# eSports Mogul Asia Pacific Limited

## Appendix 4E Preliminary Final Report

1. **Reporting period**
   - Year ended 31 December 2016

   **Previous corresponding period**
   - Year ended 31 December 2015

2. **Results for announcement to the market**

| | 31 December 2016 Current Year $ | Percentage Change Up /(Down) $ | Change Up / (Down) $ | 31 December 2015 Previous Corresponding Year $ |
|---|---|---|---|---|
| 2(a) Revenue from ordinary activities | 9,760 | 39% | 2,721 | 7,039 |
| 2(b) Loss from ordinary activities after tax | (2,418,477) | 26% | 494,851 | (1,923,626) |
| 2(c) Net Loss for the year attributable to members | (2,418,477) | 26% | 494,851 | (1,923,626) |

2(d) Dividends: The Company does not propose to pay any dividends in the current year.

2(e) Record Date: Not applicable

2(f) See attached Director's Report

3. **Statement of Profit or Loss and Other Comprehensive Income**
   - See attached Annual Report

4. **Statement of Financial Position**
   - See attached Annual Report

5. **Statements of Cash Flows**
   - See attached Annual Report

6. **Statements of Changes in Equity / Statement of Retained Earnings**
   - See attached Annual Report

7. **Dividends**
   - The Company does not propose to pay any dividends in the current year.

**8. Dividend reinvestment plan**

- The Company does not propose to pay any dividends in the current year and does not have a dividend reinvestment plan.

**9. Net tangible assets per security**

| | **Current Year (31 December 2016)** | **Previous Corresponding Year (31 December 2015)** |
|---|---|---|
| Cents per ordinary share | 0.4 cents | 0.15 cents |

**10. Details of entities over which control has been gained or lost**

- **Control gained over entities:** Please refer to Note 11 of the attached Annual Report
- **Control lost over entities:** Not applicable

**11. Details of Associates / Joint Ventures**

- Not applicable

**12. Other significant information**

- Not applicable

**13. Accounting Standards**

- **For foreign entities, the set of accounting standards used in compiling the report:** Not applicable

**14. Results of the period**

- Refer to Director's Report in attached Annual Report

**15. Statement on the financial statements**

- Financial Statements are based on audited accounts.

**16. Unaudited Accounts**

- Not applicable

**17. Auditor's audit report**

- **For all entities, if the accounts are subject to audit dispute or qualification, include a description of the dispute or qualification:** Not applicable

# *eSports Mogul Asia Pacific Limited*
# *(formerly Volta Mining Limited)*

***(ACN 148 878 782)***

## *Annual Report*

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*For the year ended 31 December 2016*

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## *CONTENTS*

# ***CORPORATE DIRECTORY***

***NON- EXECUTIVE CHAIRMAN***
Adam Jacoby

***MANAGING DIRECTOR***
Gernot Abl

***NON-EXECUTIVE DIRECTOR & COMPANY SECRETARY***
George Lazarou

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Telephone: +61 (2) 8915 1000
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**BANKERS**
ANZ
1275 Hay Street
WEST PERTH WA 6005

**STOCK EXCHANGE LISTING**
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: ESH, ESHO

## *DIRECTORS' REPORT*

The directors present the following report on eSport Mogul Asia Pacific Limited (“the Company”) and the entities it controlled (“Group”) during or at the end of the financial year ended 31 December 2016.

### *1. DIRECTORS*

The names and details of the Company’s directors in office during and since the financial year end until the date of the report are as follows.

| | |
|---|---|
| Mr Adam Jacoby | – Non-Executive Chairman (appointed 31 December 2016) |
| Mr Gernot Abl | – Managing Director (appointed 14 November 2016) |
| Mr George Lazarou | – Non-Executive Director |
| Mr David Sumich | – Executive Chairman (resigned 31 December 2016) |
| Mr Peter Smith | – Non-Executive Director (resigned 14 November 2016) |

### *INFORMATION ON DIRECTORS*

| | |
|---|---|
| **Adam Jacoby** | **Non-Executive Director (appointed 31 December 2016)** |
| **Qualifications** | Master of Entrepreneurship and Innovation |
| **Experience** | Mr Jacoby was previously Chief Executive Officer of global sports travel business, Sportsnet Corporation, which was BRW’s Fastest Growing Private Company (under $100 million) in 2010. Prior to that he was the founder and CEO of IMS Sports, a leading sports marketing and athlete management business, from 1996 to 2003, and co-founder and General Manager of sport & leadership content company LFL Media from 2005 to 2008.<br><br>Amongst other roles, Mr Jacoby was also a founding director of Mummu Sport, from 2010 to 2015. Mummu Sport is a world leader in sports travel logistics, and was a BRW Fast Starter Award winner and Top 10 in Smart Company's Smart 50 Awards in 2015.<br><br>Mr Jacoby is currently a Non-Executive Director of globally focussed but Melbourne based, Centre for the Future and the Founder, Chief Steward and Council Member of the fast-growing global pro-democracy movement, MiVote. |
| **Interest in Shares** | 250,000 Fully paid Ordinary Shares |
| **Gernot Abl** | **Managing Director (appointed 14 November 2016)** |
| **Qualifications** | B.Com & Law (First Class Honours in Finance), Finsia (Applied Finance and Valuations) |
| **Experience** | Mr Abl’s background is in Law, Corporate Finance and Strategic Consulting and has over 15 years of entrepreneurial, business strategy, and investment experience gained as a management consultant with Deloitte Consulting and Deloitte Corporate Finance. Mr Abl has had significant success in the online gaming industry and currently serves as a director of several private start-up technology companies.<br><br>Mr Abl is also currently a Director with New York based eSports Hero Inc. |
| **Interest in Shares** | 20,000,000 Fully paid Ordinary Shares<br>20,000,000 Class A Performance Shares<br>20,000,000 Class B Performance Shares |

## *DIRECTORS' REPORT (Continued)*

### *INFORMATION ON DIRECTORS (Continued)*

| | |
|---|---|
| **George Lazarou** | **Non-Executive Director and Company Secretary** |
| **Qualifications** | B.Com, CA |
| **Experience** | Mr Lazarou is a qualified Chartered Accountant with over 20 years' experience, including five years as a partner of a mid-tier accounting firm, specialising in the areas of audit, advisory and corporate services. Mr Lazarou has extensive skills in the areas of corporate services, due diligence, independent expert reports, mergers & acquisitions and valuations.<br><br>Mr Lazarou also brings with him a high level of commercial skills having worked closely with publicly listed companies in the mining, building, engineering, environmental and construction industries.<br><br>Mr Lazarou is currently the Managing Director of corporate advisory firm Citadel Capital. |
| **Interest in Shares** | 951,514 Fully paid Ordinary Shares<br>713,636 Listed options exercisable at $0.05 on or before 30 October 2019 |
| **David Sumich** | **Executive Chairman (resigned 31 December 2016)** |
| **Qualifications** | B.Bus (Hons) MAICD |
| **Experience** | Mr Sumich has a Bachelor of Business from Curtin University in Western Australia, and has 22 years of experience in equity capital markets in Australia and internationally, including 10 years as a Director of companies listed on the ASX.<br><br>Mr Sumich was Managing Director and Founder of DMC Mining Limited until its on-market cash takeover on the ASX, valuing DMC at approximately A$50m. Mr Sumioch was a Director and Founder of Globe Metals & Mining Limited until the A$50m investment into Globe was made by East China Mineral Exploration and Development Bureau. |
| **Interest in Shares** | 4,375,999 Fully paid Ordinary Shares |
| **Peter Smith** | **Non-Executive Director (resigned 14 November 2016)** |
| **Qualifications** | BSc (Geophysics) |
| **Experience** | Mr Smith graduated from the University of Sydney in 1987 with a Bachelor of Science (majoring in Geophysics).<br><br>Mr Smith has 25 years' experience in mineral exploration having worked for Normandy, Pasminco, BHP Billiton and Cliffs Natural Resources as well as being a founder of Intierra. Mr Smith has also held exploration management positions in MM Mining, NGM Resources and Cliffs Natural Resources and brings a broad range of skills and experience in mineral exploration for base metals, iron ore, and gold. |
| **Interest in Shares** | 551,289 Fully paid Ordinary Shares<br>413,467 Listed options exercisable at $0.05 on or before 30 October 2019 |

The Directors have been in office to the date of this report unless otherwise stated.

***DIRECTORS' REPORT (Continued)***

***INFORMATION ON DIRECTORS (Continued)***

The position of company secretary was held by George Lazarou throughout the year and since the end of the financial year.

***Directorships of other listed companies***

Directorships of other listed companies held by directors in the three (3) years immediately before the end of the financial year are as follows:

| ***Name*** | ***Company*** | ***Period of directorship*** |
|---|---|---|
| Adam Jacoby | - | - |
| Gernot Abl | - | - |
| George Lazarou | Ultima United Limited | Appointed 12 February 2007<br>Resigned 22 September 2016 |

## *2. PRINCIPAL ACTIVITIES*

The principal activity of the Group during the financial year was mineral exploration in the Pilbara region of Western Australia.

The Group changed the nature of its principal activities on 14 November 2016 to an eSports Media Hub, which provides an online media platform through which eSports players, fans and enthusiasts can, amongst other things, view exclusive eSports content, learn how to play their favourite eSports titles, test their skills in online eSports tournaments and digitally purchase various video game titles.

## *3. OPERATING RESULTS*

The consolidated loss of the Group after providing for income tax amounted to $2,418,477 (2015: $1,923,626).

## *4. DIVIDENDS PAID OR RECOMMENDED*

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## *5. REVIEW OF OPERATIONS*

**eSports Mogul Pty Ltd**

On 14 November 2016, the Company acquired 100% of the issued capital of eSports Mogul Pty Ltd (**ESM**).

ESM is designing and developing an online subscription based eSports media platform (**ESM Media Hub**). The ESM Media Hub will contain various products and services including an eSports learning academy (**ESM Academy**), an online shop offering various gaming titles for purchase (**ESM Digital Products**), access to an online eSports tournament platform (**ESH Tournament Platform**) and access to exclusive eSports content (**ESM Productions**).

Accordingly, ESM provides an online media platform through which eSports players, fans and enthusiasts can, amongst other things, view exclusive eSports content, learn how to play their favourite eSports titles, test their skills in online eSports tournaments and digitally purchase various video game titles.

## *DIRECTORS' REPORT (Continued)*

### *5. REVIEW OF OPERATIONS (Continued)*

ESM currently has a shareholding interest of 20% in eSports Hero Inc. (**eSports Hero**) – the owner, operator and developer of the eSports Hero tournament platform (**ESH Tournament Platform**).

ESM and eSports Hero entered into a licence agreement (**Platform Licence Agreement**) under which eSports Hero grants ESM an exclusive license to market the ESH Tournament Platform as part of its ESM Media Hub, for a period of 10 years, in the APAC region, subject to certain conditions. As owner and operator, eSports Hero remains responsible for hosting, maintenance, back office support and technical upgrades associated with the ESH Tournament Platform.

ESM intends to:

- further develop its content production and creation, extend strategic relationships, and monetise its existing content library via ESM Productions;
- complete the design, development and marketing for the ESM Academy; and
- advertise, market and promote the ESM Media Hub, with an initial focus on the Australian, Singaporean and South East Asian markets.

The Australian, Singaporean and South East Asian markets have been chosen by ESM for the launch of the ESM Media Hub as ESM believes that these countries will drive superior customer engagement and revenues in contrast to other countries within the region. Common language and cultural aspects also reduce the ESM Media Hub localisation requirements.

Jurisdictions outside of Australia, Singapore and South East Asia may require aspects of the ESM Media Hub to be localised to take into account cultural differentials. Further, any decision to expand operations to other jurisdictions in the APAC region will be subject to a number of commercial and legal factors, including a consideration of any legal risks (e.g. licensing requirements) which may arise in conducting operations in the relevant jurisdictions.

**Impairment on Equity Investment**

The Directors have considered indicators of impairment in the value of its Equity Investment and have made an impairment of $1,372,065 ($2015: $Nil) against its current investment in eSports Hero Inc.

**Iron Ore Projects**

The Company, through its wholly owned subsidiaries Pilbara Commodities Pty Ltd and Commodite Resources Pty Ltd, holds a 100% interest in several exploration licences in the Pilbara region.

During the year, the Company carried out sufficient work to meet the minimum expenditure requirements on the core Iron Ore Projects, given the depressed iron ore price during most of the year.

The Board intends to seek opportunities to divest the Company’s existing iron ore assets.

**Impairment on Tenements**

The Directors have considered indicators of impairment in the value of the Capitalised Exploration and Evaluation Expenditure and have made an impairment of $16,169 ($2015: $1,132,441) against its current tenement holdings.

***DIRECTORS' REPORT (Continued)***

## *5. REVIEW OF OPERATIONS (Continued)*

**Corporate**

On completion of the eSports Mogul Pty Ltd acquisition by the Company on 14 November 2016, Mr Gernot Abl was appointed Managing Director and Mr Peter Smith resigned from the Board as a Non-Executive Director.

On 31 December 2016, Mr Adam Jacoby was appointed Non-Executive Chairman and Mr David Sumich resigned as Executive Chairman.

***Acquisition of eSports Mogul Pty***

On 2 February 2016, the Company entered into a Binding Term Sheet (**BTS**) to acquire 100% of the issued capital of eSports Mogul Pty Ltd (**ESM**) and a subsequent Share Sale Agreement (SSA) on 21 April 2016 and Deed of Variation to the Share Sale Agreement (**Deed of Variation**) on 12 July 2016 that supersedes the BTS, subject to satisfaction of a number of conditions precedent.

ESM's key assets comprise:-

(a) 10 year exclusive license to operate the eSports online tournament platform of eSports Hero Inc. (**ESH**), a New York domiciled company, in 31 Asia Pacific countries (**Platform Licence Agreement**); and

(b) A 20% interest in the total issued capital of ESH.

The consideration under the SSA is the issue of the following securities:

(a) 100,000,000 fully paid ordinary shares to the ESM shareholders in consideration for their ESM Shares (**Consideration Shares**);

(b) 100,000,000 Class A Performance Shares to the ESM shareholders – conversion upon ESM (or any of its related bodies corporate) achieving any combination of 100,000 ESM Subscribers, ESM Customers and/or ESM Players (in aggregate) and 30% Active Users (defined below) within 24 months of the date of issue;

(c) 100,000,000 Class B Performance Shares to the ESM shareholders – conversion upon ESM achieving annualised EBIT of not less than $5 million per annum, calculated over 3 consecutive months, within 60 months from the date of issue; and

(d) $2 million in eSports Mogul Asia Pacific Limited shares to the ESM convertible note holders (**ESM Convertible Note Shares**). The issue price to be at a 50% discount to the eSports Mogul Asia Pacific Limited public offer price of $0.02 per share.

**Active User** means an:

(a) ESM Subscriber that has been a paying subscriber for at least 3 months in any 6 month period within the relevant Milestone period;

(b) ESM Customer that has paid for a downloaded game from the ESM Hub Online Store in any 6 month period within the relevant Milestone period; or

(c) ESM Player who has played in at least five (5) Tournaments in any 6 month period within the relevant Milestone period.

On 11 October 2016, the Company lodged a Prospectus with ASIC in relation to an offer of: -

(a) up to 350,000,000 Shares at an issue price of $0.02 each to raise up to $7,000,000 before costs, with a minimum subscription requirement to raise at least $6,000,000 before costs (**Public Offer**);

***DIRECTORS' REPORT (Continued)***

## *5. REVIEW OF OPERATIONS (Continued)*

(b) 100,000,000 Shares, 100,000,000 Class A Performance Shares and 100,000,000 Class B Performance Shares to the Vendors (**Vendor Offer**); and
(c) 200,000,000 Shares to the Noteholders (**Noteholder Offer**),

(together, the **Offers**).

In addition to the purpose of making the Offers, the Prospectus was issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules following a change to the nature and scale of the Company's activities.

A General Meeting of shareholders to consider the resolutions in relation to the eSports Mogul Pty Ltd acquisition was held on 17 October 2016, which included changing the company name to "eSports Mogul Asia Pacific Limited". All resolutions put forward to shareholders were unanimously passed.

