The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

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

Details of the Group's interests in joint arrangements are provided in Note 25.

**(aa) Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as thorough the amortisation process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

**(ab) Share-based payment transactions**

*Equity settled transactions:*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). There is currently one plan in place the Employee Share Option, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured 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 external valuer using a Black-Scholes option pricing model, further details of which are given in note 20.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Thundelarra Exploration Limited (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

**(ab) Share-based payment transactions (continued)**

*Equity settled transactions:*

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. If the terms of an equity-settled aware are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7).

**(ac) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

**(ad) Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicated that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.
Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**3. SEGMENT INFORMATION**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|---|
| **4.** | **REVENUE AND EXPENSES** | | |
| **(a)** | **Revenue** | | |
| | Interest income from non related parties | 84,558 | 195,719 |
| **(b)** | **Other Revenue** | | |
| | Net gain on disposal of fixed assets (4(f)) | 2,115 | - |
| | Research and development – tax refund | 85,957 | 323,766 |
| | Increase in market value of investments | 279,555 | - |
| | Other income | - | 29,546 |
| | | 367,627 | 353,312 |
| | **Total Revenues** | 452,185 | 549,031 |
| **(c)** | **Employee Benefits Expenses** | | |
| | Share based payments expense | (71,100) | (120,298) |

The share based payments expense relates to the requirement to recognise the cost of granting options to Directors and employees under AIFRS over the option vesting period.

| | | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|---|
| **(d)** | **Exploration Expenditure Written Off** | | |
| | Exploration expenditure written-off or impaired | (4,644,808) | (2,764,111) |
| **(e)** | **Other Expenses** | | |
| | Administrative costs | (8,492) | (7,386) |
| | Office and miscellaneous | (224,090) | (209,010) |
| | Professional fees | (103,832) | (104,251) |
| | Regulatory fees | (66,808) | (67,624) |
| | Shareholder and investor relations | (126,600) | (187,843) |
| | Employee expenses | (640,861) | (670,315) |
| | Decrease in market value of investments | - | (45,248) |
| | Loss on disposal of property, plant and equipment | - | - |
| | Other operating expenses | (36,164) | (11,337) |
| | | (1,206,047) | (1,303,014) |
| **(f)** | **Net Gain on Disposal of Fixed Assets** | | |
| | Proceeds from disposal of fixed assets | 7,873 | - |
| | Carrying amounts of fixed assets sold | (5,758) | - |
| | Net gain on disposal | 2,115 | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 5. INCOME TAX

| | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|
| **(a) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit/(Loss) from ordinary activities before income tax expense | (5,514,791) | (3,696,239) |
| Prima facie tax benefit on loss from ordinary activities at 30% (2015 – 30%) | (1,654,437) | (1,108,872) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Entertainment and other | 1,431 | 1,518 |
| Share based payments | 24,847 | 34,097 |
| | (1,628,159) | (1,073,257) |
| Movement in current year temporary differences | 485,664 | (66,594) |
| Tax effect of current year tax losses & non-recognition of previously recognised deferred tax assets | 1,142,495 | 1,139,851 |
| Tax effect of prior year research and development refund | - | - |
| Income tax expense/(benefit) | - | - |
| **(b) Unrecognised temporary differences Deferred Tax Assets (30%)** | | |
| Impairment and depreciation of assets in joint venture | 2,027 | 2,082 |
| Prepayments | 6,209 | 5,064 |
| Investments | 284,673 | - |
| Capital raising, formation and legal costs | 127,307 | 98,375 |
| Provisions for expenses | 61,468 | 88,434 |
| Carry forward revenue losses | 12,881,350 | 11,364,850 |
| Carry forward capital losses | 5,373 | - |
| | 13,363,034 | 11,927,345 |
| **Deferred Tax Liabilities (30%)** | | |
| Unearned revenue | 4,859 | 5,726 |
| | 4,859 | 5,726 |
| Net Deferred Tax Asset (Liability) | 13,358,175 | 11,921,619 |

The potential future tax benefit arising from accumulated tax losses in the Group have not been recognized in 2016 as an asset because recovery of the tax losses is not probable.

