Emu NL

ABN 50 127 291 927

Annual Report

for the year ended 30 June 2017

Corporate Information

Emu NL

ABN 50 127 291 927

Directors
Peter Thomas (Non-Executive Chairman)
Greg Steemson (Managing Director)
Gavin Rutherford (Non-Executive Director)

Company Secretary
Damien Kelly

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WEST PERTH WA 6005

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Auditors
Greenwich & Co Audit Pty Ltd
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Stock Exchange Listing
Emu NL is listed on the Australian Securities Exchange (ASX code: EMU).

Contents

Review of Operations

ACTIVITIES

(Strategic approach)

During the year under review, Emu continued with the search for new mineral exploration, development and mining opportunities within Australia and at various overseas jurisdictions and, with the objective of offsetting operating expenses, invested in shares in listed resource sector.

(Chilean assets)

As a consequence of the ongoing evaluation of projects, on 14 November 2016, the Company entered into an option agreement to acquire two projects in Chile (ASX release 15th November 2016).

Emu's option agreement (**Emu's Option Agreement**) is with Prospex SpA and BLC SpA, Chilean subsidiaries of Altius Minerals Corporation of Canada, whereby Emu may acquire 8 concessions at Vidalita and 3 concessions at Jotahues located in northern Chile adjacent to the Argentine border. Emu's Option Agreement may be exercised any time up until 11 November 2019 by granting Prospex and BLC a 1% NSR on production and, subject to Emu expending US$1 million in pursuing its rights under the Emu Option Agreement by 10 December 2018 and electing to continue with the project, allotting them 2.5 million Emu ordinary shares. In addition, if the option is exercised and subject to certain measured mineral resource hurdles being met (see ASX release 15 November 2016), up to a further 10 million shares will be issued. Prospex in turn has an option under an agreement (the **Prospex's Option Agreement**) to acquire 6 of the 8 Vidalita concessions from local Chilean parties. Under the terms of that agreement, Prospex has the right to exercise that option by 11 November 2019 by paying US$2 million and granting the Chilean parties a 1% NSR over those 6 concessions. Under Emu's Option Agreement, Emu has assumed the rights and obligations of Prospex under Prospex's Option Agreement.

The concessions forming part of the Emu Option Agreement (some but not all of which are also the subject of the Prospex Option Agreement) are listed in the ASX Additional Information section, part (g) (page 38). Subsequent to the date of Emu's Option Agreement, application for additional concessions have been made. Due to the complexity of the Chilean mining code, the likelihood of these applications being granted is unknown.

Emu's interest in the two projects is their location in the highly mineralised Oligocene/Miocene Maricunga gold belt, approximately 200 km (by road) east of the city of Copiapó in the Atacama Region of Chile. The two projects cover an area of approximately 2,800 hectares of mineral exploration concessions and host alteration and mineralisation typical of high sulphidation gold deposits in the Maricunga gold belt. The presentation released to ASX on 24 August provides additional information on the geology, the mineralisation and the work done by Emu at the projects.

Since entering into Emu's Option Agreement, the Company has undertaken surface geochemical sampling on both project areas and drilling at Vidalita. The results of these programs are detailed in the Company's ASX releases since November 2016. Importantly and to summarise the work to date:

- the first drilling program at Vidalita was successful in establishing that the geological environment is typical of high sulphidation epithermal systems and that the geochemistry has a local source;
- the talus and rock sampling at Jotahues has defined an extensive geochemical target in the northern concession.
- as at the date of this report (22 September 2017) the Company was well advanced with preparations for the forthcoming field season during which:
  - the surface geochemistry program will be continued; and
  - a drilling program is planned to test various geochemical and geophysical targets.

(Utah exit)

Legacy issues (BLM environmental bond) with the Speedway project in Utah, USA, were progressing towards being finalised and as at the date of this report have been completed.

ASX WAIVER – APPROVAL TO ISSUE SHARES

On 8 February 2017, the Company received shareholder approvals for the issue of up to 15 million shares (**Consideration Shares**; 2,500,000 of which were issued immediately) in respect of Emu's Option Agreement.

The following information is provided in accordance with a waiver granted by ASX permitting the Company to issue the balance of the Consideration Shares (12,500,000) more than 3 months after the date of shareholder approval:

(a) 2,500,000 Consideration Shares were issued during the reporting period;

(b) 12,500,000 of the Consideration Shares remain, conditionally, to be issued; and

(c) the conditions to and instalments in which the remainder of the Consideration Shares may be issued are:

  (i) 2,500,000 (approved for issue no later than 31 March 2019) if the Company elects to continue exploring the Projects and subject to it meeting its expenditure commitment in relation to the Projects (minimum of US$1 million by 10 December 2018) and;

  (ii) 5,000,000 (approved for issue no later than 31 December 2020) if the Company exercises the option and defines a 500,000 ounce measured resource of gold on the Projects; and

  (iii) 5,000,000 (approved for issue no later than 31 December 2020) if the Company exercises the option and defines a 1,000,000 ounce measured resource of gold on the Projects.