The Offers and acquisition of eSports Mogul Pty Ltd was completed on 14 November 2016.

## *6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS*

The following significant changes in the state of affairs of the Company occurred during the financial year:

- On 14 November 2016, the Company issued 350,000,000 fully paid ordinary shares at $0.02 per share, raising $7 million before costs under a Prospectus lodged with ASIC on 11 October 2016;
- On 14 November 2016, the Company issued 100,000,000 fully paid ordinary shares, 100,000,000 Class A Performance Shares and 100,000,000 Class B Performance Shares to shareholders of eSports Mogul Pty Ltd under a Prospectus lodged with ASIC on 11 October 2016;
- On 14 November 2016, the Company issued 200,000,000 fully paid ordinary shares, to noteholders of eSports Mogul Pty Ltd under a Prospectus lodged with ASIC on 11 October 2016;
- On 14 November 2016, the Company issued 150,000,000 listed options exercisable at $0.05 on or before 30 October 2019, as approved at the General Meeting of shareholders held on 17 October 2016 to advisers/brokers that assisted in the capital raising under the Public Offer of the Prospectus lodged with ASIC on 11 October 2016; and
- On 14 November 2016, the Company issued 13,000,000 Class A Performance Shares issued to certain members of the management team under the Company Employee Incentive Plan.

There were no other significant changes in the state of affairs of the Company during the financial year.

## *7. AFTER REPORTING DATE EVENTS*

On 8 December 2016, the Company received a letter from the lawyers acting on behalf of a third party which alleges to have entered into a binding agreement with the Company to acquire all of the issued shares in Pilbara Commodities Pty Ltd and all the rights in E47/3082. The Company denies such an agreement exists and has advised the third party as such. The third party has subsequently (on 23 January 2017) lodged caveats on tenements E47/2606 and E47/2855, which the Company is currently working to have removed.

## *DIRECTORS' REPORT (Continued)*

### *7. AFTER REPORTING DATE EVENTS (Continued)*

On 19 December 2016, a third party made an application for forfeiture with the Department of Mines and Petroleum in relation to E47/2606 and E47/2855 on the grounds that the Company has failed to comply with the expenditure conditions of both E47/2606 and E47/2855. The Company believes it has met all its expenditure conditions applicable to E47/2606 and E47/2855. An initial hearing on the matter took place on 10 February 2017 in the Perth Warden's Court, with the Perth Warden's Court adjourning the matter until 24 March 2017.

On 23 February 2017, eSports Hero Inc. was acquired by Challengeme Esports GmbH, a leading German eSports business to form a global eSports company. As a result of the acquisition, eSports Mogul will immediately utilise ChallengeMe.GG as their eSports tournament and matchmaking platform. eSports Mogul will make a strategic investment of €650,000 in ChallengeMe.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### *8. MEETINGS OF DIRECTORS*

The number of directors' meetings held during the financial year when each director held office during the financial year and the numbers of meetings attended by each director are:

| | **Directors Meetings** | |
|---|---|---|
| **Director** | **Number Eligible to Attend** | **Meetings Attended** |
| Adam Jacoby | - | - |
| Gernot Abl | 1 | 1 |
| George Lazarou | 13 | 13 |
| David Sumich | 13 | 13 |
| Peter Smith | 13 | 13 |

The Company does not have a formally constituted audit committee as the board considers that the Company's size and type of operation do not warrant such a committee.

### *9. FUTURE DEVELOPMENTS*

The Group remains committed to building shareholders value through ESM:

- further developing its content production and creation, extend strategic relationships, and monetise its existing content library via ESM Productions;
- completing the design, development, and marketing for the ESM Academy; and
- advertising, marketing and promoting the ESM Media Hub, with an initial focus on the Australian, Singaporean and South East Asian markets.

### *10. ENVIRONMENTAL ISSUES*

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The directors of the Group are not aware of any breach of environmental regulations for the year under review.

**DIRECTORS' REPORT (Continued)**

### 11. OPTIONS

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry Date | Exercise Price | Number of Shares |
|---|---|---|
| 30 October 2019 | $0.05 | 321,478,207 |

150,000,000 options with an exercise price of $0.05 and expiring on or before 30 October 2019 were issued on 14 November 2016. 43,750,000 options with various exercise and expiry dates expired during the year.

### 12. INDEMNIFYING OFFICERS OR AUDITOR

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

The Company has paid premiums to insure each Director and officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The total amount of premiums paid was $9,362.

### 13. PROCEEDINGS ON BEHALF OF COMPANY

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

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

### 14. AUDITORS INDEPENDENCE DECLARATION

The lead auditor’s independence declaration for the period ended 31 December 2016 has been received and can be found on page 18 of the annual report.

### 15. NON-AUDIT SERVICES

The following non-audit services were provided by the entity’s auditor, Moore Stephens. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Moore Stephens received or are due to receive the following amounts for the provision of non-audit services:

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Tax compliance & consultancy | 13,050 | 18,800 |
| Investigating Accountants Report | 15,000 | - |
| | 28,050 | 18,800 |

***DIRECTORS' REPORT (Continued)***

## *16. DIVERSITY*

The Company believes that the promotion of diversity on its Board and within the organisation generally is good practice and is committed to managing diversity as a means of enhancing the Company's performance. There are currently no women on the Company's board or filling senior management positions within the Company, however the Company (as set out in the Diversity Policy, further information in relation to which is set out in the Corporate Governance section on page 73 of this report) will focus on participation of women on its Board and within senior management and has set measureable objectives for achieving gender diversity.

## *17. REMUNERATION REPORT - AUDITED*

**Details of key management personnel**
The following persons were directors of the Company during the financial year unless otherwise stated:-

| | |
|---|---|
| Adam Jacoby | Non-Executive Chairman (appointed 31 December 2016) |
| Gernot Abl | Managing Director (appointed 14 November 2016) |
| George Lazarou | Non-Executive Director |
| David Sumich | Executive Chairman (resigned 31 December 2016) |
| Peter Smith | Non-Executive Director (resigned 14 November 2016) |

**Remuneration Policy**
The remuneration policy of the Group has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:-

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using a binomial option pricing method.

## *DIRECTORS' REPORT (Continued)*

### *17. REMUNERATION REPORT (Continued)*

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $250,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

**Performance based remuneration**
The Group has no performance based remuneration component built into director and executive remuneration packages.

**Company performance, shareholder wealth and director's and executive's remuneration**
The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This will be facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Group believes the policy will be effective in increasing shareholder wealth.

**Compensation of key management personnel for the period ended 31 December 2016**

| | Short-Term Benefits | Post-Employment Benefits | Share-Based Payments | | Value of equity as Proportion of remuneration |
|---|---|---|---|---|---|
| | Salary and Fees | Superannuation | Equity | Total | |
| | $ | $ | $ | $ | % |
| **Directors** | | | | | |
| Adam Jacoby * | - | - | - | - | - |
| Gernot Abl ** | 28,125 | 2,672 | - | 30,797 | - |
| George Lazarou | 44,083 | 4,188 | - | 48,271 | - |
| David Sumich *** | 149,424 | 14,195 | - | 163,619 | - |
| Peter Smith **** | 28,500 | 11,708 | - | 40,208 | - |
| **Total** | **250,132** | **32,763** | **-** | **282,895** | |

* Appointed 31 December 2016
** Appointed 14 November 2016
** Resigned 31 December 2016
*** Resigned 14 November 2016

## *DIRECTORS' REPORT (Continued)*

### *17. REMUNERATION REPORT (Continued)*

**Compensation of key management personnel for the period ended 31 December 2015**

| | Short-Term Benefits | Post-Employment Benefits | Share-Based Payments | | Value of equity as Proportion of remuneration |
|---|---|---|---|---|---|
| | Salary and Fees | Superannuation | Equity | Total | |
| | $ | $ | $ | $ | % |
| **Directors** | | | | | |
| George Lazarou | 25,000 | 2,375 | - | 27,375 | - |
| David Sumich | 60,000 | 5,700 | - | 65,700 | - |
| Peter Smith | 18,000 | 1,710 | - | 19,710 | - |
| John Hancock * | - | - | 26,959 [1] | 26,969 | 100 |
| **Total** | **103,000** | **9,785** | **26,969** | **139,754** | |

* Resigned 15 May 2015

[1] Refer to Note 27 for details of the share-based payment.

**Compensation performance shares granted during the period ended 31 December 2016**

***Class A Performance Shares***

Class A Performance Shares were issued to employees pursuant to the Company's Employee Incentive Plan as part of their remuneration package.

The terms of the Class A Performance Shares issued are as follows:-

(a) 13,000,000 Class A Performance Shares were granted on 14 November 2016;
(b) 13,000,000 Class A Performance Shares will vest upon eSports Mogul Pty Ltd (based on its assets at the time of acquisition) achieving any combination of 100,000 eSports Mogul Subscribers, eSports Mogul Customers and/or eSports Mogul Players (in aggregate) and 30% Active Users (defined below) within 24 months of the date of issue.

**Active User** means an:
- (a) eSports Mogul Pty Ltd Subscriber that has been a paying subscriber for at least 3 months in any 6 month period within to the relevant Milestone period;
- (b) eSports Mogul Pty Ltd Customer that has paid for a downloaded game from the ESM Media Hub online store in any 6 month period within to the relevant Milestone period; or
- (c) eSports Mogul Pty Ltd Player who has played in at least five (5) Tournaments in any 6 month period within to the relevant Milestone period.

For details on the valuation of the Class A Performance Shares, including models and assumptions used, please refer to Note 27.

***Remuneration policy of key management personnel***

The objective of the Group's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

***DIRECTORS' REPORT (Continued)***

## *17. REMUNERATION REPORT (Continued)*

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

**Non-Executive Directors**
The constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in a general meeting (currently $250,000). The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The remuneration policy has been tailored to increase goal congruence between shareholders and Directors. This will be facilitated through the issue of free options to Directors to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing wealth.

**Directors' fees**
A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

**Service Agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:-

| | |
|---|---|
| Name: | Adam Jacoby |
| Title: | Non-Executive Chairman |
| Agreement Commenced: | 31 December 2016 |
| Term of Agreement: | Subject to re - election every 3 years |
| Details: | Base salary of $60,000 plus superannuation per annum, to be reviewed annually by the Board. |

| | |
|---|---|
| Name: | Gernot Abl |
| Title: | Managing Director |
| Agreement Commenced: | 14 November 2016 |
| Term of Agreement: | 2 years |
| Details: | Base salary of $225,000 plus superannuation per annum, to be reviewed annually by the Board, plus payment of all reasonable travelling and other incidental costs incurred while performing his duties. 3 month termination notice by either party. |

| | |
|---|---|
| Name: | George Lazarou |
| Title: | Non-Executive Director |
| Agreement Commenced: | 14 November 2016 |
| Term of Agreement: | Subject to re - election every 3 years |
| Details: | Base salary of $36,000 plus superannuation per annum, to be reviewed annually by the Board. The Company has an Agreement with Citadel Capital Pty Ltd (Mr George Lazarou is a Director and Shareholder) for the provision of Company Secretarial and Chief Financial Officer services by Mr George Lazarou at a fixed fee of $10,000 plus GST per month. |

## *DIRECTORS' REPORT (Continued)*

### *17. REMUNERATION REPORT (Continued)*

**Retirement benefits**
Other retirement benefits may be provided directly by the Group if approved by shareholders.

**Shareholdings of key management personnel**

The movement during the reporting period in the number of shares in eSports Mogul Asia Pacific Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

| **2016** | **Balance at 1 January 2016** | **Holding on Date of Appointment** | **Bought& (Sold)** | **Holding on Date of Resignation** | **Balance at 31 December 2016** |
|---|---|---|---|---|---|
| Adam Jacoby | - | 250,000 | - | - | 250,000 |
| Gernot Abl | - | 20,000,000* | - | - | 20,000,000 |
| George Lazarou | 951,514 | - | - | - | 951,514 |
| David Sumich** | 11,840,418 | - | (7,464,419) | (4,375,999) | - |
| Peter Smith*** | 551,289 | - | - | (551,289) | - |
| | 13,343,221 | 20,250,000 | (7,464,419) | (4,927,288) | 21,201,514 |

*Relates to vendor shares as part of the acquisition of eSports Mogul Pty Ltd
** Resigned as a Director on 31 December 2016
***Resigned as a Director on 14 November 2016

**Shareholdings of key management personnel**

| **2015** | **Balance at 1 January 2015** | **Holding on Date of Appointment** | **Bought& (Sold)** | **Holding on Date of Resignation** | **Balance at 31 December 2015** |
|---|---|---|---|---|---|
| George Lazarou | 951,514 | - | - | - | 951,514 |
| David Sumich | 4,375,999 | - | 7,464,419 | - | 11,840,418 |
| Peter Smith | 369,944 | - | 181,345* | - | 551,289 |
| John Hancock** | 3,500,000 | - | - | (3,500,000) | - |
| | 9,197,457 | - | 7,645,764 | (3,500,000) | 13,343,221 |

***** Issue of Milestone A Shares
**Resigned as a Director on 15 May 2015

**Class A and Class B Performance Shareholdings of key management personnel**
The movement during the reporting period in the number of Class A and Class B Performance Shares in eSports Mogul Asia Pacific Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

| **2016** | **Balance at 1 January 2016** | **Class A Performance Shares Held on Date of Appointment** | **Class B Performance Shares Held on Date of Appointment** | **Bought& (Sold)** | **Holding on Date of Resignation** | **Class A & Class B Performance Shares Held at 31 December 2016** |
|---|---|---|---|---|---|---|
| Adam Jacoby | - | - | - | - | - | - |
| Gernot Abl | - | 20,000,000* | 20,000,000* | - | - | 40,000,000 |
| George Lazarou | - | - | - | - | - | - |
| David Sumich** | - | - | - | - | - | - |
| Peter Smith*** | - | - | - | - | - | - |
| | - | 20,000,000 | 20,000,000 | - | - | 40,000,000 |

*Relates to vendor performance shares as part of the acquisition of eSports Mogul Pty Ltd
** Resigned as a Director on 31 December 2016
***Resigned as a Director on 14 November 2016

### *DIRECTORS' REPORT (Continued)*

A Performance Share in the relevant class will convert into one Share upon achievement of:

- Class A: upon eSports Mogul (based on its assets at the time of acquisition) achieving any combination of 100,000 eSports Mogul Subscribers, eSports Mogul Customers and/or eSports Mogul Players (in aggregate) and 30% Active Users (defined below) within 24 months of the date of issue (**Milestone**).
- Class B: upon eSports Mogul (based on its assets at the time of acquisition) achieving annualised EBIT of not less than $5 million per annum, calculated over 3 consecutive months, within 60 months of the date of issue (**Milestone**).

Active User means an:

- eSports Mogul Subscriber that has been a paying subscriber for at least 3 months in any 6 month period within the relevant Milestone period;
- eSports Mogul Customer that has paid for a downloaded game from the ESM Media Hub online store in any 6 month period within the relevant Milestone period; or
- eSports Mogul Player who has played in at least five (5) Tournaments in any 6 month period within the relevant Milestone period.