The potential future income tax benefit will be obtainable by the Group only if:

(a) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the loss to be realised;
(b) the Group continues to comply with the conditions for deductibility imposed by income tax law; and
(c) no changes in income tax legislation adversely affects the Group in realising the benefit of the deduction for the loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|---|
| **6.** | **CASH FLOW INFORMATION** | | |
| **(a)** | **Reconciliation of net cash provided by operating activities to operating profit/(loss) after income tax** | | |
| | Operating profit/(loss) after income tax | (5,514,791) | (3,696,239) |
| | ***Non cash flows in operating loss*** | | |
| | Exploration costs written-off or provided | 4,644,808 | 2,764,111 |
| | Amortisation and depreciation | 45,021 | 57,846 |
| | Share based payments | 71,100 | 120,298 |
| | Net (Increase)/ decrease in fair value of investments | (279,555) | 45,248 |
| | (Profit)/Loss on sale of plant, equipment and vehicles | (2,115) | - |
| | ***Change in assets and liabilities*** | | |
| | (Decrease)/increase in trade creditors and accruals | (67,077) | 47,772 |
| | (Increase)/decrease in receivables | (46,212) | 5,285 |
| | (Decrease)/increase in provisions | (80,849) | (9,316) |
| | Net cash outflow from operating activities | (1,229,670) | (664,995) |
| **(b)** | **Cash and cash equivalents represents:** | | |
| | Cash in bank and on hand | 508,917 | 304,173 |
| | Deposits at call | 3,309,000 | 3,700,000 |
| | | 3,817,917 | 4,004,173 |
| **(c)** | **Non Cash Investing Activities** | | |
| | Acquisition of tenements and rights by issue of shares | 1,380,392 | - |
| **7.** | **EARNINGS PER SHARE** | | |
| **(a)** | Basic earnings/(loss) per share (cents per share) | (1.57) | (1.16) |
| **(b)** | Diluted earnings/(loss) per share (cents per share) | (1.57) | (1.16) |

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

| | | | |
|---|---|---|---|
| **(c)** | Net profit/(loss) attributable to ordinary shareholders | (5,514,791) | (3,696,239) |
| **(d)** | Weighted average number of ordinary shares outstanding during the year used in the calculation: | | |
| | - basic earnings per share | 350,913,974 | 319,236,939 |
| | - diluted earnings per share | 350,913,974 | 319,236,939 |

| | | | |
|---|---|---|---|
| **8.** | **TRADE AND OTHER RECEIVABLES (CURRENT)** | | |
| | Other receivables | 85,429 | 36,327 |
| | Accrued income | 16,198 | 19,088 |
| | | 101,627 | 55,415 |

The were no amounts receivable from directors and director related entities in 2016 and 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|
| **8. TRADE AND OTHER RECEIVABLES (NON CURRENT)** | | |
| Security deposits/bonds | 324,706 | 374,706 |

The Group believes that all outstanding receivables can be recovered when due and there are no past receivables due as at the balance sheet date.

| | 2016 $ | 2015 $ |
|---|---|---|
| **9. OTHER FINANCIAL ASSETS (CURRENT)** | | |
| Listed shares held for trading at fair value | 407,687 | 128,132 |

At as at the 13 December 2016, the total market value of the quoted investments based on closing prices at that date was $322,849.

**10. PROPERTY, PLANT AND EQUIPMENT**

| | 2016 $ | 2015 $ |
|---|---|---|
| Plant and equipment, at cost | 301,874 | 302,804 |
| Less: accumulated depreciation | (256,144) | (249,835) |
| Less: impairment loss | - | - |
| | 45,730 | 52,969 |
| Motor vehicles, at cost | 196,625 | 267,912 |
| Less: accumulated depreciation | (176,294) | (232,617) |
| Less: impairment loss | - | - |
| | 20,331 | 35,295 |
| Office equipment, at cost | 298,638 | 297,732 |
| Less: accumulated depreciation | (247,170) | (227,525) |
| Less: impairment loss | - | - |
| | 51,468 | 70,207 |
| Plant and equipment (NT), at cost | 73,708 | 73,708 |
| Less: accumulated depreciation | (47,274) | (43,854) |
| Less: impairment loss | - | - |
| | 26,434 | 29,854 |
| **Total property, plant and equipment** | 143,963 | 188,325 |