Review of Operations (continued)

COMPETENT PERSON'S STATEMENT

The details in this report pertaining to exploration results, mineral resources and mineral reserves are based upon information compiled by Mr Greg Steemson, Managing Director of Emu NL. Mr Steemson is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Steemson consents to the inclusion in this report of the matters based upon his information in the form and context in which they appear.

For the purposes of this Report, "the Group" is comprised of Emu NL and its wholly owned subsidiaries Emu Blue Pty Ltd, Emu Chile SpA and American Emu Inc.

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Emu NL and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The names and details of the Company's directors in office during the year and until the date of this report follow. Each Director was in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Peter Thomas, (Non-Executive Chairman)

Mr Thomas has served on numerous ASX listed company boards for over 30 years.

For over 30 years until June 2011, he ran a legal practise on his own account specialising in the delivery of wide ranging legal, corporate and commercial advice to listed explorers and miners.

Mr Thomas was the founding non-executive chairman of Sandfire Resources NL (2004), was the founding non-executive chairman of Emu NL (29 August 2007) and currently serves as a non-executive Director of Image Resources NL (since 19 April 2002) and as the non-executive Chairman of Middle Island Resources Limited (since 2 March 2010).

Greg Steemson, (Managing Director)

Mr Steemson is a graduate of the University of Queensland and the University of Utah and is a qualified geologist and geophysicist. He has 40 years of experience over a wide range of geographies and commodities including gold, base metals, iron ore, diamonds, coal, mineral sands, phosphate, uranium and rare earth elements. He has operated in many different jurisdictions throughout the world and at most levels of the mineral industry from green-fields exploration to resource and project development through to mining. Mr Steemson was a founding director of Sandfire Resources NL and Allied Gold Limited. He was a director of Allied Gold Limited, Carbine Resources Limited, Mineral Commodities Limited and Nord Pacific Limited.

Gavin Rutherford, (Non-Executive Director)

Mr Rutherford’s background is in Agribusiness on both domestic and international stages followed by over 20 years in the Mining Services/Fabrication/Contracting sector. This includes Managing Directorship of a contracting and construction company operating in the water space. Current activities include project development in the renewable energy space and business development in the indigenous mining segment, and aviation related interests..

COMPANY SECRETARY

Damien Kelly

Mr Kelly is the founder and principal of Western Tiger Corporate Advisers. He has broad corporate and commercial experience spanning over 17 years. He provides professional services to ASX and AIM listed companies predominately in the mining and energy sector. He has an MBA, Bachelor of Commerce, a Graduate Diploma in Applied Finance and Investment and is a former officer in the armed services, having graduated from the Royal Military College, Duntroon. He is a fellow of the Financial Services Institute of Australia (FinSIA) and a member of CPA Australia.

Interests in the shares and options of the Company and related bodies corporate

As at the date of signing this report, the relevant interests of the directors in the shares and options of Emu NL were:

	Ordinary Shares	Contributing Shares	Options over Ordinary Shares
Peter Thomas	6,949,634	8,503,984	1,000,000
Greg Steemson	7,507,012	9,570,884	1,750,000
Gavin Rutherford	1,819,698	1,980,064	1,000,000
	16,276,344	20,054,932	3,750,000

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were (i) to explore its mineral interests in Chile, and (ii) assess and pursue mineral property acquisition opportunities globally, and (iii) invest in shares in listed mining entities with the objective of offsetting operating expenses.

Directors' Report (continued)

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group began the financial year under review with a cash reserve of $2,046,448.

During the year, total exploration expenditure incurred by the Group amounted to $1,380,847 (2016: $616,851). In line with the Group's accounting policies, all exploration expenditure is expensed as incurred. Other expenditure incurred, net of revenue, amounted to $1,414,462 (2016: $274,121). This resulted in an operating loss after income tax for the year ended 30 June 2017 of $2,795,309 (2016: $890,972).