**Option holdings of key management personnel**

The movement during the reporting period in the number of options over ordinary shares in eSports Mogul Asia Pacific Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

| **2016** | **Balance at 1 January 2016** | **Holding on Date of Appointment** | **Expired** | **Sold** | **Holding at Date of Resignation** | **Balance at 31 December 2016** | **Total Vested at 31 December 2016** | **Total Exercisable at 31 December 2016** |
|---|---|---|---|---|---|---|---|---|
| Adam Jacoby | - | - | - | - | - | - | - | - |
| Gernot Abl | - | - | - | - | - | - | - | - |
| George Lazarou | 713,636 | - | - | - | - | 713,636 | 713,636 | 713,636 |
| David Sumich* | 8,730,315 | - | - | (8,730,315) | - | - | - | - |
| Peter Smith** | 2,413,467 | - | (2,000,000) | - | (413,467) | - | - | - |
| | 11,857,418 | - | (2,000,000) | (8,730,315) | (413,467) | 713,636 | 713,636 | 713,636 |

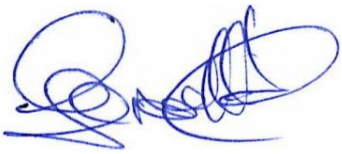
* Resigned 31 December 2016
****** Resigned 14 November 2016

| **2015** | **Balance at 1 January 2015** | **Holding on Date of Appointment** | **Entitlement Issue **** | **Exercised** | **Holding at Date of Resignation** | **Balance at 31 December 2015** | **Total Vested at 31 December 2015** | **Total Exercisable at 31 December 2015** |
|---|---|---|---|---|---|---|---|---|
| George Lazarou | - | - | 713,636 | - | - | 713,636 | 713,636 | 713,636 |
| David Sumich | - | - | 8,730,315 | - | - | 8,730,315 | 8,730,315 | 8,730,315 |
| Peter Smith | 2,000,000 | - | 413,467 | - | - | 2,413,467 | 2,413,467 | 2,413,467 |
| John Hancock* | 36,000,000 | - | - | - | (36,000,000) | - | - | - |
| | 38,000,000 | - | 9,857,418 | - | (36,000,000) | 11,857,418 | 11,857,418 | 11,857,418 |

***** Resigned 15 May 2015
** Pro-rata non-renounceable option entitlement issue as per Prospectus lodged with ASIC on 27 November 2015

### *DIRECTORS' REPORT (Continued)*

Signed in accordance with a resolution of the Board of Directors.



**Gernot Abl**
**Managing Director**

Dated this 28th day of February 2017

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF ESPORTS MOGUL ASIA PACIFIC LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

| | |
|---|---|
| **Suan-Lee Tan** | **Moore Stephens** |
| **Partner** | **Chartered Accountants** |

Signed at Perth this 28th day of February 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## For the year ended 31 December 2016

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| Revenue from continuing operations | 2 | 9,760 | 7,039 |
| Gain on settlement of liability | 32 | - | 340,074 |
| Gain on de-recognition of liability | 32 | - | 241,127 |
| | | | |
| Administration expenses | | (37,092) | (35,256) |
| Amortisation expense | | (96,296) | - |
| Compliance & professional expenses | | (404,348) | (152,159) |
| Depreciation expense | 12 | (3,948) | (3,851) |
| Employee benefits | 3 | (274,254) | (145,846) |
| Finance costs | | (1,569) | (920) |
| Impairment on equity investment | 15 | (1,372,065) | - |
| Loss on sale of plant & equipment | | (5,308) | - |
| Marketing & promotional | | (123,534) | (10,225) |
| Occupancy | | (25,322) | (20,209) |
| Travel expenses | | (13,119) | (65,770) |
| Project generation | | (48,012) | (98,067) |
| | | | |
| Loss before income tax expense | 3 | (2,395,107) | 55,937 |
| Income tax expense | 4 | - | - |
| Loss from continuing operations | | (2,395,107) | 55,937 |
| | | | |
| Impairment of exploration & evaluation expenditure (discontinued operations) | 13 | (16,169) | (1,132,441) |
| Write off exploration & evaluation expenditure (discontinued operations) | 13 | (7,201) | (5,181) |
| Loss on sale of subsidiary | 11 | - | (841,941) |
| Loss from discontinued operations | | (23,370) | (1,979,563) |
| | | | |
| **Net loss after tax** | | **(2,418,477)** | **(1,923,626)** |
| | | | |
| **Other comprehensive income** | | | |
| Other comprehensive income | | - | - |
| Income tax expense | | - | - |
| | | | |
| Other comprehensive income after tax | | - | - |
| | | | |
| **Total comprehensive loss for the period** | | **(2,418,477)** | **(1,923,626)** |
| | | | |
| Basic and diluted earnings per share (cents per share) | 25 | (0.78) | (0.88) |
| Basic and diluted earnings per share (cents per share) – continuing operations | 25 | (0.77) | 0.02 |
| Basic and diluted earnings per share (cents per share) – discontinued operations | 25 | (0.01) | (0.90) |

The Company's potential ordinary shares were not considered dilutive as the Company is in a loss position.

*The accompanying notes form part of these financial statements.*

## *CONSOLIDATED STATEMENT OF FINANCIAL POSITION*
## *As at 31 December 2016*

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 7 | 6,043,255 | 405,074 |
| Other receivables | 8 | 62,486 | 3,965 |
| Other assets | 9 | 6,298 | 8,317 |
| Non-current assets held for sale | 10 | 300,000 | - |
| **TOTAL CURRENT ASSETS** | | **6,412,039** | **417,356** |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 12 | 3,015 | 5,212 |
| Exploration and evaluation expenditure | 13 | - | 300,000 |
| Intangibles | 14 | 7,607,365 | - |
| Equity investment | 15 | 65,130 | - |
| **TOTAL NON-CURRENT ASSETS** | | **7,675,510** | **305,212** |
| **TOTAL ASSETS** | | **14,087,549** | **722,568** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | 129,530 | 51,085 |
| Provisions | 17 | (462) | 20,897 |
| **TOTAL CURRENT LIABILITIES** | | **129,068** | **71,982** |
| **NON-CURRENT LIABILITIES** | | | |
| Contingent consideration liability | 32 | 2,411,908 | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **2,411,908** | **-** |
| **TOTAL LIABILITIES** | | **2,540,976** | **71,982** |
| **NET ASSETS** | | **11,546,573** | **650,586** |
| **EQUITY** | | | |
| Issued capital | 18 | 28,229,956 | 17,200,584 |
| Option reserve | 19 | 4,088,464 | 1,821,786 |
| Share based payments reserve | 20 | 406,985 | 388,571 |
| Accumulated losses | 21 | (21,178,832) | (18,760,355) |
| Parent equity interest | | 11,546,573 | 650,586 |
| Minority interests | 22 | - | - |
| **TOTAL EQUITY** | | **11,546,573** | **650,586** |

*The accompanying notes form part of these financial statements.*

## *CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*
### *For the year ended 31 December 2016*

| | **Issued Capital** | **Accumulated Losses** | **Option Reserve** | **Share Based Payments Reserve** | **Minority Interests** | **Total** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Balance at 1 January 2016 | 17,200,584 | (18,760,355) | 1,821,786 | 388,571 | - | 650,586 |
| *Total comprehensive income for the year* | | | | | | |
| Loss for the period | - | (2,418,477) | - | - | - | (2,418,477) |
| Other comprehensive income | - | - | - | - | - | - |
| | - | (2,418,477) | - | - | - | (2,418,477) |
| *Transaction with owners in their capacity as owners:* | | | | | | |
| Capital raising - Prospectus | 7,000,000 | - | - | - | - | 7,000,000 |
| Prospectus issue costs | (2,570,628) | - | - | - | - | (2,570,628) |
| Shares issued to Vendors | 2,200,000 | - | - | - | - | 2,200,000 |
| Shares issued to Noteholders | 4,400,000 | - | - | - | - | 4,400,000 |
| Option entitlement issue | - | - | 284,453 | - | - | 284,453 |
| Option entitlement issue costs | - | - | (27,775) | - | - | (27,775) |
| Broker options | - | - | 2,010,000 | - | - | 2,010,000 |
| Issue of share based payments | - | - | - | 18,414 | - | 18,414 |
| **Balance at 31 December 2016** | **28,229,956** | **(21,178,832)** | **4,088,464** | **406,985** | **-** | **11,546,573** |

| | **Issued Capital** | **Accumulated Losses** | **Option Reserve** | **Share Based Payments Reserve** | **Minority Interests** | **Total** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Balance at 1 January 2015 | 16,732,450 | (16,836,729) | 1,625,250 | 388,571 | (831,920) | 1,077,622 |
| *Total comprehensive income for the year* | | | | | | |
| Loss for the period | - | (1,923,626) | - | - | - | (1,923,626) |
| Other comprehensive income | - | - | - | - | - | - |
| | - | (1,923,626) | - | - | | (1,923,626) |
| *Transaction with owners in their capacity as owners:* | | | | | | |
| Shares issued during the period | 441,175 | - | - | - | - | 441,175 |
| Option entitlement issue | - | - | 229,982 | - | - | 229,982 |
| Option entitlement issue costs | - | - | (33,446) | - | - | (33,446) |
| Issue of share based payments | 26,959 | - | - | - | - | 26,959 |
| Non-controlling interests removed on disposal of a subsidiary | - | - | - | - | 831,920 | 831,920 |
| **Balance at 31 December 2015** | **17,200,584** | **(18,760,355)** | **1,821,786** | **388,571** | **-** | **650,586** |

*The accompanying notes form part of these financial statements.*

## *CONSOLIDATED STATEMENT OF CASH FLOWS*
## *For the year ended 31 December 2016*

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| - Interest received | | 9,760 | 7,039 |
| - Payments to suppliers and employees | | (1,021,990) | (497,922) |
| - Payment of rent bond | | - | (900) |
| - Receipt of rent bond | | 900 | 3,547 |
| *Net cash used in operating activities* | 26 (a) | (1,011,330) | (488,236) |
| **Cash Flows from Investing Activities** | | | |
| - Payment for plant and equipment | | (3,732) | (999) |
| - Payment for exploration & evaluation | | (25,061) | (17,259) |
| - Proceeds from sale of investment | | - | 1 |
| - Acquisition of subsidiaries, net of cash acquired | | (913) | - |
| *Net cash used in investing activities* | | (29,705) | (18,257) |
| **Cash Flows from Financing Activities** | | | |
| - Proceeds from issue of shares | | 7,000,000 | - |
| - Proceeds from issue of options | | 284,701 | 229,734 |
| - Payments for cost of issue of shares | | (577,710) | - |
| - Payments for cost of issue of options | | (27,775) | (11,364) |
| *Net cash provided by financing activities* | | 6,679,216 | 218,370 |
| **Net increase/(decrease) in cash and cash equivalents held** | | 5,638,181 | (288,123) |
| **Cash and cash equivalents at beginning of financial period** | | 405,074 | 693,197 |
| **Cash and cash equivalents at end of financial period** | 26 (b) | **6,043,255** | **405,074** |

*The accompanying notes form part of these financial statements*

## *NOTES TO THE FINANCIAL STATEMENTS*
## *For the year ended 31 December 2016*

### *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES*

eSports Mogul Asia Pacific (formerly Volta Mining Limited) (the "Company") is a Company domiciled in Australia and listed on the ASX.

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

The Group is primarily an eSports Media Hub, which provides an online media platform through which eSports players, fans and enthusiasts can, amongst other things, view exclusive eSports content, learn how to play their favourite eSports titles, test their skills in online eSports tournaments and digitally purchase various video game titles

***Basis of Preparation***
The accounting policies set out below have been consistently applied to all years presented.

*Statement of Compliance*
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 for profit oriented entities. The consolidated financial report of the Group comply with International Financial Reporting Standards (lFRSs) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Board of Directors on 28th February 2017.

*Basis of Measurement*
The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value

**Functional and Presentation Currency**
These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

**Use of Estimates and Judgements**
The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

***1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***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 settlement of liabilities in the normal course of business. The Group incurred a loss of $2,418,477 for the year ended 31 December 2016 (2015: $1,923,626).

***(a) Critical Accounting Judgements, Estimates and Assumptions***

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates 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 internal valuation using a binomial option pricing model.

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

**Impairment of Exploration and Evaluation Assets**
The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:
- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

**Income Tax Expenses**
Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

**Fair Value Measurement**
The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. The fair values of financial instruments measured at amortised cost are disclosed in Note 32. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, eg., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit (CGU) at fair value less costs of disposal.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in estimates and assumptions about these inputs could affect the reported fair value.

### *(b) Principles of Consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of eSports Mogul Asia Pacific Limited ('company' or 'parent entity') as at 31 December 2016 and the results of all subsidiaries for the year then ended. eSports Mogul Asia Pacific Limited and its subsidiaries together are referred to in these financial statements as the 'group entity'.

Subsidiaries are all those entities over which the parent entity is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect returns through its power over the entity, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the group entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the group entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the group entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

### *(c) Business Combinations and Goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

### *(d) Income Tax*

**Current Tax**
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**Deferred Tax**
Deferred income tax is provided on all temporary differences at the reporting 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 where the deferred income tax liability 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 that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences 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 assets and unused tax losses can be utilised:

- except where 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 nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity are not in the profit or loss in the statement of comprehensive income.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

***1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

***(e) Exploration and Evaluation Expenditure***

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- exploration and evaluation activities in the area have not, at reporting date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

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

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

**Rehabilitation, Restoration and Environmental Costs**
Long-term environmental obligations are based on the Group’s environmental management plans, in compliance with current environmental and regulatory requirements.

The costs will include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site, when relevant.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has been incurred as at the reporting date. Increases due to additional environmental disturbance (to the extent that it relates to the development of an asset) are capitalised and amortised over the remaining lives of the mines.

Annual increases in provision relating to the change in the present value of the provision are accounted for in earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from sale of assets or from plant clean-up at closure.

***(f) Plant and Equipment***
Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

**Impairment**
The carrying amounts 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 flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the recoverable amount, the assets or cash generating units are written down to their recoverable amount.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the profit or loss in the statement of comprehensive income in the cost of sales line item.

**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 vary from 40% to 50%.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss in the statement of comprehensive income.

### *(g) Leases*
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

### *(h) Earnings Per Share*
Basic earnings per share (“EPS”) is calculated by dividing the net 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.

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

### *(i) Revenue*
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, regardless of when the payment is received.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The Group has concluded that it is the principal in all of its revenue arrangements, since it is the primary obligator in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

***Sale of goods***
Revenue from the sale of goods is recognised when the significant and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received, net of returns and allowances, trade discounts and volume rebates.

***Interest income***
Interest income is accrued when earnt.

### *(j) 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 Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### *(l) Impairment*

**Financial Assets**
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Groups that share similar credit risk characteristics. All impairment losses are recognised either in the profit or loss in the statement of comprehensive income or revaluation reserves in the period in which the impairment arises.

## *NOTES TO THE FINANCIAL STATEMENTS*
## *For the year ended 31 December 2016*

### *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

**Exploration and Evaluation Assets**
Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.

Exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

**Non-Financial Assets Other Than Exploration and Evaluation Assets**
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exits.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

***(m) Non-current assets classified as held for sale***
A non-current asset classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

***(n) 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 profit or loss in the statement of comprehensive income.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

***1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss in the statement of comprehensive income.

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 reporting date.

***(o) Other Intangible Assets – Platform License***

Such assets are recognised at cost of acquisition. This asset currently represents the platform license arrangement under which the Company has exclusive licence to market the eSports Hero Inc (ESH) Tournament Platform as part of its eSports Media Hub for a period of ten years. Accordingly, the capitalised licenced fee is being amortised over the authorised period of the licence of ten years. The useful life and amortisation method shall be reviewed at the end of each annual reporting period.

***(p) 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 outlay of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where 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 profit or loss in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

***(q) Employee Benefits***

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

***(r) Trade and Other Payables***

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

### *(s) Share-Based Payment Transactions*

The Company provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transaction").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

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 number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. 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.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award 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 increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where 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.

### *(t) Issued Capital*

Ordinary shares are classified as equity.

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

### *(u) Trade and Other Receivables*

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment is raised when there is objective evidence that the Group will not be able to collect the debt.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

### *(v) Comparatives*
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

### *(w) Fair Value Measurement*
Fair values of financial instruments measured at amortised cost are disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which value measured or disclosed in the financial statements are categorised within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Board determines the policies and procedures for both recurring fair value measurement, such as derivatives, and non-recurring measurement, such as impairment tests.

At each reporting date, the Board analyses the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Group's accounting policies. For this analysis, the Board verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The Board also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### *(x)* **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

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

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

  The Directors are currently assessing the potential impact on the Group's financial statements from the adoption of AAS9 and a reasonable estimate of such an impact (if any), shall be disclosed in the subsequent annual financial report.

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

  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. 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.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The Directors are currently assessing the potential impact on the Group's financial statements from the adoption of AASB 15 and a reasonable estimate of such an impact (if any) shall be disclosed in the subsequent annual financial report.

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements , it is impractical at this stage to provide a reasonable estimate of such impact, given the Group's existing operating lease commitments as disclosed in Note 31.