**Reconciliations**

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

| **Plant and equipment** | 2016 $ | 2015 $ |
|---|---|---|
| Carrying amount at 1 October 2015 | 52,969 | 57,553 |
| Additions | 5,121 | 9,305 |
| Depreciation | (12,360) | (13,889) |
| Carrying amount at 30 September 2016 | 45,730 | 52,969 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|
| **10. PROPERTY, PLANT AND EQUIPMENT (continued)** | | |
| **Reconciliations (continued)** | | |
| **Motor vehicles** | | |
| Carrying amount at 1 October 2015 | 35,295 | 49,851 |
| Disposals | (5,758) | - |
| Depreciation | (9,206) | (14,556) |
| Carrying amount at 30 September 2016 | 20,331 | 35,295 |
| **Office equipment** | | |
| Carrying amount at 1 October 2015 | 70,207 | 65,168 |
| Additions | 1,295 | 30,132 |
| Depreciation | (20,034) | (25,093) |
| Carrying amount at 30 September 2016 | 51,468 | 70,207 |
| **Plant and equipment (NT)** | | |
| Carrying amount at 1 October 2015 | 29,854 | 34,162 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation | (3,420) | (4,308) |
| Carrying amount at 30 September 2016 | 26,434 | 29,854 |
| **Total carrying amount at 30 September 2016** | 143,963 | 188,325 |

### 11. PARENT ENTITY DISCLOSURES

| | 2016 $ | 2015 $ |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| **ASSETS** | | |
| CURRENT ASSETS | 4,276,677 | 4,162,359 |
| NON-CURRENT ASSETS | 206,463 | 300,825 |
| **TOTAL ASSETS** | 4,483,140 | 4,463,184 |
| **LIABILITIES** | | |
| CURRENT LIABILITIES | 266,177 | 495,589 |
| NON-CURRENT LIABILITIES | | - |
| **TOTAL LIABILITIES** | 266,177 | 495,589 |
| **NET ASSETS** | 4,216,963 | 3,967,595 |
| **EQUITY** | | |
| Contributed equity | 57,461,564 | 52,049,324 |
| Reserves | 7,840,338 | 7,686,038 |
| Accumulated losses | (61,084,939) | (55,767,767) |
| **TOTAL EQUITY** | 4,216,963 | 3,967,595 |
| **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** | | |
| Net profit/ (loss) from continuing operations for the year | (5,317,172) | (3,656,299) |
| Total Comprehensive income/(loss) for the year | (5,317,172) | (3,656,299) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|
| **11. PARENT ENTITY DISCLOSURES (continued)** | | |
| **OTHER FINANCIAL ASSETS (NON-CURRENT)** | | |
| ***Investment in Subsidiary*** | | |
| Element 92 Pty Ltd | 3,661,200 | 3,661,200 |
| Provision for write down of investment | (3,661,200) | (3,661,200) |
| | - | - |
| ***Investment in Subsidiary*** | | |
| Red Dragon Mines Pty Ltd | 1,380,392 | - |
| Provision for write down of investment | (1,380,392) | - |
| | - | - |
| **12. EXPLORATION EXPENDITURE (NON-CURRENT)** | | |
| **(a) Exploration and evaluation** | | |
| At 1 October 2015 | - | - |
| Expenditure incurred during the year | 4,644,808 | 2,764,111 |
| Expenditure provided or written off during the year (note 4(d)) | (4,644,808) | (2,764,111) |
| At 30 September 2016 | - | - |

For those areas of interest which are still in the exploration phase, the ultimate recoupment of the stated costs is dependent upon the successful development and commercial exploitation, or alternatively sale of the respective areas of interest (refer to note 25).

Some of the Consolidated entity's exploration properties are subject to claim(s) under native title. As a result, exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions.

| | 2016 $ | 2015 $ |
|---|---|---|
| **13 DEFERRED TAX ASSET (NON-CURRENT)** | | |
| Deferred tax asset (Note 5) | - | - |
| **14. TRADE AND OTHER PAYABLES (CURRENT)** | | |
| Trade payables and accruals | 313,935 | 239,686 |
| **15. PROVISONS (CURRENT)** | | |
| Employee entitlements | 178,524 | 259,373 |
| Number of employees at year end | 10 | 8 |
| **PROVISIONS (NON-CURRENT)** | | |
| Employee entitlements | - | - |
| Provision for rehabilitation | - | - |
| | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|

**15. PROVISONS (CURRENT) (continued)**

**Superannuation**
The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the Company represent a defined percentage of each employee's salary. Additional employee contributions are voluntary.