At 30 June 2017 cash assets available totalled $2,749,349. The net assets of the Group increased by $497,268 during the year to $2,702,876 at 30 June 2017, primarily due to a share placement and the exercise of options (less expenditures over the year). The Group's working capital increased during the year by $531,445 to $2,587,990 at 30 June 2017,

Operating Results for the Year

Summarised operating results are as follows:

	2017	
	Revenues	Loss
	$	$
Revenues and losses for the year from ordinary activities before income tax expense	**37,945**	**2,795,309**

Shareholder Returns

	2017	2016
Basic and diluted loss per share (cents)	**(3.35)**	(1.2)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The board believes that it is crucial for all board members to be a part of this process, and, accordingly, all board members form, and discharge the obligations of the risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, have arisen since the end of the year which significantly affected or which in the judgement of the board may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In order to make (or to secure the right to make) one or more acquisitions and to further its existing projects, the Group expects to undertake capital raisings. Emu's focus is on making further mineral resource related acquisitions to accrete value to shareholders without triggering a requirement to dilute equity capital save when absolutely necessary to make strategic acquisitions. In addition, Emu will pursue resource equity investments consistent with the sentiments expressed in the Review of Operations above.

Other than as set out above, likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

Directors' Report (continued)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and complies with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Policy principles used/to be used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Emu NL is designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component. The board of Emu NL believes the remuneration policy for the year under review was appropriate and effective to attract and retain suitable key management personnel to run and manage the Group. Consideration has been and will continue to be given to offering specific short and long term incentives including, specifically, equity remuneration.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. In general in respect of the year under review, executives received a base salary (which was based on factors such as experience), superannuation and share-based payments. The board will review executive packages as and when it considers it appropriate to do so in accordance with its remuneration policy and 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 equity remuneration. The policy is to reward executives for performance that results in long-term growth in shareholder wealth.

The executive directors and executives receive, where required by law, a superannuation guarantee contribution required by the government of Australia, which was 9.5% for the 2017 financial year but are not entitled to receive any other retirement benefits.

All remuneration paid to directors and executives is “valued” at the cost to the Group and expensed. Where applicable, options granted as equity remuneration are ascribed a “fair value” in accordance with Australian Accounting Standards.

The board’s policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities, albeit that the non-executive directors are currently remunerated at the lower end of the market rate range. The board determines payments to the non-executive directors and the policy is to effect reviews of remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid annually to non-executive directors is currently $250,000 and can only be increased with the approval of shareholders in General Meeting. 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 equity remuneration arrangements.

Company performance, shareholder wealth and key management personnel remuneration

There is no relationship between the financial performance of the Company for the current or previous financial year and the remuneration of the key management personnel. Remuneration is set having regard to market conditions and to encourage continued services of key management personnel.

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2017.

Voting and comments made at the Company’s 2016 Annual General Meeting

The Company received approximately 94% of “yes” votes on its remuneration report for the 2016 financial year. The Company did not receive any specific comments at the AGM on its remuneration report that were considered at the AGM

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The Key Management Personnel (KMP) of the Group include only the directors as per page 5 above.

Directors' Report (continued)

Key management personnel of the Group

	Short-Term		Post-Employment		Share-based Payments	Total
	Salary & Fees	Non-Monetary	Superannuation	Retirement benefits		
	$	$	$	$	$	$
Directors						
Peter Thomas						
2017	**44,000**	**-**	**4,180**	**-**	**92,000 ***	**140,180**
2016	44,000	-	4,180	-	-	48,180
Greg Steemson						
2017	**264,000**	**-**	**-**	**-**	**161,000 ***	**425,000**
2016	264,000	-	-	-	-	264,000
Gavin Rutherford						
2017	**22,000**	**-**	**2,090**	**-**	**92,000 ***	**116,090**
2016	22,000	-	2,090	-	-	24,090
Total key management personnel compensation						
2017	**330,000**	**-**	**6,270**	**-**	**345,000 ***	**681,270**
2016	330,000	-	6,270	-	-	336,270

*See ‘Share based compensation’ (below)

Written Service agreements

Greg Steemson, Managing Director:

A consulting agreement has been executed between the Company and Mr Steemson’s nominated associated entity under which Mr Steemson delivers consulting services to the Company. Material provisions of the agreement are as follows:

- Term of agreement – No fixed term. May be terminated by either party on 2 months’ notice or, at the Company’s election, payment of the 2 months’ notice period in lieu of notice.
- Monthly fee of $22,000 + GST.

Messrs Thomas and Rutherford do not have employment contracts with the Company save to the extent that the Company's constating documents comprise the same.

Securities received that are not subject to performance conditions

KMP received securities (in relation to their remuneration) during the financial year that were not dependent on satisfaction of performance-conditions (see ‘Details of remuneration’ (share-based payments column) above and ‘Share based compensation’ below for details). Reasons for not including performance conditions include:

- the fact that the future value of options issued are, by their nature, linked to the performance of the Company – performance of the Company is thought to relate, in part, to the performance of KMP;
- KMP were not prepared, because of uncertain taxation implications, to accept performance conditions;
- performance conditions were not perceived to be an appropriate approach to securing the intended outcome (see notice General Meeting dated 5 January 2017) of issuing the securities, having regard to (amongst other things) the circumstances of the Company, the market and the remuneration packages of the directors and their peers.