*NOTES TO THE FINANCIAL STATEMENTS*
*For the year ended 31 December 2016*

| | 2016 $ | 2015 $ |
|---|---|---|
| ***2. REVENUE FROM CONTINUING ACTIVITIES*** | | |
| Interest received | 9,760 | 7,039 |
| ***3. EXPENSES*** | | |
| Loss has been determined after the following specific expenses: | | |
| - Auditing or reviewing the financial report | 30,058 | 27,060 |
| - Depreciation | 3,948 | 3,851 |
| - Operating lease expense - rental | 19,066 | 19,878 |
| Employee benefits expense: | | |
| - Annual leave | (21,359) | 3,077 |
| - Director's fees | 72,583 | 43,000 |
| - Income protection insurance | 3,305 | 3,025 |
| - Share based payments | 18,413 | 26,959 |
| - Superannuation | 23,763 | 9,785 |
| - Wages | 177,549 | 60,000 |
| | 274,254 | 145,846 |

***4. INCOME TAX***

**(a) The components of tax expense comprise:**

| | | |
|---|---|---|
| Current income tax | - | - |
| Deferred tax | - | - |
| | - | - |

**(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:**

| | | |
|---|---|---|
| Prima facie tax benefit on loss before income tax at 30% | (718,533) | 16,781 |
| Add tax effect of: | | |
| - Other non-allowable items | 475,328 | 21,641 |
| - Revenue losses not recognised | 377,087 | 109,665 |
| - Other deferred tax balances not recognised | (133,882) | 26,273 |
| - Other non-assessable items | - | (174,360) |
| Income tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income from continuing operations | - | - |

## *NOTES TO THE FINANCIAL STATEMENTS*
## *For the year ended 31 December 2016*

### *4. INCOME TAX (Continued)*

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30% from discontinued operations: | (7,011) | (593,869) |
| Add tax effect of: | | |
| - Other non-assessable items | 4,851 | 592,314 |
| - Deferred tax balances not recognised | (132,705) | (135,477) |
| - Revenue losses not recognised | 134,865 | 137,032 |
| Income tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income from discontinued operations | - | - |
| Income tax expense / (benefit) attributable to entity: | | |
| Income tax expense / (benefit) from continuing operations | - | - |
| Income tax expense / (benefit) from discontinued operations | - | - |
| | - | - |

**(c) Deferred tax recognised at 30%:**

| | 2016 | 2015 |
|---|---|---|
| ***Deferred tax liabilities*** | | |
| Other | 139 | - |
| ***Deferred tax assets*** | | |
| Carried forward revenue losses | 139 | - |
| Net tax deferred | - | - |

**(d) Unrecognised deferred tax assets at 30%:**

| | 2016 | 2015 |
|---|---|---|
| Exploration and evaluation expenditure | 1,456,107 | 1,582,303 |
| Carried forward revenue losses | 2,217,069 | 1,533,978 |
| Carried forward capital losses | 1,946,837 | 1,946,837 |
| Capital raising costs | 699,272 | 81,587 |
| Provisions and accruals | 6,000 | 18,294 |
| Intangible - Licences | 21,151 | - |
| | 6,346,436 | 5,162,999 |

**(e) The tax benefits of the above Deferred Tax Assets will only be obtained if:**

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
(ii) the Group continues to comply with the conditions for deductibility imposed by law; and
(iii) no changes in income tax legislation adversely affect the Group in utilising benefits.

**(f) Tax Consolidation**

eSports Mogul Asia Pacific Limited and its wholly owned Australian resident subsidiaries formed a tax consolidated group with effect from 5 February 2014. eSports Mogul Asia Pacific Limited is the head entity of the tax consolidated group.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

### *5. AUDITOR'S REMUNERATION*

| | 2016 $ | 2015 $ |
|---|---|---|
| Remuneration of the auditor Moore Stephens: | | |
| - Auditing and reviewing the financial statements of Group | 30,058 | 27,060 |

### *6. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES*

No dividends were paid during the year. No recommendation for payment of dividends has been made.

### *7. CASH AND CASH EQUIVALENTS*

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Cash at bank and on hand | 6,043,255 | 405,074 |

### *8. OTHER RECEIVABLES*

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| GST receivable | 62,486 | 3,965 |

### *9. OTHER ASSETS*

| | 2016 $ | 2015 $ |
|---|---|---|
| **Current** | | |
| Other debtors | 137 | 247 |
| Prepayments | 5,461 | 6,670 |
| Bond on office rental | 700 | 1,400 |
| | 6,298 | 8,317 |

### *10. NON-CURRENT ASSETS HELD FOR SALE*

| | 2016 $ | 2015 $ |
|---|---|---|
| **Mining Tenements** | | |
| Balance at beginning of reporting period | - | - |
| Reclassification from exploration and evaluation assets to held for sale assets [1] | 300,000 | - |
| Balance at end of reporting period | 300,000 | - |

[1] The Group holds exploration tenements surplus to its operational requirements. Various properties have been identified as property for future sales. The Group anticipates that all the mining and exploration tenements in the closing balance will be disposed of in the next reporting period. See also note 1(m) non-current assets (or disposal groups) classified as held for sale.

## NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2016

### 11. INTERESTS IN CONTROLLED ENTITIES

#### (a) Controlled entities consolidated

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

| Name | Country of Incorporation | Class of Shares | Equity Holding* | | Investment($)** | |
|---|---|---|---|---|---|---|
| | | | 2016 | 2015 | 2016 | 2015 |
| Pilbara Commodities Pty Ltd | Australia | Ordinary | 100% | 100% | 300,000 | 300,000 |
| Commodite Resources Pty Ltd | Australia | Ordinary | 100% | 100% | - | - |
| eSports Mogul Pty Ltd | Australia | Ordinary | 100% | - | 9,021,908 | - |
| | | | | | 9,321,908 | 300,000 |

* Percentage of voting power is in proportion to ownership.
** An impairment of $Nil (2015: $100,000) has been made against Pilbara Commodities Pty Ltd.

#### *(b)* Acquisition of eSports Mogul Pty Ltd

On 14 November 2016, the Company acquired all the issued capital of eSports Mogul Pty Ltd with the Company entitled to all profits from 14 November 2016 for a purchase consideration of $2,210,000, being the issue of 100,000,000 fully paid ordinary shares at an issue price of $0.022 (share price at date of acquisition) and $10,000 in cash.

Further consideration in the form of 100,000,000 Class A Performance Shares and 100,000,000 Class B Performance Shares were issued to the shareholders of eSports Mogul Pty Ltd, which converts into one fully paid ordinary if the Class A and Class B Performance Shares milestones are met within an agreed period of time.

The fair value of Class A and Class B Performance Shares granted during the period was calculated using a discounted cash flow methodology and determined on the basis of the agreed consideration to be paid for achieving the milestone within the time period, weighted by the probability of meeting the milestone. The discount rate used is based on the Group's weighted average cost of capital and totalled $2,411,908.

The Company issued 200,000,000 fully paid ordinary shares at an issue price of $0.022 (share price at date of issue) to the Convertible Noteholders of eSports Mogul Pty Ltd as full consideration to extinguish the convertible notes.

The assets and liabilities arising from the acquisition are as follows:

| | Acquiree's Carrying Amount $ | Fair Value $ |
|---|---|---|
| Cash and cash equivalents | 9,087 | 9,087 |
| Other receivables | 13,698 | 13,698 |
| Plant and equipment | 3,327 | 3,327 |
| Equity investments | 1,437,195 | 1,437,195 |
| Intangible – License fee | - | 7,703,661 |
| Payables | (145,060) | (145,060) |
| Net assets acquired | 1,318,247 | 9,021,908 |

*NOTES TO THE FINANCIAL STATEMENTS*
***For the year ended 31 December 2016***

### *11. INTERESTS IN CONTROLLED ENTITIES (Continued)*

The excess consideration paid over the carrying value of the net assets acquired has been attributed to the value of the intangible asset. The intangible asset represents eSports Mogul Pty Ltd (ESM) having entered into a Platform License Agreement under which eSports Hero Inc (ESH) grants ESM an exclusive license to market the ESH Tournament Platform as part of its ESM Media Hub, for a period of 10 years, in the APAC region, subject to certain conditions.

Direct costs relating to the acquisition have been expensed in the statement of comprehensive income.

The value of the consideration paid for eSports Mogul Pty Ltd was highly sensitive to the market value of the Company shares issued. A relatively minor change in the market value of the shares would have had a significant impact on the value of the consideration paid, and therefore the value attributable to the intangible asset acquired.

***Sensitivity analysis for consideration paid***

Sensitivity analysis showing the market value of the shares, and the resulting fair value of the intangible asset acquired is shown below. The value of the intangible asset acquired therefore represents a critical accounting estimate for the year ended 31 December 2016.

| Event | Date of Event | Share Price | Fair Value of Consideration | Estimated Fair Value of Intangible Asset Acquired |
|---|---|---|---|---|
| Entered into Binding Term Sheet | 2 February 2016 | $0.024 | $9,841,173 | $8,552,926 |
| Delays in Notice of Meeting approval | 24 August 2016 | $0.01 | $4,106,322 | $2,788,075 |
| Shareholder approval (suspension of Company) | 17 October 2016 | $0.022 | $9,021,908 | $7,703,661 |
| Shares issued to eSports Mogul Pty Ltd shareholders (acquisition date) | 14 November 2016 | $0.022 | $9,021,908 | $7,703,661 |
| Financial year end | 31 December 2016 | $0.025 | $10,250,805 | $8,932,558 |

From the date of acquisition eSports Mogul Pty Ltd has contributed no revenue and $1,459,848 as a loss before tax from continuing operations of the Group.

Had eSports Mogul Pty Ltd been acquired on 1 January 2016, the loss before tax for the year of $4,535,888 would have been included in the consolidated profit and loss account for the year ended 31 December 2016.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

### *11. INTERESTS IN CONTROLLED ENTITIES (Continued)*

**Analysis of cash flows & equity settled share based payments on acquisition**

| Details of these transaction are as follows: | **2016 $** | **2015 $** |
|---|---|---|
| Purchase consideration | 9,021,908 | - |
| Consisting of: | | |
| - Cash | 10,000 | - |
| - Issued capital | 2,200,000 | - |
| - Deferred consideration | 2,411,908 | - |
| - Issued capital to eSport Mogul Pty Ltd convertible noteholders | 4,400,000 | |
| | 9,021,908 | - |
| Assets and liabilities held at acquisition date: | | |
| Cash and cash equivalents | 9,087 | - |
| Other receivables | 13,698 | - |
| Plant and equipment | 3,327 | - |
| Equity investment | 1,437,195 | - |
| Payables | (145,060) | - |
| | 1,318,247 | - |
| Licence Fee – fair value | 7,703,661 | - |
| | 9,021,908 | - |

**(c) Discontinued Operations - Sale of interest in Volta West Africa Limited**

On 30 April 2015, the Company sold its 100% interest in the issued capital of Volta West Africa Limited for consideration of $1. The loss from discontinued operations for the prior period was $4,182.

The results of Volta West Africa Limited to the date the Company sold its 100% interest in the issued capital have been recorded in these financial statements. Financial information in relation to Volta West Africa Limited is set out below.

**(i) The financial performance and cash flow information**

| **Loss for the period** | **2016 $** | **2015 $** |
|---|---|---|
| Revenue | - | - |
| Expenses | - | (4,182) |
| Loss before income tax | - | (4,182) |
| Income tax expense | - | - |
| Loss after income tax | - | (4,182) |
| Less: Non-controlling interest share of loss | - | 836 |
| Loss attributable to equity holders of Volta Mining Limited | - | (3,346) |
| Loss on Sale of Subsidiary (see iii) below | - | (838,595) |
| Loss attributable to Sale of Volta West Africa Limited | - | (841,941) |

**Cash flows of Volta West Africa Limited**

| | | |
|---|---|---|
| Net cash outflow from operating activities | - | (1,771) |
| Net cash outflow from investing activities | - | - |
| Net cash inflow from financing activities | - | - |
| Net decrease in cash generated by Volta West Africa Limited | - | (1,771) |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *11. INTERESTS IN CONTROLLED ENTITIES (Continued)*

### (ii) Carrying amount of assets and liabilities at date of sale

The carrying amount of the assets and liabilities of Volta West Africa Limited as at 30 April 2015 were as follows:-

| | 2016 | 2015 |
|---|---|---|
| **Assets** | **$** | **$** |
| Cash and cash equivalents | - | 2,842 |
| **Total assets** | - | 2,842 |
| **Net Assets** | - | 2,842 |

### (iii) Details of the sale of interest held in Volta West Africa Limited

The sale of the Company's 100% interest in the issued capital of Volta West Africa Limited was completed on 30 April 2015 and cash consideration of $1 was received.

| | 2016 | 2015 |
|---|---|---|
| **Consideration received or receivable:** | **$** | **$** |
| Cash | - | 1 |
| Carrying amount of net assets sold | - | 2,842 |
| Less: Non-controlling interests recognised in equity | - | (841,438) |
| **Loss on sale before income tax** | - | (838,595) |
| Income tax expense | - | - |
| **Loss on sale after income tax** | - | (838,595) |

## *12. PLANT AND EQUIPMENT*

| | | |
|---|---|---|
| **Office Equipment** | | |
| At cost | 3,327 | 44,620 |
| Accumulated depreciation | (312) | (39,408) |
| **Total** | 3,015 | 5,212 |

**Movements in carrying amounts**

| | | |
|---|---|---|
| *Office Equipment* | | |
| Carrying amount at beginning of reporting period | 5,212 | 8,064 |
| Additions | 7,059 | 999 |
| Disposals | (5,308) | - |
| Depreciation expense | (3,948) | (3,851) |
| Carrying amount at end of reporting period | 3,015 | 5,212 |

## *13. EXPLORATION AND EVALUATION EXPENDITURE*

| | | |
|---|---|---|
| ***Exploration and evaluation expenditure*** | | |
| Costs carried forward in respect of areas of interest in: | | |
| Exploration and evaluation phases at cost | - | 300,000 |

| | | |
|---|---|---|
| Balance at beginning of reporting period | 300,000 | 1,422,377 |
| Exploration expenditure capitalised during the period | 23,370 | 15,245 |
| Impairment | (16,169) | (1,132,441) |
| Exploration written off | (7,201) | (5,181) |
| Reclassification held for sale assets [1] | (300,000) | - |
| Balance at end of reporting period | - | 300,000 |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *13. EXPLORATION AND EVALUATION EXPENDITURE (Continued)*

[1] The Group holds exploration tenements surplus to its operational requirements. Various properties have been identified as property for future sales. The Group anticipates that all the mining and exploration tenements in the closing balance will be disposed of in the next reporting period. See also note 1(m) non-current assets (or disposal groups) classified as held for sale.

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

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

The Group's exploration properties may be subjected to claim(s). As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims. The Directors have considered indicators of impairment in the value of the Capitalised Exploration and Evaluation Expenditure and have made an impairment of $16,169 (2015: $1,132,441) against its current tenement holdings. The Directors have written off $7,201 (2015: $5,181) in the value of Capitalised Exploration and Evaluation Expenditure during the period.

## *14. INTANGIBLES*

| | **2016** | **2015** |
|---|---|---|
| **Non-Current** | **$** | **$** |
| Licence fee – contingent consideration at acquisition | 2,411,908 | - |
| Licence fee – fair value at acquisition | 5,291,753 | - |
| Accumulated amortisation | (96,296) | - |
| | 7,607,365 | - |

eSports Mogul Pty Ltd (ESM) entered into a Platform License Agreement under which eSports Hero Inc (ESH) grants ESM an exclusive license to market the ESH Tournament Platform as part of its ESM Media Hub, for a period of 10 years, in the APAC region, subject to certain conditions.

The capitalised licensed fee is amortised based on the authorised period of the license.

## *15. EQUITY INVESTMENT*

| **Non-Current** | **2016** | **2015** |
|---|---|---|
| ***Available for sale financial investments*** | **$** | **$** |
| Unquoted equity shares – eSports Hero Inc | 1,437,195 | - |
| Less: Impairment | (1,372,065) | - |
| | 65,130 | - |

The above equity investment is classified as an available for sale (AFS) financial investment. After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income.