**Employee Share Option Plan**
Details of the Employee Share Option Plan for the Company are disclosed in Note 21.

**16. DEFERRED TAX LIABILITY (NON-CURRENT)**

| | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|
| Deferred tax liability (Note 5) | - | - |

**17. CONTRIBUTED EQUITY AND RESERVES**

| | Number of Shares 2016 | Number of Shares 2015 | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|---|---|
| **(a) Issued and paid up capital** | | | | |
| Ordinary shares | 423,495,665 | 319,388,499 | 57,461,564 | 52,049,324 |

**(b) Movement in ordinary shares on issue**

| | | Number of Shares | Issue Price $ | Total $ |
|---|---|---|---|---|
| 1/10/14 | **Opening balance** | 318,823,717 | | 51,997,625 |
| 17/11/14 | Exploration services | 434,782 | 0.092 | 39,999 |
| 23/06/15 | Exercise of unquoted options | 130,000 | 0.09 | 11,700 |
| | Share issue costs | - | | - |
| | **Balance at 30 September 2015** | 319,388,499 | | 52,049,324 |
| 18/12/15 | Takeover of Red Dragon Mines NL | 17,927,166 | 0.077 | 1,380,392 |
| 8/07/16 | Share purchase plan | 36,180,000 | 0.05 | 1,809,000 |
| 27/07/16 | Placement | 50,000,000 | 0.05 | 2,500,000 |
| | Share issue costs | - | | (277,152) |
| | **Balance at 30 September 2016** | 423,495,665 | | 57,461,564 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 17. CONTRIBUTED EQUITY AND RESERVES (continued)

#### (c) Movement in options on issue

The following table summarises the movement in options on issue for the year ended 30 September 2016

| 30 September 2016 | Balance at the Beginning of the Year | Issued During the Year | Exercised During the Year | Expired During the Year | Balance at the End of the Year |
|---|---|---|---|---|---|
| Unquoted options exercisable at 84 cents each on or before 27 February 2016 | 6,750,000 | - | - | (6,750,000) | - |
| Unquoted options exercisable at 23 cents each on or before 28 February 2017 | 2,000,000 | - | - | - | 2,000,000 |
| Unquoted options exercisable at 9 cents each on or before 31 October 2015 | 1,150,000 | - | - | (1,150,000) | - |
| Unquoted options exercisable at 6 cents each on or before 28 February 2019 | 11,500,000 | - | - | - | 11,500,000 |
| Unquoted options exercisable at 6 cents each on or before 18 March 2017 | 500,000 | - | - | - | 500,000 |
| Unquoted options exercisable at 8 cents each on or before 4 September 2018 | 3,150,000 | - | - | - | 3,150,000 |
| Unquoted options exercisable at 8 cents each on or before 26 November 2021 | - | 3,000,000 | - | - | 3,000,000 |
| Unquoted options exercisable at 10 cents each on or before 30 June 2018 | - | 4,000,000 | - | - | 4,000,000 |
| Total | 25,050,000 | 7,000,000 | - | (7,900,000) | 24,150,000 |

The following table summarises the movement in options on issue for the year ended 30 September 2015

| 30 September 2015 | Balance at the Beginning of the Year | Issued During the Year | Exercised During the Year | Expired During the Year | Balance at the End of the Year |
|---|---|---|---|---|---|
| Unquoted options exercisable at 64 cents each on or before 25 February 2015 | 6,750,000 | - | - | (6,750,000) | - |
| Unquoted options exercisable at 84 cents each on or before 27 February 2016 | 6,750,000 | - | - | - | 6,750,000 |
| Unquoted options exercisable at 23 cents each on or before 28 February 2017 | 2,000,000 | - | - | - | 2,000,000 |
| Unquoted options exercisable at 45 cents each on or before 16 April 2015 | 1,000,000 | - | - | (1,000,000) | - |
| Unquoted options exercisable at 9 cents each on or before 31 October 2015 | 1,280,000 | - | (130,000) | - | 1,150,000 |
| Unquoted options exercisable at 6 cents each on or before 28 February 2019 | 11,500,000 | - | - | - | 11,500,000 |
| Unquoted options exercisable at 6 cents each on or before 18 March 2017 | 500,000 | | | - | 500,000 |
| Unquoted options exercisable at 8 cents each on or before 4 September 2018 | - | 3,150,000 | | - | 3,150,000 |
| Total | 29,780,000 | 3,150,000 | (130,000) | (7,750,000) | 25,050,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