Share-based compensation

*The “fair value” of the options as reflected above (9.2 cents per option), was determined in accordance with accounting standards and does not represent the view of the directors as to the market value of those options at any relevant date – see notes 1(o) and (t) regarding share-based payments.

Significantly, by force of the Australian Accounting Standards, the cost of equity-settled transactions with employees is measured by reference to the “fair value”. The Directors do not consider the “fair value”, as determined in accordance with Australian Accounting Standards (by utilisation of models that might be used in accordance therewith), represents market value. In the case of share options issued, absent a reliable measure of the same, (AASB 2 *Share Based Payments*) prescribes measurement by resort to a model such as the Black-Scholes European Option Pricing Model which is a widely accepted industry accepted method of valuing share options.

Equity may be issued to key management personnel as part of their remuneration. The Group has a formal policy requiring key management personnel to limit their exposure to assuming risk in relation to their securities via margin facilities and the like.

On 7 March 2017, the Company issued 3,750,000 unlisted options (exercisable at $0.10 each; expiring 20 December 2018) to the directors (1,750,000 to Mr Steemson and 1,000,000 to each of Messrs Thomas and Rutherford). Agreements to issue the options were entered into on 21 December 2016, and were approved by shareholders on 8 February 2017.

Equity instruments held by Key Management Personnel

Share holdings

The relevant interest held during the financial year by each director of Emu NL (being the only members KMPs of the Group) is set out below. No shares were issued as compensation during the reporting period.

Directors' Report (continued)

2017	Balance at start of the period	Granted as remuneration during the year	Received during the period on the exercise of options	Other changes during the period	Balance at end of the period
Ordinary shares fully paid					
Peter Thomas	**5,701,993**		**1,864,643**	**(617,002)**	**6,949,634**
Greg Steemson	**5,913,627**	**-**	**2,135,357**	**(541,972)**	**7,507,012**
Gavin Rutherford	**876,379**	**-**	**883,294**	**60,025**	**1,819,698**
	12,491,999	-	**4,883,294**	**(1,098,949)**	**16,276,344**
Ordinary shares partly paid to $0.03		-			
Peter Thomas	**19,848,918**		**-**	**(11,344,934)**	**8,503,984**
Greg Steemson	**19,536,211**	**-**	**-**	**(9,965,327)**	**9,570,884**
Gavin Rutherford	**876,379**	**-**	**-**	**1,103,685**	**1,980,064**
	40,261,508	**-**	**-**	**(20,206,576)**	**20,054,932**

Option holdings

The relevant interest in options over ordinary shares in the Company held during the financial year by each director of Emu NL and other key management personnel of the Group is set out below (Note 1):

2017	Balance at start of the year	Granted as compensation (Note 2)	Exercised (Note 3)	Lapsed	Other changes	Balance at end of the year	Vested and exercisable (Note 4)	Unvested
Peter Thomas	**5,410,184**	**1,000,000**	**(1,864,643)**	**-**	**(3,545,541)**	**1,000,000**	**1,000,000**	**-**
Greg Steemson	**5,389,969**	**1,750,000**	**(2,135,357)**	**-**	**(3,254,612)**	**1,750,000**	**1,750,000**	**-**
Gavin Rutherford	**650,552**	**1,000,000**	**(883,294)**	**-**	**232,742**	**1,000,000**	**1,000,000**	**-**
	11,450,705	**3,750,000**	**(4,883,294)**	**-**	**(6,567,411)**	**3,750,000**	**3,750,000**	**-**

Note 1: Each option on issue (or exercised) during the financial year entitles (or entitled) the holder to one fully paid ordinary share in the capital of the Company if the options is exercised. All are (or were) able to be exercised at any time until the expiry date. None of the options granted were subject to any vesting or other performance conditions and no amount was paid or payable by the recipients in respect of the grant of the options.

Note 2: The terms, issue date and 'fair value' of options granted as compensation to each Director are set out in the 'Details of remuneration' (share-based payments column) and 'Share-based compensation' sections above.

Note 3: None of the options exercised during the year were originally granted as remuneration.

Note 4: All vested options were able to be exercised at the end of the year under review.

Other equity-related KMP transactions

There have been no other transactions during the financial year involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Loans to key management personnel

There were no loans to key management personnel during the year.

Other transaction with key management personnel

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

End of audited Remuneration Report

DIRECTORS' MEETINGS

During the year the Company held eleven meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings	
	A*	**B****
Peter Thomas	10	11
Greg Steemson	11	11
Gavin Rutherford	11	11

Notes

*A – Number of meetings attended.