The Directors have considered indicators of impairment in the value of its Equity Investment and have made an impairment of $1,372,064 ($2015: $Nil) against its current investment in eSports Hero Inc.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *15. EQUITY INVESTMENT (Continued)*

The equity investment has not been classified as an investment in associate as the Company does not have significant influence over eSports Hero Inc. (ESH) despite holding a 20% equity interest, due to the fact that the Company has:-

- no participation in the policy-making process of ESH;
- no interchange of managerial personnel with ESH; and
- no provision of essential technical information with ESH.

## *16. TRADE AND OTHER PAYABLES*

| | 2016 | 2015 |
|---|---|---|
| **Current (unsecured)** | **$** | **$** |
| Trade creditors [1] | 63,084 | 5,623 |
| Other creditors & accruals [2] | 66,446 | 45,462 |
| | 129,530 | 51,085 |

*Terms and conditions relating to the above financial instruments.*
1. *Trade creditors are non-interest bearing and generally on 60 day terms.*
2. *Other creditors are non-interest bearing have no fixed repayment terms.*

For further details refer to note 24 Financial Instruments.

## *17. PROVISIONS*

| | 2016 | 2015 |
|---|---|---|
| | **$** | **$** |
| **Current** | | |
| Employee benefits | (462) | 20,897 |

The Group currently has 3 (2015: 3) employees including Directors.

## *18. ISSUED CAPITAL*

| | | |
|---|---|---|
| 878,637,609 (2015: 228,637,609) fully paid ordinary shares | 28,229,956 | 17,200,584 |

### *(a) Movements in fully paid ordinary shares on issue*

| | 2016 | |
|---|---|---|
| | **$** | **Number** |
| At the beginning of the reporting period | 17,200,584 | 228,637,609 |
| **Shares issued during the period:** | | |
| Capital raising - Prospectus | 7,000,000 | 350,000,000 |
| Issue of shares to eSports Mogul Pty Ltd shareholders | 2,200,000 | 100,000,000 |
| Issue of shares to eSports Mogul Pty Ltd noteholders | 4,400,000 | 200,000,000 |
| Capital raising costs | (2,570,628) | - |
| **Balance at 31 December 2016** | 28,229,956 | 878,637,609 |

| | 2015 | |
|---|---|---|
| | **$** | **Number** |
| At the beginning of the reporting period | 16,732,450 | 206,578,785 |
| **Shares issued during the period:** | | |
| Issue of Milestone A deferred consideration shares | 441,175 | 22,058,824 |
| Share based payments | 26,959 | - |
| **Balance at 31 December 2015** | 17,200,584 | 228,637,609 |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

### *18. ISSUED CAPITAL (Continued)*

***(b) Terms of Ordinary Shares***

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholder's meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands. These fully paid ordinary shares have no par value.

***(c) Capital risk management***

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

Due to the nature of the Group's activities, being an eSports media hub, it does not have ready access to credit facilities, with the primary source of funding being equity raisings, given the early stage of its business. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet the building of its eSports media hub and general corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The Group is not subject to any externally imposed capital requirements.

| | **2016** | **2015** |
|---|---|---|
| ***19. OPTION RESERVE*** | **$** | **$** |
| 321,478,207 (2015: 120,410,456) options | 4,088,464 | 1,821,786 |

| | **2016** | |
|---|---|---|
| ***(a) Movements in listed options on issue:*** | **$** | **Number** |
| *Options* | | |
| At the beginning of the reporting period | 1,821,786 | 120,410,456 |
| **Options issued during the period:** | | |
| Options issued to brokers | 2,010,000 | 150,000,000 |
| Option entitlement issue | 284,453 | 94,817,751 |
| Less: Capital raising costs | (27,775) | - |
| Less: Expiry of listed options | - | (43,750,000) |
| **Balance at 31 December 2016** | 4,088,464 | 321,478,207 |

| | **2015** | |
|---|---|---|
| | **$** | **Number** |
| *Options* | | |
| At the beginning of the reporting period | 1,625,250 | 63,750,000 |
| **Options issued during the period:** | | |
| Option entitlement issue | 229,982 | 76,660,456 |
| Less: Capital raising costs | (33,446) | - |
| Less: Expiry of listed options | - | (20,000,000) |
| **Balance at 31 December 2015** | 1,821,786 | 120,410,456 |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *19. OPTION RESERVE (Continued)*

### *(b) Terms of Options*

At the end of reporting period, there are 321,478,207 options over unissued shares as follows:

| **Expiry Date** | **Exercise Price** | **Number of Options** |
|---|---|---|
| 30 October 2019 | $0.05 | 321,478,207 |
| | | 321,478,207 |

## *20. SHARE BASED PAYMENTS RESERVE*

| | **2016 $** | **2015 $** |
|---|---|---|
| Share based payments at the beginning of the reporting period | 388,571 | 388,571 |
| Employee equity settled transactions (refer note 27) | 18,414 | - |
| Share based payments at the end of the reporting period | 406,985 | 388,571 |

## *21. ACCUMULATED LOSSES*

| | | |
|---|---|---|
| Accumulated losses at the beginning of the reporting period | (18,760,355) | (16,836,729) |
| Net loss attributable to members | (2,418,477) | (1,923,626) |
| Accumulated losses at the end of the reporting period | (21,178,832) | (18,760,355) |

## *22. MINORITY INTEREST*

| | | |
|---|---|---|
| Minority interest at the beginning of the reporting period | - | (831,920) |
| Non-controlling interests removed on disposal of a subsidiary | - | 831,920 |
| Net loss | - | - |
| Minority interest at the end of the reporting period | - | - |

## *23. RELATED PARTY DISCLOSURES*

### (a) Parent entity

The ultimate parent entity within the Group is eSports Mogul Asia Pacific Limited.

### (b) Intercompany transactions

**Loans**
eSports Mogul Asia Pacific Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, Pilbara Commodities Pty Ltd totalling $68,910 (2015: $62,434) at reporting date, and has an investment in Pilbara Commodities Pty Ltd totalling $300,000 (2015: $300,000). The Company has made a provision for impairment against the loan of $6,476 (2015: $7,727) and a provision for impairment against the investment of $Nil (2015: $100,000) during the year ended 31 December 2016. There were no repayments made during the year. This loan can be recalled on demand.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *23. RELATED PARTY DISCLOSURES (Continued)*

eSports Mogul Asia Pacific Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, Commodite Resources Pty Ltd totalling $165,187 (2015: $154,997) at reporting date. The Company has made a provision for impairment against the loan of $10,190 (2015: $6,564) during the year ended 31 December 2016. There were no repayments made during the year. This loan can be recalled on demand.

eSports Mogul Asia Pacific Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, eSports Mogul Pty Ltd totalling $193,488 (2015: $Nil) at reporting date. The Company has made a provision for impairment against the loan of $Nil (2015: $Nil) during the year ended 31 December 2016. There were no repayments made during the year. This loan can be recalled on demand.

### (c) Loans to key management personnel

There were no loans to key management personnel at the end of the year.

### (d) Other transactions and balances with key management personnel

Mr George Lazarou is a director and shareholder of Citadel Capital Pty Ltd. During this period Citadel Capital Pty Ltd received $67,500 (2015: $60,000) for the provision of company secretarial and Chief Financial Officer services and $82,500 (2015: $Nil) for the provision of services in relation to the acquisition of eSports Mogul Pty Ltd. These costs have not been included in directors' remuneration as these fees were not paid to individual directors in relation to the management of the affairs of the Company. All transactions were entered into on normal commercial terms.

### (e) Executive Agreement

On 27 September 2016, the Company entered into an Executive Services Agreement with Mr Gernot Abl as the Managing Director of the Company. Pursuant to the terms of the Executive Services Agreement, Mr Abl will be paid an amount of $225,000 per annum plus statutory superannuation, reviewed annually. The Company will also pay income protection insurance, reasonable travelling and other incidental costs incurred by Mr Abl while performing his duties under the Executive Services Agreement.

Either Mr Abl or the Company may terminate the Executive Services Agreement at any time on the giving of not less than 3 months' notice in writing.

For the year ended 31 December 2016, an amount of $30,797 including statutory superannuation (2015: $Nil) was paid or payable.

### (f) Key management personnel compensation

| | **2016** | **2015** |
|---|---|---|
| | **$** | **$** |
| The key management personnel compensation comprised: | | |
| Short term employment benefits | 250,132 | 103,000 |
| Post employment benefits | 32,763 | 9,785 |
| Share based payments | - | 26,959 |
| | 282,895 | 139,744 |

Detailed remuneration disclosures are provided in the Remuneration Report on pages 11 to 16.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *24. FINANCIAL INSTRUMENTS*
### *(a) Financial Risk Management Objectives and Policies*

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Group's policy not to trade in financial instruments.

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

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

**Financial Risk Exposures and Management**

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

**(i) Foreign Currency Risk**

The Group is not exposed to fluctuations in foreign currencies.

**(ii) Interest Rate Risk**

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. The Group does not have short or long term debt, and therefore this risk is minimal.

**(iii) Credit Risk**

Credit risk refers to the risk that a counterparty 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.

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

**(iv) Liquidity Risk**

The Group manages liquidity risk by monitoring forecast cash flows. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

## *NOTES TO THE FINANCIAL STATEMENTS*
## *For the year ended 31 December 2016*

### *24. FINANCIAL INSTRUMENTS (Continued)*

### *(b) Financial Instrument Composition and Maturity Analysis*

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the statement of financial position.

| 2016 | Weighted Average Effective Interest Rate | Floating interest rate | Fixed Interest Rate Maturing | | Non-Interest bearing |
|---|---|---|---|---|---|
| | | | Within 1 year | Over 1 year | |
| | % | $ | $ | $ | $ |
| **Financial Assets** | | | | | |
| Cash at bank | 0.7% | 6,043,255 | - | - | - |
| Trade & other receivables | | - | - | - | 62,486 |
| Equity investment | | - | - | - | 65,130 |
| Total Financial Assets | | 6,043,255 | - | - | 127,616 |
| **Financial Liabilities** | | | | | |
| Trade & other creditors | | - | - | - | 129,530 |
| Contingent consideration liability | | - | - | - | 2,411,908 |
| Total Financial Liabilities | | - | - | - | 2,541,438 |

| 2015 | Weighted Average Effective Interest Rate | Floating interest rate | Fixed Interest Rate Maturing | | Non-Interest bearing |
|---|---|---|---|---|---|
| | | | Within 1 year | Over 1 year | |
| | % | $ | $ | $ | $ |
| **Financial Assets** | | | | | |
| Cash at bank | 1.65% | 405,074 | - | - | - |
| Trade & other receivables | | - | - | - | 3,965 |
| Total Financial Assets | | 405,074 | - | - | 3,965 |
| **Financial Liabilities** | | | | | |
| Trade & other creditors | | - | - | - | 51,085 |
| Total Financial Liabilities | | - | - | - | 51,085 |

| | 2016 $ | 2015 $ |
|---|---|---|
| Trade and sundry payables are expected to be paid as follows: | | |
| Less than 6 months | 129,530 | 51,085 |
| 6 months to 1 year | - | - |
| 1-5 years | - | - |
| | 129,530 | 51,085 |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *24. FINANCIAL INSTRUMENTS (Continued)*

### *(c) Net Fair Value of Financial Assets and Liabilities*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 2016 Carrying Value $ | 2016 Fair Value $ | 2015 Carrying Value $ | 2015 Fair Value $ |
|---|---|---|---|---|
| **Consolidated** | | | | |
| Cash and cash equivalents | 6,043,255 | 6,043,255 | 405,074 | 405,074 |
| Receivables | 62,486 | 62,486 | 3,965 | 3,965 |
| Equity investment | 65,130 | 65,130 | - | - |
| Payables | (129,530) | (129,530) | (51,085) | (51,085) |
| Contingent consideration liability | (2,411,908) | (2,411,908) | - | - |
| | 3,629,433 | 3,629,433 | 357,954 | 357,954 |

### *(d) Interest Rate Sensitivity Analysis*

At 31 December 2016, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| **Change in profit/(loss)** | | |
| Increase in interest rate by 1% (100 basis points) | 18,861 | 4,321 |
| Decrease in interest rate by 1% (100 basis points) | (18,861) | (4,321) |
| **Change in equity** | | |
| Increase in interest rate by 1% (100 basis points) | 18,861 | 4,321 |
| Decrease in interest rate by 1% (100 basis points) | (18,861) | (4,321) |

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

### *(e) Foreign Currency Exchange Rate Sensitivity Analysis*

The Group's main foreign currency risk arises from cash and cash equivalents held in foreign currency bank accounts and trade and other payable amounts denominated in currencies other than the functional currency. At 31 December 2016 and 31 December 2015, the Group's exposure to foreign currency risk is not considered material.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *25. EARNINGS PER SHARE*

| | 2016 $ | 2015 $ |
|---|---|---|
| (a) Loss used in the calculation of basic and dilutive earnings per share | 2,418,477 | 1,923,626 |

| | *Number of shares 2016* | *Number of shares 2015* |
|---|---|---|
| (b) Weighted average number of ordinary shares outstanding during the reporting period used in calculation of basic and diluted earnings per share | 312,336,239 | 219,365,631 |

## *26. CASH FLOW INFORMATION*

| | 2016 $ | 2015 $ |
|---|---|---|
| **(a) Reconciliation of cash flow from operations with loss from ordinary activities after income tax.** | | |
| Loss after income tax | (2,418,477) | (1,923,626) |
| Adjustment for; | | |
| - Gain on settlement of liability | - | (340,074) |
| - Gain on de-recognition of liability | - | (241,127) |
| - Depreciation | 3,948 | 3,851 |
| - Share based payments | 18,414 | 26,959 |
| - Annual leave accrual | (21,359) | 3,077 |
| - Impairment on tenements | 16,169 | 1,132,441 |
| - Write off tenements | 7,201 | 5,181 |
| - Amortisation | 96,296 | - |
| - Impairment on equity investments | 1,372,065 | - |
| - Loss on sale of plant and equipment | 5,308 | - |
| - Loss on sale of subsidiary | - | 841,941 |
| - Minority interest | - | (7,021) |
| Changes in assets and liabilities | | |
| - (Increase)/Decrease in trade and other receivables | (43,753) | 2,577 |
| - Decrease in deposits | 700 | 2,647 |
| - Increase/(Decrease) in trade and other payables | (47,842) | 4,939 |
| **Net cash flow used in operating activities** | (1,011,330) | (488,236) |

**(b) Reconciliation of cash and cash equivalents**

| | | |
|---|---|---|
| Cash and cash equivalents comprises: | | |
| Cash at bank and on hand | 6,043,255 | 405,074 |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *26. CASH FLOW INFORMATION (Continued)*

### (c) Non-cash financing and investing activities

During the year the following non-cash financing and investing activities occurred:-

- Issue of 100,000,00 fully paid shares at an issue price of $0.022 per share, to the shareholders of eSports Mogul Pty Ltd as approved at a General Meeting held on 17 October 2016;
- Issue of 200,000,000 fully paid shares at an issue price of $0.022 per share, to the noteholders of eSports Mogul Pty Ltd as approved at a General Meeting held on 17 October 2016;
- 100,000,000 Class A Performance Shares to the shareholders of eSports Mogul Pty Ltd as approved at a General Meeting held on 17 October 2016; and
- 100,000,000 Class B Performance Shares to the shareholders of eSports Mogul Pty Ltd as approved at a General Meeting held on 17 October 2016.

## *27. SHARE BASED PAYMENTS*

### (a) Recognised employee share based payment expenses

The expense recognised for employee services received during the period are as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Total expense rising from employee, consultant and Director share based payment transactions | 18,414 | 26,959 |

**<u>Class A Performance Shares</u>**

Class A Performance Shares were issued to consultants pursuant to the Company's Employee Incentive Plan as part of their remuneration package.

The terms of the Class A Performance Shares issued are as follows:-

(a) 13,000,000 Class A Performance Shares were granted on 14 November 2016;
(b) 13,000,000 Class A Performance Shares will vest upon eSports Mogul Pty Ltd (based on its assets at the time of acquisition) achieving any combination of 100,000 eSports Mogul Subscribers, eSports Mogul Customers and/or eSports Mogul Players (in aggregate) and 30% Active Users (defined below) within 24 months of the date of issue.