| 17. CONTRIBUTED EQUITY AND RESERVES (continued) | Consolidated 2016 $ | 2015 $ |
|---|---|---|
| **(d) Reserves** | | |
| **Share based payments reserve** | | |
| Balance at beginning of year | 7,686,038 | 7,565,740 |
| Share based payments | 154,300 | 120,298 |
| Balance at end of year | 7,840,338 | 7,686,038 |

**Nature and purpose of reserves**

*General reserve*

This reserve records fair value changes on available for sale financial assets. There were no available for sale financial assets as at 30 September 2016.

*Share based payments reserve*

The share based payments reserve is used to recognise the fair value of options issued.

| | Consolidated 2016 $ | 2015 $ |
|---|---|---|
| **18. ACCUMULATED LOSSES** | | |
| Balance at the beginning of the year | (55,483,670) | (51,787,431) |
| Net profit/(loss) attributable to members of Thundelarra Limited | (5,514,791) | (3,696,239) |
| Balance at the end of the financial year | (60,998,461) | (55,483,670) |

**19. COMMITMENTS AND CONTINGENCIES**

**(i) Exploration commitments**

| | | |
|---|---|---|
| Within one year | 621,403 | 375,262 |
| Later than one year but not later than five years | 1,206,447 | 457,102 |
| Later than five years | 213,350 | 236,731 |
| | 2,041,200 | 1,069,095 |

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

If the Group decides to relinquish certain tenements and / or does not meet these obligations, assets recognised in the Consolidated Statement of Financial Position may require review to determine the appropriateness of the carrying values. The sole transfer or farm out of exploration rights to third parties will reduce or extinguish these obligations.

**(ii) Operating lease commitments**

Operating lease commitments are as follows:

| | | |
|---|---|---|
| Office rental | | |
| Within one year | 92,479 | 110,398 |
| Later than one year but not later than five years | - | 85,032 |
| Later than five years | - | - |
| | 92,479 | 195,430 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

**20. COMMITMENTS AND CONTINGENCIES (continued)**

**(ii) Operating lease commitments (continued)**

The Group has entered into a commercial property lease on its corporate office premises. The non-cancellable lease expires 31 May 2017. The lease includes a clause to enable an upward revision of rental charge on an annual basis of a fixed percentage increase.

**(iii) Bank Guarantees**

At 30 September 2016 the Group has outstanding $50,000 (2015: $100,000) as a current guarantee provided by the bank for corporate office lease.

**(iv) Native Title**

At the date of this report, there are no claims lodged in relation to tenements held by the Group.

**21. SHARE BASED PAYMENTS**

**(a) Type of share based payment plan**

*Employee Share Option Plan*

Options are granted under the Company Employee Share Option Plan (ESOP) which was approved by the shareholders on 26 February 2016. The ESOP is available to any person who is a director, or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company ("Eligible Person").

Subject to the Rules set out in ESOP and the Listing Rules, the Company (acting through the Board) may offer options to any Eligible Person at such time and on such terms as the Board considers appropriate.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

The expense recognised in the income statement in relation to share based payments is disclosed in Note 4.