**B – Number of meetings held during the time the director held office during the year.

The full board discharged the functions of the audit, remuneration, risk and nomination committees regularly and during the course of ordinary director meetings.

Directors' Report (continued)

SHARES UNDER OPTION

Unissued ordinary shares of Emu NL under option at the date of this report are:

Grant date	Expiry date	Exercise price (cents)	Number of options
7 March 2017	31 December 2018	10.0	3,750,000
7 March 2017	31 December 2018	25.0	300,000
7 August 2017*	31 December 2018	10.0	1,000,000
Total number of options outstanding at the date of this report			**5,050,000**

* 500,000 options issued to each of the Company's Secretary and Senior Geologist or their nominees.

No option holder has any right under the options, save upon exercise, to participate in any share issue of the Company or any other entity. Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of Emu NL.

Other than as set out above or elsewhere in this annual report, no options have been granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, in accordance with each director's Deed of Indemnity, Insurance and Access with Emu NL, the Group has paid premiums insuring all the directors of Emu NL, to the extent permitted by law, against all liabilities incurred by the director acting directly or indirectly as a director of the Company. The cover extends to legal costs incurred by the director in defending proceedings, provided that the liabilities for which the director is to be insured do not arise out of conduct involving a wilful breach of the director's duty to the Company or a contravention of sections 182 or 183 of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $6,731 (2016: $6,231).

NON-AUDIT SERVICES

Non-audit services were provided by the entity's auditor, Greenwich & Co or associated entities. 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 directors are satisfied that the provision of non-audit services by the auditor, as set out below, is compatible with and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Greenwich & Co or associated entities received or are due to receive the following amounts for the provision of non-audit services:

	2017 $	2016 $
Tax compliance services	**2,500**	2,000
Total remuneration for non-audit services	**2,500**	2,000

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought, or intervened in, on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the directors.

Greg Steemson
Managing Director
Perth, 22 September 2017

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Auditor's Independence Declaration

To those charged with governance of Emu NL

As auditor for the audit of Emu NL for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Lin Lee Kwa
Audit Director

22 September 2017

Perth

Corporate Governance Statement

Emu NL reviews its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement was approved by the board on 22 September 2017 and is current as at 22 September 2017. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.emu.com.au.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2017	Notes	Consolidated 2017 $	2016 $
REVENUE	4	**37,945**	269,948
EXPENDITURE			
Depreciation expense		**(3,011)**	(3,677)
Exploration expenses		**(1,380,847)**	(616,851)
Key management personnel compensation	19	**(681,270)**	(336,270)
Other expenses		**(349,376)**	(198,402)
Share-based payments expense (Chile project option fee)		**(400,000)**	-
Share-based payments expense (non-KMP compensation)		**(18,750)**	(5,720)
LOSS BEFORE INCOME TAX	5	**(2,795,309)**	(890,972)
INCOME TAX	6	-	-
LOSS AFTER INCOME TAX		**(2,795,309)**	(890,972)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets		**(35,800)**	60,250
Other comprehensive income for the year, net of tax		**(35,800)**	60,250
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF EMU NL		**(2,831,109)**	(830,722)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	23	**(3.35)**	(1.2)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2017

	Notes	Consolidated 2017 $	Consolidated 2016 $
CURRENT ASSETS			
Cash and cash equivalents	7	**2,749,349**	2,046,448
Trade and other receivables	8	**42,884**	16,650
Other assets		**3,181**	14,132
TOTAL CURRENT ASSETS		**2,795,414**	2,077,230
NON-CURRENT ASSETS			
Receivables	9	**-**	61,963
Available-for-sale financial assets	10	**63,813**	85,200
Plant and equipment	11	**51,073**	1,900
TOTAL NON-CURRENT ASSETS		**114,886**	149,063
TOTAL ASSETS		**2,910,300**	2,226,293
CURRENT LIABILITIES			
Trade and other payables	12	**205,356**	19,630
Provisions	13	**2,068**	1,055
TOTAL CURRENT LIABILITIES		**207,424**	20,685
TOTAL LIABILITIES		**207,424**	20,685
NET ASSETS		**2,702,876**	2,205,608
EQUITY			
Contributed equity	14	**14,146,213**	11,175,866
Reserves	15	**363,750**	41,520
Accumulated losses		**(11,807,087)**	(9,011,778)
TOTAL EQUITY		**2,702,876**	2,205,608