Active User means an:

(a) eSports Mogul Pty Ltd Subscriber that has been a paying subscriber for at least 3 months in any 6 month period within the relevant Milestone period;
(b) eSports Mogul Pty Ltd Customer that has paid for a downloaded game from the ESM Media Hub online store in any 6 month period within the relevant Milestone period; or
(c) eSports Mogul Pty Ltd Player who has played in at least five (5) Tournaments in any 6 month period within the relevant Milestone period.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *27. SHARE BASED PAYMENTS (Continued)*

Details of Class A Performance Shares convertible to ordinary shares in the Company that were granted as compensation to each consultant and details of the Class A Performance Shares are as follows:

| **Holders** | **Number of Class A Performance Shares granted** | **Number of Class A Performance Shares vested** | **Grant date** | **Fair value per Class A Performance Shares at grant date ($)** | **Exercise price ($)** | **Expiry date** |
|---|---|---|---|---|---|---|
| iDeal League Pty Ltd | 7,500,000 | - | 14 Nov 2016 | 0.022 | - | 14 Nov 2018 |
| Marcus Bell | 4,000,000 | - | 14 Nov 2016 | 0.022 | - | 14 Nov 2018 |
| Triple Block Enterprises Pty Ltd ATF Block Family Trust | 1,500,000 | - | 14 Nov 2016 | 0.022 | - | 14 Nov 2018 |

Each Class A Performance Share entitles the holder to one fully paid ordinary share in the Company.

There were no alterations to the terms and conditions of the Class A Performance Shares granted as remuneration since their grant date.

No Class A Performance Shares have vested since the end of the financial period. The Class A Performance Shares were provided at no cost to the recipients.

The fair value of Class A Performance Shares granted during the period was calculated using a model developed by Hoadley Trading and Investment Tools Options 1 option valuation model and totalled $286,000. The expense during the period ended 31 December 2016 amounted to $18,414. The values and inputs are as follows:

| **Class A Performance Shares** | |
|---|---|
| Class A Performance Shares issued | 13,000,000 |
| Underlying share value | $0.022 |
| Exercise price of Class A Performance Shares | Nil |
| Expected future volatility | 125% |
| Expiration period | 14 November 2018 |
| Risk free rate | 1.71% |
| Dividend yield | 0% |
| Valuation per Class A Performance A Shares | $0.022 |

As the Class A Performance Shares have non-market based performance conditions, the performance conditions have not been taken into account in the above valuation. Rather, the vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods and services received as consideration for the Class A Performance Shares granted shall be based on the number of Class A Performance Shares that eventually vest.

The Company will make an assessment at each reporting period to reflect the impact of the non-market based Class A Performance Shares over the vesting period, such that the total cost of the Class A Performance Shares granted shall be based on the number of Class A Performance Shares that eventually vest. On a cumulative basis, no amount is recognised for goods and services received, if the Class A Performance Shares granted do not vest because of a failure to satisfy a vesting condition.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

***27. SHARE BASED PAYMENTS (Continued)***

**(b) Equity-settled share based payments**

**Options**

***Broker Options***

Options were issued to brokers who assisted in the capital raising under the Public Offer of the Prospectus lodged with ASIC on 11 October 2016, and as approved at the General Meeting on 17 October 2016, on the basis of 1 Broker Option for every 2 shares subscribed for under the Public Offer, up to a maximum of 150,000,000 Broker Options in total.

The terms of the options issued were as follows:-

(a) 150,000,000 listed options with an exercise price of $0.05 and an expiry date on or before 30 October 2019, were issued on 14 November 2016, with no vesting conditions, and subject to 24 months' escrow from date of issue.

**Inputs for measurement of issue date fair value**

***Options***

The options have been issued and have vested during the financial period, and were provided at no cost to the recipient.

The value of the options issued and having vested during the period was calculated using a binomial option pricing model and totalled $2,010,000. The values and inputs are as follows:

| **Options – 30 October 2019 ($0.05)** | |
|---|---|
| Options issued | 150,000,000 |
| Underlying share value | $0.022 |
| Exercise price of options | $0.05 |
| Risk free interest rate | 1.74% |
| Expected future volatilty | 125% |
| Dividend yield | 0% |
| Expiration period | 30 October 2019 |
| Valuation per option | $0.0134 |

**Shares**

Shares were issued to an employee pursuant to a shareholders meeting on 28 April 2014 as part of their remuneration package.

The terms of the shares issued were as follows:-

(a) 1,000,000 Shares will vest after one year of employment, on 30 April 2015.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

***27. SHARE BASED PAYMENTS (Continued)***

**Inputs for measurement of grant date fair value**

***Shares***
The grant date fair value of the shares issued was measured based on the closing trading price on the day the shares were issued and allotted, being 8.2 cents. The fair value of the share based payment is being expensed over the vesting period of the shares. The expense for the year amounted to $Nil (2015: $26,959).

A summary of the movements of all company options issued is as follows:-

| | **Number** | **Weighted Average Exercise Price** |
|---|---|---|
| **Options outstanding as at 1 January 2015** | 63,750,000 | $0.2015 |
| Entitlement Issue | 76,660,456 | $0.05 |
| Expired | (20,000,000) | $0.15 |
| **Options outstanding as at 31 December 2015** | 120,410,456 | $0.1136 |
| Entitlement Issue | 94,817,751 | $0.05 |
| Broker Options | 150,000,000 | $0.05 |
| Expired | (22,750,000) | $0.20 |
| Expired | (20,000,000) | $0.25 |
| Expired | (1,000,000) | $0.30 |
| **Options outstanding as at 31 December 2016** | 321,478,207 | $0.05 |
| Options exercisable as at 31 December 2016 | 321,478,207 | |
| Options exercisable as at 31 December 2015 | 120,410,456 | |

As at the date of this report, there were no options exercised during the year.

***28. SEGMENT INFORMATION***

**Identification of reportable segments**

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

The Group is managed primarily on the basis of its eSports, mineral exploration and corporate activities. Operating segments are therefore determined on the same basis.

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

## *NOTES TO THE FINANCIAL STATEMENTS*
## *For the year ended 31 December 2016*

### *28. SEGMENT INFORMATION (Continued)*

**Types of reportable segments**

*(i) eSports*

Segment assets, such as equity investments and intangible assets and all expenses related to the eSports business are reported on in this segment.

*(ii) Mineral exploration*

Segment assets, including acquisition cost of exploration licences and all expenses related to the tenements in Western Australia are reported on in this segment.

*(iii) Unallocated*

Corporate, including treasury, corporate and regulary expenses arising from operating an entity. Corporate assets, including cash and cash equivalents are reported in this segment.

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

*Accounting policies adopted*

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

*Segment assets*

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

*Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

The following represents revenue, profit information, for reportable segments for the period ended 31 December 2016.

| **2016** | **Mineral Exploration** | **eSports** | **Unallocated** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Revenue** | | | | |
| Interest revenue | - | - | 9,760 | 9,760 |
| **Net profit/(loss) before tax from continuing operations** | - | **(1,556,146)** | **(838,961)** | **(2,395,107)** |
| - Administration | - | (2,972) | (34,120) | (37,092) |
| - Amortisation | - | (96,296) | - | (96,296) |
| - Compliance & Professional | - | (15,225) | (389,123) | (404,348) |
| - Depreciation | - | (312) | (3,636) | (3,948) |
| - Employee Benefits | - | - | (274,254) | (274,254) |
| - Finance | - | (110) | (1,459) | (1,569) |
| - Impairment on Equity Investment | - | (1,372,065) | - | (1,372,065) |
| - Loss on Sale of Plant &Equipment | - | - | (5,308) | (5,308) |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *28. SEGMENT INFORMATION (Continued)*

| **2016** | **Mineral Exploration** | **eSports** | **Unallocated** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| - Marketing & Promotional | - | (56,742) | (66,792) | (123,534) |
| - Occupancy | - | (434) | (24,888) | (25,322) |
| - Travel | - | (11,990) | (1,129) | (13,119) |
| - Project Generation | - | - | (48,012) | (48,012) |
| **Net loss before tax from discontinuing operations:** | **(23,370)** | - | - | **(23,370)** |
| - Impairment of Exploration & Evaluation Expenditure | (16,169) | - | - | (16,169) |
| - Write Off Exploration & Evaluation Expenditure | (7,201) | - | - | (7,201) |

| **2016** | | | | |
|---|---|---|---|---|
| **Segment assets** | 300,000 | 7,694,526 | 6,093,023 | 14,087,549 |
| **Segment liabilities** | (1,216) | (2,447,184) | (92,576) | (2,540,976) |

| **2015** | **Mineral Exploration** | **eSports** | **Unallocated** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Revenue** | | | | |
| Interest revenue | - | - | 7,039 | 7,039 |
| Gain on settlement of liability | - | - | 340,074 | 340,074 |
| Gain on de-recognition of liability | - | - | 241,127 | 241,127 |
| **Net profit/(loss) before tax from continuing operations** | - | - | **55,937** | **55,937** |
| - Administration | - | - | (35,256) | (35,256) |
| - Compliance & Professional | - | - | (152,159) | (152,159) |
| - Depreciation | - | - | (3,851) | (3,851) |
| - Employee Benefits | - | - | (145,846) | (145,846) |
| - Finance | - | - | (920) | (920) |
| - Marketing & Promotional | - | - | (10,225) | (10,225) |
| - Occupancy | - | - | (20,209) | (20,209) |
| - Travel | - | - | (65,770) | (65,770) |
| - Project Generation | - | - | (98,067) | (98,067) |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

### *28. SEGMENT INFORMATION (Continued)*

| **2015** | **Mineral Exploration** | **eSports** | **Unallocated** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Net loss before tax from discontinuing operations:** | **(1,137,622)** | **-** | **(841,941)** | **(1,979,563)** |
| - Impairment of Exploration & Evaluation Expenditure | (1,132,441) | - | - | (1,132,441) |
| - Write Off Exploration & Evaluation Expenditure | (5,181) | - | - | (5,181) |
| - Loss on sale of subsidiary | - | - | (841,941) | (841,941) |

| **2015** | | | | |
|---|---|---|---|---|
| **Segment assets** | 300,000 | - | 422,568 | 722,568 |
| **Segment liabilities** | (1,023) | - | (70,959) | (71,982) |

**Revenue by geographical region**
There is no revenue attributable to external customers for the period ended 31 December 2016 (2015: Nil).

**Assets by geographical region**
The only reportable segment asset located outside of Australia is the Equity Investment of $65,130 in the USA as at 31 December 2016 (2015: Nil).

### *29. EVENTS SUBSEQUENT TO REPORTING DATE*

On 8 December 2016, the Company received a letter from the lawyers acting on behalf of a third party which alleges to have entered into a binding agreement with the Company to acquire all of the issued shares in Pilbara Commodities Pty Ltd and all the rights in E47/3082. The Company denies such an agreement exists and has advised the third party as such. The third party has subsequently (on 23 January 2017) lodged caveats on tenements E47/2606 and E47/2855, which the Company is currently working to have removed.

On 19 December 2016, a third party made an application for forfeiture with the Department of Mines and Petroleum in relation to E47/2606 and E47/2855 on the grounds that the Company has failed to comply with the expenditure conditions of both E47/2606 and E47/2855. The Company believes it has met all its expenditure conditions applicable to E47/2606 and E47/2855. An initial hearing on the matter took place on 10 February 2017 in the Perth Warden’s Court, with the Perth Warden’s Court adjourning the matter until 24 March 2017.

On 23 February 2017, eSports Hero Inc. was acquired by Challengeme Esports GmbH, a leading German eSports business to form a global eSports company. As a result of the acquisition, eSports Mogul will immediately utilise ChallengeMe.GG as their eSports tournament and matchmaking platform. eSports Mogul will make a strategic investment of €650,000 in ChallengeMe.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *29. EVENTS SUBSEQUENT TO REPORTING DATE (Continued)*

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## *30. CONTINGENT LIABILITIES*

In the opinion of the directors there were no contingent liabilities at 31 December 2016, and the interval between 31 December 2016 and the date of this report.

## *31. COMMITMENTS*

| | 2016 | 2015 |
|---|---|---|
| **Operating lease expenditure commitments** | **$** | **$** |
| No later than 6 months | 733 | 300 |
| Between 6 and 12 months | - | - |
| Between 12 and 18 months | - | - |
| | 733 | 300 |

The Company is currently leasing premises on a monthly basis.

| | 2016 | 2015 |
|---|---|---|
| **Marketing, promotion & advertising expenditure commitments** | **$** | **$** |
| No later than 12 months | 1,209,232 | - |
| Between 12 and 18 months | 1,209,232 | - |
| | 2,418,463 | - |

As part of the Platform Licence Agreement entered into between eSports Hero Inc. and eSports Mogul Pty Ltd, eSports Mogul Pty Ltd is required to spend a minimum of US$1,750,000 (US$0.7236:AU$1 as at 31 December 2016) on marketing, promotion and advertising within the first 24 months.

| | 2016 | 2015 |
|---|---|---|
| **Exploration commitments** | **$** | **$** |
| No later than 6 months | 35,000 | 30,000 |
| Between 6 and 12 months | 35,000 | 30,000 |
| Between 12 and 18 months | 35,000 | 30,000 |
| | 105,000 | 90,000 |

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

## *32. FAIR VALUE MEASUREMENTS*

The Group measures and recognises the obligation for contingent consideration arising from a business combination at fair value on a recurring basis after initial recognition. The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

*NOTES TO THE FINANCIAL STATEMENTS*
*For the year ended 31 December 2016*

## *32. FAIR VALUE MEASUREMENTS (Continued)*

### a) Fair Value Hierarchy

AASB 13: *Fair Value Measurement* 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 | Level 2 | Level 3 |
|---|---|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets and 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. | Measurements based on unobservable inputs for the asset or liability |

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

**Valuation Techniques**

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; or
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset as 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 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.

The following table provides the fair values of the Groups assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

## *NOTES TO THE FINANCIAL STATEMENTS*
## *For the year ended 31 December 2016*

### *32. FAIR VALUE MEASUREMENTS (Continued)*

| | 31 December 2016 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **$** | **$** | **$** | **$** |
| *Assets* | | | | |
| Equity investment | - | - | 65,130 | 65,130 |
| **Total assets recognised at fair value** | **-** | **-** | **65,130** | **65,130** |
| *Liabilities* | | | | |
| Contingent consideration arising from acquisition of Pilbara Commodities Pty Ltd | - | - | - | - |
| Contingent consideration arising from acquisition of eSports Mogul Pty Ltd | - | - | 2,411,908 | 2,411,908 |
| **Total liabilities recognised at fair value** | **-** | **-** | **2,411,908** | **2,411,908** |

**b) Valuation Techniques and Unobservable Inputs Used to Measure Level 3 Fair Values**

**Contingent consideration arising from acquisition of Pilbara Commodities Pty Ltd**

On 5 February 2014, the Company acquired all the issued capital of Pilbara Commodities Limited (since renamed to Pilbara Commodities Pty Ltd). In acquiring Pilbara Commodities Pty Ltd, the Group incurred a contingent consideration liability consisting of an obligation to make an additional payment in fully paid ordinary shares provided various milestones are met.

The fair value of the contingent consideration $Nil (2015: $Nil) is measured using a discounted cash flow methodology and determined on the basis of the agreed consideration to be paid for achieving each of the milestones within the time period, weighted by the probability of meeting each milestone. The discount rate used is based on the Group's weighted average cost of capital.

The following table provides qualitative information regarding the key significant unobservable inputs, the ranges of those inputs and the relationships of unobservable inputs to the fair value measurement:

| Significant Unobservable Inputs Used | Range of Unobservable Inputs Used | Estimated Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs |
|---|---|---|
| **Probability of achieving milestones – 0%** | 0% | If the probability rate is 5% higher/lower, the fair value would increase/decrease by $31,124 |
| **Discount Rate (risk adjusted) – 20%** | 15%-25% | If the discount rate is 1% higher/lower, the fair value would decrease/increase by $Nil |

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

***32. FAIR VALUE MEASUREMENTS (Continued)***

**Valuation processes**

Given the size of the organisation, the Board of Directors, amongst other things, manage the risk exposures of the Group. The Group's finance department calculates the fair value of the contingent liability on a six monthly basis in light of the exploration undertaken on the tenements and likelihood of meeting the milestones. The Company uses a discounted cash flow model that is prepared internally. Any significant movements in the contingent liability are reported to the Board on a six monthly basis.