**(b) Summary of options granted**

The following table illustrates the number and weighted average prices (WAEP) of and the movements in share options issued during the year in respect of share based payments.

| | Number 2016 | WAEP 2016 $ | Number 2015 | WAEP 2015 $ |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 25,050,000 | 0.29 | 29,780,000 | 0.39 |
| Granted during the year | 7,000,000 | 0.09 | 3,150,000 | 0.08 |
| Lapsed during the year | (7,900,000) | 0.73 | (7,750,000) | 0.62 |
| Exercised during the year | - | - | (130,000) | 0.09 |
| Outstanding at the end of the year | 24,150,000 | 0.09 | 25,050,000 | 0.29 |
| Exercisable at the end of the year | 24,150,000 | 0.09 | 25,050,000 | 0.29 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 21. SHARE BASED PAYMENTS (continued)

The outstanding balance as at 30 September 2016 is represented by:

| Date options granted | Expiry date | Exercise price of options | Number of options |
|---|---|---|---|
| 7 March 2012 | 28 February 2017 | $0.23 | 2,000,000 |
| 28 February 2014 | 28 February 2019 | $0.06 | 11,500,000 |
| 18 March 2014 | 18 March 2017 | $0.06 | 500,000 |
| 4 September 2015 | 4 September 2018 | $0.08 | 3,150,000 |
| 26 February 2016 | 26 November 2021 | $0.08 | 3,000,000 |
| 27 July 2016 | 30 June 2018 | $0.10 | 4,000,000 |
| | | | 24,150,000 |

Please refer to Shares Under Option table in the Directors Report for movements since year end.

**(c) Weighted average remaining contractual life**
The weighted average remaining contractual life for the share options outstanding as at 30 September 2016 is 2.28 years (2015 – 2.19 years).

**(d) Range of exercise price**
The range of exercise prices for options outstanding at the end of the year was $0.06 to $0.23 (2015 - $0.06 to $0.84).

**(e) Weighted average fair value**
The weighted average fair value of options granted during the year was $0.02 (2015 - $0.04)

**(f) Options pricing model**
The fair value of the equity-settled share options granted under the plan is estimated as at the date of grant using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the year ended 30 September 2016.

| | | |
|---|---|---|
| Number of Options | 3,000,000 | 4,000,000 |
| Option exercise price | $0.08 | $0.10 |
| Expiry date | 26 February 2021 | 30 June 2018 |
| Expected life of the option (years) | 5 | 2 |
| Vesting period (months) | Nil | Nil |
| Dividend yield (%) | Nil | Nil |
| Expected volatility (%) | 86% | 80% |
| Risk-free interest rate (%) | 1.91% | 1.56% |
| Discount for unquoted security | 30% | - |
| Closing share price at grant date (cents) | $0.055 | $0.066 |
| Vesting date | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 21. SHARE BASED PAYMENTS (continued)

The following table lists the inputs to the model used for the year ended 30 September 2015

| | |
|---|---|
| Number of Options | 3,150,000 |
| Option exercise price | $0.08 |
| Expiry date | 4 September 2018 |
| Expected life of the option (years) | 3 |
| Vesting period (months) | Nil |
| Dividend yield (%) | Nil |
| Expected volatility (%) | 98.64% |
| Risk-free interest rate (%) | 1.77% |
| Discount for unquoted security | - |
| Closing share price at grant date (cents) | $0.068 |
| Vesting date | - |

### 22. REMUNERATION OF AUDITORS

| | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|
| The auditor of Thundelarra Limited is Stanton's International for: | | |
| • An audit or review of the financial report of the consolidated entity | 28,826 | 38,346 |
| • Valuation of Options issued to employees and advisers | 950 | - |
| • Independent experts report for shareholders in relation to the acquisition of Red Dragon Mines NL. | 8,525 | - |
| | 38,301 | 38,346 |

### 23. RELATED PARTY DISCLOSURES

**(a) Directors**

There were no fees received in the normal course of business in 2016 and 2015 for office rental, administrative and employees services from companies of which P G Crabb, F DeMarte and M R J Randall are directors and shareholders.

There were no fees paid in the normal course of business in 2016 and 2015 for employees services from companies of which P G Crabb, F DeMarte and M R J Randall are directors and shareholders.

**(b) Loans with key management personnel and their related entities**

There were no loans to key management personnel and their related entities during the year.

**(c) Subsidiaries**

The Group consists of the Parent and its wholly owned controlled entities set out in Notes 11 and 23.