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2017

Consolidated	Notes	Contributed Equity $	Share-Based Payments Reserve $	Available-for-Sale Asset Reserve $	Accumulated Losses $	Total $
BALANCE AT 30 JUNE 2015		10,860,215	-	(24,450)	(8,120,806)	2,714,959
COMPREHENSIVE INCOME						
Loss for the year		-	-	-	**(890,972)**	**(890,972)**
Changes in the fair value of available-for-sale financial assets		-	-	**60,250**	-	**60,250**
TOTAL COMPREHENSIVE INCOME		-	-	**60,250**	**(890,972)**	**(830,722)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares and options	14	**333,734**	-	-	-	**333,734**
Share and option issue costs	14	**(18,083)**	-	-	-	**(18,083)**
Share-based payments	15	-	**5,720**	-	-	**5,720**
TOTAL TRANSACTIONS WITH OWNERS		**315,651**	**5,720**	-	-	**321,371**
BALANCE AT 30 JUNE 2016		**11,175,866**	**5,720**	**35,800**	**(9,011,778)**	**2,205,608**
COMPREHENSIVE INCOME						
Loss for the year		-	-	-	**(2,795,309)**	**(2,795,309)**
Changes in the fair value of available-for-sale financial assets		-	-	**(35,800)**	-	**(35,800)**
TOTAL COMPREHENSIVE INCOME		-	-	**(35,800)**	**(2,795,309)**	**(2,831,109)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares and options	14	**3,054,252**	-	-	-	**3,054,252**
Share and option issue costs	14	**(89,625)**	-	-	-	**(89,625)**
Transfer to contributed equity	14	**5,720**	**(5,720)**	-	-	**-**
Share-based payments	15	-	**363,750**	-	-	**363,750**
TOTAL TRANSACTIONS WITH OWNERS		**2,970,347**	**358,030**	-	-	**3,328,377**
BALANCE AT 30 JUNE 2017		**14,146,213**	**363,750**	-	**(11,807,087)**	**2,702,876**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2017

	Notes	Consolidated 2017 $	Consolidated 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(624,258)**	(513,781)
Expenditure on mining interests		**(1,194,556)**	(627,163)
Interest received		**30,607**	67,983
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	**(1,788,207)**	(1,072,961)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of available-for-sale financial assets		**199,907**	414,256
Proceeds on sale of plant and equipment		**-**	39,744
Proceeds from security bond		**42,325**	-
Payments for plant and equipment		**(52,184)**	(58,445)
Payments for security bond		**-**	(64,113)
Payments for available-for-sale financial assets		**(262,286)**	(163,000)
NET CASH (OUTFLOW)/ INFLOW FROM INVESTING ACTIVITIES		**(72,238)**	168,442
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares and options		**2,654,253**	333,734
Payments of share and option issue transaction costs		**(89,625)**	(18,083)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**2,564,628**	315,651
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**704,183**	(588,868)
Cash and cash equivalents at the beginning of the financial year		**2,046,448**	2,635,316
Effects of exchange rate changes on cash and cash equivalents		**(1,282)**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**2,749,349**	2,046,448

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of Emu NL and its subsidiaries. The financial statements are presented in the Australian currency. Emu NL is a no liability company, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 22 September 2017. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Emu NL is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Emu NL Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective (mandatory) for the current annual reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

(iii) Early adoption of standards

The Group did not elect to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iv) Historical cost convention and going concern basis

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. These financial statements have been prepared on the going concern basis.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Emu NL.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Note that exploration and evaluation expenditures are expensed as incurred – see note 1(l),.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(j) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of profit and loss and other comprehensive income.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the prime cost method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates are 20% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

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

(l) Exploration and evaluation costs

All exploration and evaluation expenditure is expensed to the statement of profit and loss and other comprehensive income as incurred. That the carrying value of mineral assets, as a result of the operation of this policy, is zero does not necessarily reflect the board's view as to the market value of those assets.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(n) Employee benefits

Wages and salaries and annual leave

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

(o) Share-based payments

The Group may provide benefits to employees (including directors) of the Group, and to vendors and suppliers, in the form of equity-based payment transactions, whereby employees render services, or where vendors sell assets to the Group, in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 24.

The cost of equity-settled transactions with employees is measured by reference to the "fair value", not market value. The "fair value" is determined in accordance with Australian Accounting Standards. The Directors do not consider the resultant value as determined in accordance with Australian Accounting Standards (such as by the application of the Black-Scholes European Option Pricing Model) represents market value. In the case of share options issued, in the absence of a reliable measure, AASB 2 *Share Based Payments* prescribes the approach to be taken to determining the fair value. The Black-Scholes European Option Pricing Model is an industry accepted method of valuing share options. Other models may be used.

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 options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance 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 options that do not ultimately vest, except for options where vesting is conditional upon a market condition.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. However, if a new option is substituted for the cancelled option, and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as a modification of the original option.