There has been no change in the valuation technique used to measure the fair value of the contingent consideration liability since the parent entity acquired control of Pilbara Commodities Pty Ltd.

There were no significant interrelationships between the unobservable inputs that could materially affect the fair value of the contingent consideration.

**Contingent consideration arising from acquisition of eSports Mogul Pty Ltd**

On 14 November 2016, the Company acquired all the issued capital of eSports Mogul Pty Ltd. In acquiring eSports Mogul Pty Ltd, the Group incurred a contingent consideration liability consisting of an obligation to make an additional payment in fully paid ordinary shares provided various milestones are met.

The fair value of the contingent consideration $2,411,908 (2015: $Nil) is measured using a discounted cash flow methodology and determined on the basis of the agreed consideration to be paid for achieving each of the milestones within the time period, weighted by the probability of meeting each milestone. The discount rate used is based on the Group's weighted average cost of capital.

The following table provides qualitative information regarding the key significant unobservable inputs, the ranges of those inputs and the relationships of unobservable inputs to the fair value measurement:

| Significant Unobservable Inputs Used | Range of Unobservable Inputs Used | Estimated Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs |
|---|---|---|
| **Probability of achieving milestones – 100%** | 100% | If the probability rate is 5% higher/lower, the fair value would increase/decrease by $120,595 |
| **Discount Rate (risk adjusted) – 20%** | 15%-25% | If the discount rate is 1% higher/lower, the fair value would decrease/increase by $61,083 |

**Valuation processes**

Given the size of the organisation, the Board of Directors, amongst other things, manage the risk exposures of the Group. The Group's finance department calculates the fair value of the contingent liability on a six monthly basis in light of the exploration undertaken on the tenements and likelihood of meeting the milestones. The Company uses a discounted cash flow model that is prepared internally. Any significant movements in the contingent liability are reported to the Board on a six monthly basis.

There has been no change in the valuation technique used to measure the fair value of the contingent consideration liability since the parent entity acquired control of eSports Mogul Pty Ltd.

***NOTES TO THE FINANCIAL STATEMENTS***
***For the year ended 31 December 2016***

## *32. FAIR VALUE MEASUREMENTS (Continued)*

There were no significant interrelationships between the unobservable inputs that could materially affect the fair value of the contingent consideration.

| **Reconciliation of Recurring Fair Value Measurement** | **2016**<br>**$** | **2015**<br>**$** |
|---|---|---|
| Movements in level 3 liabilities during the current financial year are set out below: | | |
| Opening Balance | - | 1,022,377 |
| Additions | 2,411,908 | - |
| Settlement made during the period | - | (441,176) |
| Gain on settlement of liability | - | (340,074) |
| Gain on de-recognition of liability | - | (241,127) |
| | **2,411,908** | **-** |

On 3 June 2015, a contingent consideration liability was met and settled through the issue of fully paid ordinary shares.

## *33. PARENT ENTITY INFORMATION*

| **Information for eSports Mogul Asia Pacific Limited** | **2016**<br>**$** | **2015**<br>**$** |
|---|---|---|
| Current assets | 6,093,022 | 417,356 |
| Total assets | 14,042,865 | 722,568 |
| Current liabilities | 93,793 | 71,982 |
| Total liabilities | 2,505,701 | 71,982 |
| Issued capital | 28,229,956 | 17,200,584 |
| Reserves | 4,495,449 | 2,210,357 |
| Accumulated losses | (21,188,241) | (18,760,355) |
| Total shareholders' equity | 11,537,164 | 650,586 |
| Net loss after tax of the parent entity | (2,427,886) | (1,084,683) |
| Total comprehensive income of the parent | (2,427,886) | (1,084,683) |

## *34. COMPARATIVE INFORMATION*

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

## *35. COMPANY DETAILS*

The registered office and principal place of business address is:

45 Ventnor Avenue
West Perth WA 6005

## *DIRECTORS' DECLARATION*

The directors declare that:

1. The financial statements, notes and additional disclosures included in the Directors' report and designated as audited, are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and Corporations Regulations 2001;

    (b) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date;

    (c) the financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

2. The Chief Executive Officer and Chief Financial Officer have declared that:

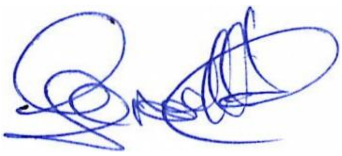
    (b) the financial records of the company for the financial period have been properly maintained in accordance with section 295A of the Corporations Act 2001;

    (c) the financial statements and notes for the financial period comply with Accounting Standards; and

    (d) the financial statements and notes for the financial period give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Gernot Abl**
**Managing Director**

Dated this 28th day of February 2017

MOORE STEPHENS

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2 The Esplanade, Perth, WA 6000
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WA 6831

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF ESPORTS MOGUL ASIA PACIFIC LIMITED**
**Report on the Audit of the Financial Report**

## Opinion

We have audited the financial report of eSports Mogul Asia Pacific Limited (the Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 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 then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

## Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Intangible Assets
Refer to Note 11(b) Acquisition of eSports Mogul Pty Ltd & Note 14 Intangibles

Included in the Group's consolidated statement of financial position at 31 December 2016 is an intangible asset relating to the eSports platform licence of $7.6 million.

We draw attention to note 11(b) of the financial report which describes the effect the share price at acquisition date had in determining the consideration paid, and therefore the fair value of the intangible asset acquired and reported at balance date. Our opinion is not modified in respect of this matter.

We focused on this area as a key audit matter due to the significance of the carrying value and the judgment involved in assessing its recoverable amount.

The recoverable amount of an asset under AASB 136 Impairment of Assets, is the higher of the asset's fair value less costs of disposal (or net selling price) and its "value- in-use".

As detailed in Notes 11(b) and 14, the intangible asset relates to the eSports platform licence initially recognised upon the acquisition of eSports Mogul Pty Ltd ("ESM") on 14 November 2016. As the platform licence is yet to be fully commercialised, management have concluded that value-in-use would be an inappropriate measure of its recoverable amount due to the inability to estimate future cash inflows with any degree of certainty and reliability.

Instead, management consider the intangible asset's carrying value at balance date to be representative of its fair value given the acquisition was only completed recently at a consideration, described in Note 11(b), agreed between unrelated parties on arms' length basis.

Our procedures included, amongst others:

- Testing the mathematical accuracy of the disclosures presented in Note 11(b).
- Testing the fair values of ESM's assets and liabilities at acquisition date against supporting documentary evidence and corroborating the quoted price of the Company's shares issued to ESM vendors against external data.
- Assessing that the excess consideration paid over the carrying value of ESM's net assets acquired has been appropriately attributed to the value of the intangible asset.
- Assessing the market capitalisation of the Group ($21.97 million) against its net asset position ($11.5 million) at balance date to gauge for any indicators of impairment - there were none.
- Assessing the appropriateness of the relevant disclosures in the financial statements.

**Accounting for the acquisition of eSports Mogul Pty Ltd ("ESM")**
**Refer to Note 1(c) Significant Accounting Policies – Business Combination and Goodwill & Note 11(b) Acquisition of eSports Mogul Pty Ltd**

The acquisition of eSports Mogul Pty Ltd ("ESM") has been accounted for by applying the acquisition method under AASB 3 Business Combination.

Accounting for this transaction is complex, requiring management to exercise judgment to determine whether or not the acquisition gives rise to a reverse acquisition under AASB 3 by considering, amongst others, the following factors:

- Relative voting rights in the combined entity after the acquisition
- The existence of any large non-controlling interest in the combined entity if no other owner or organised group has a significant voting interest
- The composition of the governing body and of senior management of the combined entity
- The terms of the exchange of equity interests

We focused on this area as a key audit matter due to the size and scope of the acquisition and the judgement involved in accounting for this transaction.

Our procedures included, amongst others, the following:

- Reading the underlying ESM share purchase agreement and the Company's prospectus issued on 11 October 2016 to understand the key terms and conditions.
- Critically evaluating the basis for the acquisition method adopted by management which they had outlined in a technical accounting memorandum. This memorandum included a detailed analysis of each of the aforementioned AASB 3 factors before forming the conclusion that the ESM acquisition did not amount to a reverse takeover.
- Seeking objective re-affirmation of the accounting treatment as outlined in management's technical memorandum with our Moore Stephens National Head of Technical Accounting.
- Assessing the appropriateness of the relevant disclosures in the financial statements.

Carrying value of contingent consideration liability - refer to Note 32

Included in the Group's consolidated statement of financial position at 31 December 2016 is contingent consideration liability of $2.4 million arising from the acquisition of eSports Mogul Pty Ltd ("ESM").

The measurement and valuation technique of this liability by management incorporates significant judgment and the utilisation of assumptions such as discount rates and probability factors in achieving certain milestones as set out in the ESM purchase agreement.

The Group performed sensitivity analysis included in Note 32 on the key significant unobservable inputs by varying the assumptions used to assess the impact on the fair value of the contingent consideration liability.

We focused on this area as a key audit matter due to the judgment involved and the selection of assumptions.

Our procedures included, amongst others, the following:

- Evaluating the recognition of the contingent consideration included in the purchase price, including challenging key assumptions used in the discounted cash flow methodology, such as the weighted probability of meeting each milestone.
- Assessing whether the risk adjusted discount rate of 20% pre-tax was consistent with the risk profile of the Group
- Where possible, corroborating market related assumptions by reference to external data.
- Ensuring that the relevant disclosures relating to the contingent consideration liability in Note 32, including the sensitivity analysis provided, are in accordance with Australian Accounting Standards.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report as included in the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of eSports Mogul Asia Pacific Limited, for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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.

MOORE STEPHENS

SL Tan
Partner
Signed at Perth on the 28th day of February 2017

Moore Stephens
Chartered Accountants

## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (3rd Edition) (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

The Company's Corporate Governance Plan has been posted on the Company's website at [www.esportmogul.com](www.esportmogul.com)

| PRINCIPLES AND RECOMMENDATIONS | COMPLY (YES/NO) | EXPLANATION |
|---|---|---|
| ***Principle 1: Lay solid foundations for management and oversight*** | | |
| **Recommendation 1.1**<br><br>A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the chair and management; and includes a description of those matters expressly reserved to the Board and those delegated to management. | YES | The Company has adopted a Board Charter.<br><br>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.<br><br>A copy of the Company's Board Charter is available on the Company's website. |
| **Recommendation 1.2**<br><br>A listed entity should:<br><br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br><br>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director. | YES | (a) The Company has detailed guidelines for the appointment and selection of the Board. The Nomination Committee Charter requires the Committee, and in this case the Board, as no Committee currently exists due to the size of the Company, to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.<br><br>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on. |
| **Recommendation 1.3**<br><br>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | YES | The Nomination Committee Charter requires the Committee, and in this case the Board, as no Committee currently exists due to the size of the Company, to ensure that each director and senior executive is a party to a written agreement with the Company which sets out the terms of that |

| | | |
|---|---|---|
| | | Director's or senior executive's appointment.<br><br>The Company has entered into an Executive Service Agreement with its Managing Director and Letters of Appointment with the Chairman and each Non-Executive Director. |
| **Recommendation 1.4**<br><br>The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. | YES | The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. |
| **Recommendation 1.5**<br><br>A listed entity should:<br><br>(a) have a diversity policy which includes requirements for the Board:<br><br>(i) to set measurable objectives for achieving gender diversity; and<br><br>(ii) to assess annually both the objectives and the entity's progress in achieving them;<br><br>(b) disclose that policy or a summary or it; and<br><br>(c) disclose as at the end of each reporting period:<br><br>(i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and<br><br>(ii) either:<br><br>(A) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or<br><br>(B) the entity's "Gender Equality | YES | (a) The Company has adopted a Diversity Policy<br><br>(i) The Diversity Policy provides a framework for the Company to achieve a list of measurable objectives that encompass gender equality.<br><br>(ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives.<br><br>(b) The Diversity Policy is available on the company website.<br><br>(c)<br>(i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition the Board will review progress against the objectives in its annual performance assessment.<br>(ii)<br><br>(A) The Board will include in the annual report each year, the measurable objectives, progress against the objectives, and the proportion of male and female employees in the whole organisation, at senior management level and |

| | | |
|---|---|---|
| Indicators", as defined in the Workplace Gender Equality Act 2012. | | at Board Level.<br><br>Information in relation to measurable objectives for achieving gender diversity is set out in the Director's Report |
| **Recommendation 1.6**<br><br>A listed entity should:<br><br>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and<br><br>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | YES | (a) As the Board only consists of three (3) members, the Company does not have a Nomination Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The responsibilities of the Nomination Committee are currently carried out by the Board, who may do so with the aid of an independent advisor, and involve evaluating the performance of the Board, any committees and individual directors on an annual basis. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan.<br><br>(b) The Company has established the Nomination Committee Charter, which requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Report. |
| **Recommendation 1.7**<br><br>A listed entity should:<br><br>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and<br><br>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | YES | (a) As the Board only consists of three (3) members, the Company does not have a Remuneration Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The responsibilities of the Remuneration Committee are currently carried out by the Board, which includes evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives, and may do so with the aid of an independent advisor.<br><br>(b) The Company has established the Remuneration Committee Charter, which requires an annual performance of the senior executives. Schedule 6 "Performance Evaluation" requires disclosure as to whether or not |

| | | |
|---|---|---|
| | | performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Report. |
| ***Principle 2: Structure the Board to add value*** | | |
| **Recommendation 2.1**<br><br>The Board of a listed entity should:<br><br>(a) have a nomination committee which:<br><br>(i) has at least three members, a majority of whom are independent directors; and<br><br>(ii) is chaired by an independent director,<br><br>and disclose:<br><br>(iii) the charter of the committee;<br>(iv) the members of the committee; and<br><br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively. | NO | (a) As the Board only consists of three (3) members, the Company does not have a Nomination Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The responsibilities of a Nomination Committee are currently carried out by the Board.<br><br>(b) The Company has adopted the Nomination Committee Charter, which will be followed by the Nomination Committee once it has been established. The Charter provides that the Committee:<br><br>(i) shall comprise of at least three (3) non-executive directors, the majority of whom are independent. ; and<br><br>(ii) the Committee Chairman is to be an independent Director.<br><br>(iii) The Nomination Committee Charter is available online;<br><br>(iv) The Board Charter provides for the disclosure of the members of each Committee. Details of the members of each Committee once established will be provided in the Annual Report; and<br><br>(v) The Board Charter requires each Committee in relation to the reporting period relevant to that Committee, to disclose the number of times that Committee met throughout the period, and the individual attendances of the members at those Committee meetings. Details of the performance evaluations conducted once the Committee has been established will be |

| | | |
|---|---|---|
| | | provided in the Company's Annual Report. |
| **Recommendation 2.2**<br><br>A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. | YES | As the Company does not have a Nomination Committee, the Board (with the assistance of an independent advisor, if required), prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve). The composition of the Board is to be reviewed regularly against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.<br><br>The Board Charter requires the disclosure of each Board members qualifications and expertise as set out in the Company's Board skills matrix. Full details as to each director and senior executive's relevant skills and experience are available in the Annual Report and the Company's Website. |
| **Recommendation 2.3**<br><br>**A listed entity should disclose:**<br><br>(a) the names of the directors considered by the Board to be independent directors;<br><br>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and<br><br>(c) the length of service of each director | YES | (a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Report;<br><br>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Report; and<br><br>(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Report. |
| **Recommendation 2.4**<br><br>A majority of the Board of a listed entity should be independent directors. | NO | The Board Charter requires that where practical the majority of the Board will be independent. |

| | | |
|---|---|---|
| | | Currently the Board has one independent director (Mr Adam Jacoby) and 2 non-independent directors (Mr Gernot Abl and Mr George Lazarou).<br><br>The Company will look at adding at least one other independent director.<br><br>Details of each Director's independence are provided in the Annual Report. |
| **Recommendation 2.5**<br><br>The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | YES | The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent, then the Board will consider appointing a lead independent Director.<br><br>Currently Mr Adam Jacoby fulfils the responsibilities of Chairman and is considered independent. |
| **Recommendation 2.6**<br><br>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. | YES | The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. As the Company does not have a Remuneration Committee, the Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. |
| ***Principle 3: Act ethically and responsibly*** | | |
| **Recommendation 3.1**<br><br>A listed entity should:<br><br>(a) have a code of conduct for its directors, senior executives and employees; and<br><br>(b) disclose that code or a summary of it. | YES | (a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.<br><br>(b) The Company's Corporate Code of Conduct is available on the Company's website. |
| **Principle 4*: Safeguard integrity in financial reporting*** | | |
| **Recommendation 4.1**<br>The Board of a listed entity should:<br>(a) have an audit committee which:<br>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and | NO | (a) As the Board only consists of three (3) members, the Company does not have an Audit and Risk Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The responsibilities of the Audit and Risk Committee are |