Transactions between the Parent and its wholly owned controlled entities during the year ended 30 September 2016 consists of loans advanced by the Parent totalling $1,110,751 (2015: $1,085,907). The loans outstanding at 30 September 2016 total $17,413,243 (2015: $16,302,492). The loans provided are unsecured, interest free and have no fixed term of repayment. There were no repayments made during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 24. CONTROLLED ENTITIES

| | | Percentage Interest Held | | Carrying amount of Parent Entity's Investment | |
|---|---|---|---|---|---|
| **Name** | **Country of Incorporation** | **2016 %** | **2015 %** | **2016 $** | **2015 $** |
| Element 92 Pty Ltd | Australia | 100 | 100 | - | - |
| Red Dragon Mines NL (1) | Australia | 100 | - | - | - |

Note 1: Red Dragon Mines NL was acquired by the Company on 18 December 2015.

### 25. INTEREST IN JOINT VENTURES

The Company has interests in several joint ventures as follows:

The Consolidated Entity also has a number of other interests in joint ventures to explore for uranium and other minerals. The Consolidated Entity's share of expenditure in respect of these exploration and evaluation activities is either expensed or capitalised depending on the stage of development and no revenue is generated. At 30 September 2016 all capitalised costs were written off.

The Consolidated Entity's share of capitalised expenditure in respect to these joint venture activities is as follows:

| Joint Venture | Principal Activities | Percentage Interest 2016 | Percentage Interest 2015 | Expenditure Capitalised 2016 $ | Expenditure Capitalised 2015 $ |
|---|---|---|---|---|---|
| Breakaway JV | Base metals | 20% | 20% | - | - |
| Red Bore JV | Base metals | 90% | 90% | - | - |
| Curara Well JV | Base metals | 90% | 90% | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 26. FINANCIAL INSTRUMENTS

(a) The Group's principal financial instruments comprise of cash, short term deposits and other financial assets. The Group has various other financial assets and liabilities such as trade receivables and trade payables. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken, except for other financial assets which have been sold for working capital purposes. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, equity risk and credit risk.

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

| | Floating Interest Rate | | Fixed Interest Rate – 1 year or less | | Non-interest bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| **Consolidated** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** | **2016 $** | **2015 $** |
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | 508,917 | 304,173 | 3,309,000 | 3,700,000 | - | - | 3,817,917 | 4,004,173 |
| Trade and other receivables | - | - | 324,706 | 374,706 | 101,627 | 55,415 | 426,333 | 430,121 |
| Other financial assets | - | - | - | - | 407,687 | 128,132 | 407,687 | 128,132 |
| Total Financial Assets | 508,917 | 304,173 | 3,633,706 | 4,074,706 | 509,314 | 183,547 | 4,651,937 | 4,562,426 |
| **Financial Liabilities** | | | | | | | | |
| Trade and other payables | - | - | - | - | (313,935) | (239,686) | (313,935) | (239,686) |
| Total Financial Liabilities | - | - | - | - | (313,935) | (239,686) | (313,935) | (239,686) |
| Net Financial Assets/(Liabilities) | 508,917 | 304,173 | 3,633,706 | 4,074,706 | 195,379 | (56,139) | 4,338,002 | 4,322,740 |
| Weighted Average Interest Rate | 0.75% | 0% | 2.81% | 2.87% | | | | |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 26. FINANCIAL INSTRUMENTS (continued)

| Reconciliation of net financial assets/ (liabilities) to net assets | Consolidated 2016 $ | Consolidated 2015 $ |
|---|---|---|
| Net Financial Assets/(Liabilities) as above | 4,338,002 | 4,322,740 |
| Property, plant and equipment | 143,963 | 188,325 |
| Exploration & evaluation expenditure | - | - |
| Intangibles | - | - |
| Provisions | (178,524) | (259,373) |
| Net Assets per Statement of Financial Position | 4,303,441 | 4,251,692 |

The net fair value of all financial assets and liabilities at balance date approximate to their carrying value. The main risk the Company is exposed is through financial instruments credit risk, commodity risk and market risk consisting of interest rate risk and equity price risk.

(a) ***Interest Rate Risk***
The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities, is disclosed under point (a) above.

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

(b) ***Credit Risk***
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. Risk is also minimised by investing surplus funds with financial institutions that maintain a high credit rating.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Group believes that all outstanding receivables are recoverable and there are no past due receivables as at balance date.

(c) ***Net Fair Value of Financial Assets and Liabilities***
The net fair value of the financial assets and financial liabilities approximates their carrying value, except for the fair value of equity investments traded on organised markets which have been valued by reference to the market prices prevailing at balance date for those equity investments.