Notes to the Consolidated Financial Statements (continued)

(p) Issued capital

Ordinary shares are classified as equity.

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

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) New accounting standards for application in future periods

There are a number of new accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the Group and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

These standards are not expected to have a material impact on the Group in the current or future reporting periods.

t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Taxation

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

Environmental issues

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

Share-based payments

Share-based payment transactions, in the form of options to acquire ordinary shares, are valued using the Black-Scholes option or other recognised pricing model. Models use assumptions and estimates as inputs.

Whilst the Directors do not consider the result derived by the application of, say, the Black-Scholes European Option Pricing Model is in anyway representative of the market value of the share options issued, in the absence of reliable measure for the same, AASB 2 *Share Based Payments* prescribes the fair value be determined by applying a generally accepted valuation methodology. The Company has adopted the Black-Scholes European Option Pricing Model for presently relevant purposes. Other recognised models may be used.

Notes to the Consolidated Financial Statements (continued)

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program includes consideration of the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group in the context of the board's judgement as to an acceptable balance as between risk/reward in the context of the Company and all the prevailing circumstances.

Risk management is carried out by a risk management committee comprised of the full board of Directors as the Group believes, given the circumstances of the Company, that it is crucial for all board members to be involved in this process. Therefore, all Directors have responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from the United States Dollar (USD) denominated bank accounts and receivables held by the Group..

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group's cash is held all in A$ and US$. The Group's foreign currency risk management policy is to minimise foreign exchanges losses through diligent forecasting servicing requirements, monitoring relevant currencies, and exercising a business judgement as to what steps will produce the best result. The Company is not in the business of trying to make money form currency transactions.

The Group's exposure to foreign currency risk as the end of the reporting period was as follows:

	2017 USD	2016 USD
Cash and cash equivalents	**613,662**	32,353
Receivables	**15,051**	45,960

Sensitivity analysis

Based on the financial instruments held at 30 June 2017, had the Australian dollar weakened or strengthened by 10% against the USD with all other variables held constant, the Group's post-tax loss would have been $82,034 lower or higher (2016: $10,558 lower or higher) as a result of foreign exchange gains/losses on translation of the USD denominated financial instruments. Other components of equity would not be materially impacted by the foreign exchange movements.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as available-for-sale. Given the current level of operations, the Group is not currently directly exposed to commodity price risk.

The Group's equity investments are publicly traded on the ASX and TSX-V, as well as some unlisted securities (such as options over unissued shares), with the investments being made for strategic purposes identified by the board of Directors. The price risk is monitored by the board and evaluated in accordance with these strategic outcomes. The board does not currently intend on making any additional investments but reserves the right to do so.

Sensitivity analysis

At 30 June 2017, if the value of the equity instruments held had increased or decreased by 15% with all other variables held constant, post-tax loss for the Group would not have changed and equity would have been $9,572 higher or lower as a result of gains or losses on equity securities classified as available-for-sale (2016: $12,780 higher (or lower)).

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group's policy is to monitor the interest rate yield curve out to six months to seek a balance between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $2,749,349 (2016: $2,046,448) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Group was 1.77% (2016: 2.3%).

Sensitivity analysis

At 30 June 2017, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $21,383 lower or higher (2016: $23,307 lower or higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements. Credit risk arises from cash and cash equivalents.

All surplus cash holdings within the Group are to be invested with financial institutions with a minimum "A" rating.

The Group credit risk management practices involve regular reporting to the board as to where funds are invested, the term of the investment and current interest yield.

Notes to the Consolidated Financial Statements (continued)

2. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Debt and equity funding are options open to the Company. The board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to ensuring the Group has adequate funds available.

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

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. All of the Group's available-for-sale financial assets for which a value has been recognised are publicly traded on the ASX and TSX-V and are classified as level 1 on the AASB 7 *Financial Instruments: Disclosures* hierarchy.

The carrying value, less impairment provision, of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. SEGMENT INFORMATION

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's principal activity is the identification acquisition and exploration of mineral assets.