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| (ii) is chaired by an independent director, who is not the chair of the Board,<br><br>and disclose:<br><br>(iii) the charter of the committee;<br><br>(iv) the relevant qualifications and experience of the members of the committee; and<br><br>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | | currently carried out by the Board.<br><br>The Company has adopted the Audit and Risk Committee Charter, which will be followed by the Audit and Risk Committee once it has been established. The Charter provides that:<br><br>(i) The Audit and Risk Committee must have at least three (3) members, all of whom are non-executive directors, with a majority being independent; and<br><br>(ii) The Chairman of the Audit and Risk Committee must not be Chairman of the Board and must also be independent;<br><br>(iii) The Audit and Risk Committee Charter will be made available on the Company website;<br><br>(iv) The Board Charter requires the relevant qualifications and experience of all members to be disclosed. The Audit and Risk Committee Charter also outlines the requisite skills and experience in order to secure a position on the Audit and Risk Committee. Details of the qualifications and experience of Directors is provided in the Annual Report.<br><br>(v) The Board Charter requires each Committee in relation to the reporting period relevant to that Committee, to disclose the number of times that Committee met throughout the period, and the individual attendances of the members at those Committee meetings. Details of the Committee meetings will be provided in the Company's Annual Report. |

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| **Recommendation 4.2**<br>The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the 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. | YES | The Audit and Risk Committee Charter states that a duty and responsibility of the Committee, and as the Company does not have a Committee, the Board, is to ensure that before the Board approves the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the 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. |
| **Recommendation 4.3**<br>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | YES | The Audit and Risk Committee Charter provides that the Committee, and as the Company does not have a Committee, the Board, must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. |
| ***Principle 5: Make timely and balanced disclosure*** | | |
| **Recommendation 5.1**<br><br>A listed entity should:<br><br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br><br>(b) disclose that policy or a summary of it. | YES | (a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure-Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.<br><br>(b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website. |
| **Principle 6:** ***Respect the rights of security holders*** | | |
| **Recommendation 6.1**<br><br>A listed entity should provide information about itself and its governance to investors via its website. | YES | Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website. |
| **Recommendation 6.2**<br><br>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | YES | The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders. |

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| **Recommendation 6.3**<br><br>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | YES | The Shareholder Communication Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.<br><br>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. |
| **Recommendation 6.4**<br><br>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | YES | Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.<br><br>Shareholders queries should be referred to the Company Secretary at first instance. |
| ***Principle 7: Recognise and manage risk*** | | |
| **Recommendation 7.1**<br><br>The Board of a listed entity should:<br>(a) have a committee or committees to oversee risk, each of which:<br><br>(i) has at least three members, a majority of whom are independent directors; and<br><br>(ii) is chaired by an independent director,<br><br>and disclose:<br><br>(iii) the charter of the committee;<br><br>(iv) the members of the committee; and<br><br>(v) as at the end of each reporting period, the number of times the | NO | (a) The Board is charged with the responsibility of determining the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies.<br><br>As the Board only consists of three (3) members, the Company does not have an Audit and Risk Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The responsibilities of the Audit and Risk Committee are currently carried out by the Board.<br><br>The Company has adopted the Audit and Risk Committee Charter, which will be followed by the Audit and Risk Committee once it has been established. |

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| committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework. | | (i) The Audit and Risk Committee Charter states that the majority of the Committee must be independent where practical. The Audit and Risk Committee must comprise of at least three (3) members, all being non-executive directors and a majority being independent;<br><br>(ii) The Chairman of the Audit and Risk Committee must not be the Chairman of the Board and must be independent.<br><br>(iii) The Audit and Risk Committee Charter is available online at the Company's website.<br><br>(iv) The Board Charter requires disclosure of the members of the Committee. Details of the current members are provided in the Annual Report.<br><br>(v) The Board Charter requires each Committee in relation to the reporting period relevant to that Committee, to disclose the number of times each Committee met throughout the period and the individual attendances of the members at those Committee meetings. The relevant details of each Committee meeting held will be provided in the Company's Annual Report. |
| **Recommendation 7.2**<br><br>The Board or a committee of the Board should:<br><br>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the Board; and<br><br>(b) disclose in relation to each reporting period, whether such a review has | YES | (a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure - Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.<br><br>(b) The Board Charter requires (once |

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| taken place. | | each Committee has been established) in relation to the reporting period relevant to that Committee, to disclose the number of times that Committee met throughout the period, and the individual attendances of the members at those Committee meetings. Details of the Committee meetings will be provided in the Company's Annual Report. |
| **Recommendation 7.3**<br><br>A listed entity should disclose:<br><br>(a) if it has an internal audit function, how the function is structured and what role it performs; or<br><br>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | YES | The Audit and Risk Committee Charter provides for the internal audit function of the Company. The Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.<br><br>Given the size of the Company, no internal audit function is currently considered necessary. |
| **Recommendation 7.4**<br><br>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | YES | The Audit and Risk Committee Charter details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures. |
| ***Principle 8: Remunerate fairly and responsibly*** | | |
| **Recommendation 8.1**<br><br>The Board of a listed entity should:<br><br>(a) have a remuneration committee which:<br><br>(i) has at least three members, a majority of whom are independent directors; and | NO | (a) As the Board only consists of three (3) members, the Company does not have a Remuneration Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The responsibilities of the Remuneration Committee are currently carried out by the Board, with the aid of an independent |

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| (ii) is chaired by an independent director,<br><br>and disclose:<br><br>(iii) the charter of the committee;<br><br>(iv) the members of the committee; and<br><br>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br><br>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | | advisor, if required, which includes evaluating the performance of senior executives.<br><br>(b) The Company has adopted The Remuneration Committee Charter, which will be followed by the Remuneration Committee once it has been established. The Remuneration Committee Charter outlines the roles and responsibilities of the Remuneration Committee and provides that:<br>(i) The Remuneration Committee comprises of at least three (3) Directors, the majority of whom are independent non-executive Directors;<br>(ii) The Remuneration Committee must be chaired by an independent Director who is appointed by the Board.<br>(iii) The Remuneration Committee Charter is available on the Company website;<br>(iv) The Board Charter requires disclosure of the members of the Committee. Details of the current members are provided in the Annual Report;<br>(v) The Board Charter requires each Committee in relation to the reporting period relevant to that Committee, to disclose the number of times that Committee met throughout the period, and the individual attendances of the members at those Committee meetings. Details of the Committee meetings will be provided in the Company's Annual Report. |
| **Recommendation 8.2**<br><br>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of | YES | The Remuneration Committee Charter requires the Company to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors. |

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| their remuneration. | | |
| **Recommendation 8.3**<br><br>A listed entity which has an equity-based remuneration scheme should:<br><br>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and<br><br>(b) disclose that policy or a summary of it. | YES | (a) The Remuneration Committee Charter is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Remuneration Committee Charter states that the Remuneration Committee, and in this case the Board, as no Remuneration Committee currently exists, must review and approve any equity based plans.<br><br>(b) A copy of the Remuneration Committee Charter is available on the Company's website. |

## ADDITIONAL SHAREHOLDER INFORMATION

### *Shareholding*

The distribution of members and their holdings of equity securities in the Company as at 23 February 2017 were as follows:

| Number Held as at 23 February 2017 | Class of Equity Securities<br>Fully Paid Ordinary Shares |
|---|---|
| 1- 1,000 | 15 |
| 1,001 - 5,000 | 9 |
| 5,001 – 10,000 | 76 |
| 10,001 - 100,000 | 484 |
| 100,001 and over | 549 |
| **TOTALS** | 1,133 |

Holders of less than a marketable parcel: 169

### *Substantial Shareholders*

The names of the substantial shareholders listed in the Company's register as at 23 February 2017:

| Shareholder | Number |
|---|---|
| Trust Company (Australia) Limited <MOF A/C> | 61,878,894 |
| Contango Funds Management Limited | 50,000,000 |

### *Voting Rights*

<u>Ordinary Shares</u>

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

### *On-market buyback*

There is no current on-market buy-back.

### *Statement in relation to Listing Rule 4.10.19*

The Directors of eSports Mogul Asia Pacific Limited confirm in accordance with ASX Listing Rule 4.10.19 that during the financial year ended 31 December 2016, the Company has used its cash, and assets that are readily convertible to cash, in a way consistent with its business objectives.

***Securities subject to escrow***

The Company has the following restricted securities:

(a) 74,000,000 fully paid ordinary shares are escrowed until 14 November 2017;
(b) 26,000,000 fully paid ordinary shares are escrowed until 25 November 2018;
(c) 80,000,000 Class A Performance Shares are escrowed until 14 November 2017;
(d) 20,000,000 Class A Performance Shares are escrowed until 25 November 2018;
(e) 80,000,000 Class B Performance Shares are escrowed until 14 November 2017;
(f) 20,000,000 Class B Performance Shares are escrowed until 25 November 2018; and
(g) 150,000,000 listed options exercisable at $0.05 on or before 30 October 2016 are escrowed until 25 November 2018.

***Twenty Largest Shareholders***

The names of the twenty largest ordinary fully paid shareholders as at 23 February 2017 are as follows:

| **Name** | **Number of Ordinary Fully Paid Shares Held** | **% Held of Issued Ordinary Capital** |
|---|---|---|
| Trust Company (Australia) Limited <MOF A/C> | 61,878,894 | 7.04 |
| HSBC Custody Nominees Australia Limited | 38,506,000 | 4.38 |
| National Nominees Limited | 35,969,712 | 4.09 |
| Comprehensive Investments Pty Ltd | 30,000,000 | 3.41 |
| Cyber Century Limited | 27,500,000 | 3.13 |
| Bell Potter Nominees Limited <BB Nominees A/C> | 23,500,000 | 2.67 |
| Mandevilla Pty Ltd <N J Basset S/F A/C> | 20,000,000 | 2.28 |
| Paul Gabriel Sharbanee <Scorpion Fund A/C> | 18,500,000 | 2.11 |
| Scott Frederick Emery | 16,923,233 | 1.93 |
| Kamuzu Nominees Pty Ltd <Banda A/C> | 15,415,266 | 1.75 |
| CSNA Pty Ltd <CGL A/C> | 15,000,000 | 1.71 |
| BNP Paribas Nominees Pty Ltd <DRP> | 14,030,288 | 1.60 |
| Bull Resources Pty Ltd | 13,500,000 | 1.54 |
| Gains Advisors Limited | 12,333,333 | 1.40 |
| Shah Nominees Pty Ltd <Louis Carsten S/F> | 11,800,000 | 1.34 |
| Holdrey Pty Ltd <Don Mathieson Family> | 10,150,000 | 1.16 |
| Sierra Tech Nominees Pty Ltd | 10,000,000 | 1.14 |
| Coniston Pty Ltd <Coniston A/C> | 10,000,000 | 1.14 |
| Pershing Australia Nominees Pty Ltd <Peloton Capital Pty Ltd A/C> | 9,500,000 | 1.08 |
| Venus Anetac Pty Ltd <RGC Family A/C> | 4,423,233 | 1.03 |
| TOTAL | 403,556,726 | 45.93 |

### *Option holders*

The distribution of members and their holdings of listed options in the Company as at 23 February 2017 were as follows:

| | **Class of Equity Securities** |
|---|---|
| **Number Held as at 23 February 2017** | **Listed options exercisable at $0.05 on or before 30 October 2019** |
| 1- 1,000 | 1 |
| 1,001 - 5,000 | 1 |
| 5,001 – 10,000 | 5 |
| 10,001 - 100,000 | 64 |
| 100,001 and over | 123 |
| **TOTALS** | 194 |

### *Twenty Largest Option Holders*

The names of the twenty largest listed option holders as at 23 February 2017 are as follows:

| **Name** | **Number of listed options exercisable at $0.05 on or before 30 October 2019** | **% Held of listed options exercisable at $0.05 on or before 30 October 2019** |
|---|---|---|
| Catapult Asset Management Pty Ltd < River Street Investments A/C> | 36,750,000 | 11.43 |
| Bull Resources Pty Ltd | 36,625,000 | 10.15 |
| Shah Nominees Pty Ltd <Louis Carsten Superfund A/C> | 15,000,000 | 4.67 |
| Kore Capital Pty Ltd | 12,500,000 | 3.89 |
| Block Capital Group Limited | 12,500,000 | 3.89 |
| MPC Corporation Pty Ltd | 11,791,230 | 3.67 |
| Kamuzu Nominees Pty Ltd <Banda A/C> | 11,250,000 | 3.50 |
| Geba Pty Ltd <Geba Family A/C> | 9,957,500 | 3.10 |
| Cangu Pty Ltd <Cangu Family A/C> | 9,800,000 | 3.05 |
| Havana Nominees WA Pty Ltd | 9,462,500 | 2.94 |
| BJS Robb Pty Ltd | 8,463,775 | 2.63 |
| Zimbali Nominees Pty Ltd <Zimbali Family A/C> | 7,500,000 | 2.33 |
| Peloton Capital Pty Ltd | 7,500,000 | 2.33 |
| Waterbeach Investments Pty Ltd | 7,000,000 | 2.18 |
| Richard Brett Wood | 7,000,000 | 2.18 |
| Trading Nominees Pty Ltd | 6,730,315 | 2.09 |
| Meriwa Street Pty Ltd | 6,250,000 | 1.94 |
| Scott Frederick Emery | 6,250,000 | 1.94 |
| J Stimpson Pty Ltd <Hoek A/C> | 5,000,000 | 1.56 |
| Trust Company (Australia) Limited <MOF A/C> | 4,737,315 | 1.47 |
| TOTAL | 228,067,635 | 70.94 |

**Company Secretary**

The name of the Company Secretary is George Lazarou.

**Address and telephone details of the entity's registered and administrative office**

45 Ventnor Avenue
West Perth WA 6005
Telephone: + (61) 8 9429 8875
Facsimile: + (61) 8 9429 8888

**Address and telephone details of the office at which a register of securities is kept**

Security Transfer Australia Pty Ltd
Alexandria House
Suite 1, 770 Canning Highway
Applecross WA 6153
Telephone: + (61) 8 9315 2333
Facsimile: + (61) 8 9315 2233

**Securities exchange on which the Company's securities are quoted**

The Company's listed equity securities are quoted on the Australian Securities Exchange.

**SCHEDULE OF MINERAL TENEMENTS**
**AS AT 31 DECEMBER 2016**

**Granted Tenements – Western Australia**

| ***Project*** | ***Tenement*** | ***Size*** | ***Percentage Held*** |
|---|---|---|---|
| Hancock Ranges | E47/2606 | 12 Blocks | 100% * |
| Hancock Ranges | E47/2607 | 1 Block | 100% * |
| Hancock Ranges | E47/2608 | 1 Block | 100% * |
| Hamersley Ranges | E47/2855 | 6 Blocks | 100% ** |

**Application Tenements – Western Australia**

| ***Project*** | ***Tenement*** | ***Size*** | ***Percentage Held*** |
|---|---|---|---|
| Solomon | E47/3082 | 10 Blocks | 100% |

* Interest held by Commodite Resources Pty Ltd, a wholly owned subsidiary of the Company.
** Interest held by Pilbara Commodities Pty Ltd, a wholly owned subsidiary of the Company.