(d) ***Liquidity Risk***
The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the Group's current and future operations.

The Group believes that all outstanding payables can be paid when due and there are no past due payables as at the balance date.

(e) ***Commodity Price Risk***
At the 30 September 2016, the Group does not have any financial instruments subject to commodity price risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 27. SENSITIVITY ANALYSIS

***(a) Fair Value Risk***

The Group has exposure to the movement in fair values of its held for trading financial assets.

Based on fair values at 30 September 2016, a 10% change in fair values will have the following impact on loss before tax and equity before tax.

| | Consolidated | |
|---|---|---|
| | **2016 $** | **2015 $** |
| Loss before tax: | | |
| Available for sale financial assets | - | - |
| Held for trading financial assets | | |
| Equity: | | |
| Available for sale financial assets | | |
| Held for trading financial assets | - | - |

***(b) Interest Rate Risk***

The following table represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

| **Consolidated 30 September 2016** | **Carrying Amount $** | **Interest Rate Risk -1%** | | **Interest Rate Risk + 1%** | |
|---|---|---|---|---|---|
| | | **Net loss $** | **Equity $** | **Net loss $** | **Equity $** |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 3,817,917 | (38,179) | (38,179) | 38,179 | 38,179 |
| Other receivables interest bearing | 324,706 | (3,247) | (3,247) | 3,247 | 3,247 |
| Totals | 4,142,623 | (41,426) | (41,426) | 41,426 | 41,426 |

| **Consolidated 30 September 2015** | **Carrying Amount $** | **Interest Rate Risk -1%** | | **Interest Rate Risk + 1%** | |
|---|---|---|---|---|---|
| | | **Net loss $** | **Equity $** | **Net loss $** | **Equity $** |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 4,004,173 | (40,042) | (40,042) | 40,042 | 40,042 |
| Other receivables interest bearing | 374,706 | (3,747) | (3,747) | 3,747 | 3,747 |
| Totals | 4,378,879 | (43,789) | (43,789) | 43,789 | 43,789 |

None of the Group's financial liabilities are interest bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

### 28. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the Directors are not aware of matter or circumstance not otherwise dealt with in this report or the financial statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 September 2016 financial report:

*Research Development Refund*
In October 2016, the Company received Research & Development refund of $401,256 for 2014/2015.

*Granting of Employee Options*
In November 2016, The Company issued 4,350,000 unquoted options to eligible employees, vesting on the date which is 6 months from the issue date, exercisable at 6 cents each and expiring on 14 November 2019.

*Disposal of Listed Securities*
In December 2016, the Company disposed of 3,203,656 shares in the Intiger Group Limited for an amount of $245,713.

### 29. CONTINGENT LIABILITIES

The consolidated entity is not aware of any contingent liabilities which existed as at the end of the financial year or have arisen as at the date of this report.

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Thundelarra Limited I state that:

In the opinion of the directors:

(a) the financial statements and notes and the additional disclosures included in the Directors' report designated as audited, of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2016 and of its performance for the year ended on that date; and

 (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the financial report also complies with International Financial Reporting Standards as described in note 2(b).

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 September 2016.

On behalf of the Board

**FRANK DEMARTE**
**Executive Director**

Perth, Western Australia

14 December 2016

Stantons International Audit and Consulting Pty Ltd
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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THUNDELARRA LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Thundelarra Limited, which comprises the consolidated statement of financial position as at 30 September 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's Opinion*

In our opinion:

(a) the financial report of Thundelarra 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 September 2016 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 consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 10 to 18 of the directors' report for the year ended 30 September 2016. 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 Thundelarra Limited for the year ended 30 September 2016 complies with section 300A of the *Corporations Act 2001.*

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

Stantons International

**Samir R. Tirodkar**
Director

West Perth, Western Australia
14 December 2016

Stantons International Audit and Consulting Pty Ltd
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14 December 2016

Board of Directors
Thundelarra Limited
Suite 8
186 Hampden Road
NEDLANDS, WA 6009

Dear Directors

**RE: THUNDELARRA LIMITED**

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

As Audit Director for the audit of the financial statements of Thundelarra Limited for the year ended 30 September 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

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

**Samir R. Tirodkar**

**Director**