30 JUNE 2017	Consolidated	
	2017	2016
	$	$
4. REVENUE		
From continuing operations		
Other revenue		
Interest from banks and financial institutions	**37,945**	54,442
Net gain on sale of available-for-sale financial assets	**-**	215,506
	37,945	269,948
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**9,455**	8,892
Minimum lease payments relating to operating leases	**36,000**	36,000
Foreign exchange losses	**1,281**	6,433
Net loss on sale of available-for-sale financial assets	**11,679**	-
Unrealised loss on available-for-sale financial assets	**36,287**	-
Net loss on sale of plant and equipment	**-**	16,635

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $
6. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(2,795,309)**	(890,972)
Prima facie tax benefit at the Australian tax rate of 30%	**(838,593)**	(267,292)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	**119,664**	-
	(718,929)	(267,292)
Movements in unrecognised temporary differences	**(1,627)**	2,147
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**720,556**	265,145
Income tax expense	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Sundry items	**32,455**	9,229
Carry forward tax losses	**3,259,600**	2,746,748
	3,292,055	2,755,977
Deferred Tax Liabilities (at 30%)		
Sundry items	**3,545**	1,344

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the Group satisfying the relevant tax authority's criteria for using these losses.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank and in hand	**928,927**	675,885
Short-term deposits	**1,820,422**	1,370,564
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**2,749,349**	2,046,448

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and four months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Trade receivables	**31,509**	7,849
GST refundable	**11,375**	8,801
	42,884	16,650

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $
9. NON-CURRENT ASSETS – RECEIVABLES		
Security deposits	-	61,693

10. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 $	2016 $
Equity securities in listed entities	**63,813**	85,200

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX and TSX-V) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

11. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2017 $	2016 $
Plant and equipment		
Cost	**61,553**	9,369
Accumulated depreciation	**(10,480)**	(7,469)
Net book amount	**51,073**	1,900
Plant and equipment		
Opening net book amount	**1,900**	3,511
Additions	**52,184**	58,445
Disposals	-	(56,379)
Depreciation charge	**(3,011)**	(3,677)
Closing net book amount	**51,073**	1,900

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade payables	**4,691**	6,977
Other payables and accruals	**200,665**	12,653
	205,356	19,630

13. CURRENT LIABILITIES - PROVISIONS

	2017 $	2016 $
Annual leave provision	**2,068**	1,055

14. ISSUED CAPITAL

	Notes	2017 Number of securities	2017 $	2016 Number of securities	2016 $
(a) Share capital					
Ordinary shares:					
Fully paid	14(c), 14(e)	**65,910,387**	**13,013,177**	40,279,457	9,835,193
Contributing shares - partly paid to $0.03 with $0.03 to pay – no call to be made before 31 December 2018	14(c), 14(e)	**36,580,667**	**1,133,036**	35,278,377	1,039,286
Total ordinary share capital		**102,491,054**	**14,146,213**	75,557,834	10,874,479

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

		2017		2016	
	Notes	Number of securities	$	Number of securities	$
(b) Other equity securities					
Options	14(f)	-	-	15,069,342	301,387
Total issued capital			**14,146,213**		11,175,866
(c) Movements in ordinary share capital					
Beginning of the financial year		**75,557,834**	**10,874,479**	75,346,712	10,860,215
Options issued for cash 'converted' to shares		**-**	**301,387**	-	--
Issued during the year:					
– Fully paid, issued for cash at 10 cents per share upon exercise of options		**15,058,220**	**1,505,822**	211,122	21,112
– 374,479 fully paid, issued upon payment of outstanding $0.03 and conversion of contributing shares		**-**	**-**	-	11,235
– 1,822,700 fully paid, issued upon payment of outstanding $0.03 and conversion of contributing shares		**-**	**54,680**	-	-
– Placement fully paid shares		**6,250,000**	**1,000,000**	-	-
– Placement contributing shares		**3,125,000**	**93,750**	-	-
– Fully paid shares issued as consideration for Chile option		**2,500,000**	**400,000**	-	-
– Transaction costs		**-**	**(89,625)**	-	(18,083)
– Options transferred to contributed equity		**-**	**5,720**	-	-
End of the financial year		**102,491,054**	**14,146,213**	75,557,834	10,874,479

(d) Movements in options on issue

	Number of options	
	2017	2016
Beginning of the financial year	**15,058,220**	82,736
Issued, exercisable at $0.10, expiring 30 March 2017	**-**	15,269,342
Exercised at $0.10, expiring 30 March 2017	**(15,058,220)**	(211,122)
Expired on 21 December 2015, exercisable at $0.4266	**-**	(82,736)
Issued, exercisable at $0.10, expiring 31 December 2018	**3,750,000**	-
Issued, exercisable at $0.25, expiring 31 December 2018	**300,000**	-
End of the financial year	**4,050,000**	15,058,220

(e) Ordinary fully and partly paid shares

Ordinary shares (which include the contributing (or partly paid) shares) entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held, regardless of the amount paid up thereon.

On a show of hands every holder of fully paid ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote for each fully paid share and in respect of a partly paid share, a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(f) Paid options

During January 2016 a total of 15,069,342 options were issued at $0.02 each.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $

14. ISSUED CAPITAL (cont'd)

(g) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to take advantage of organic and acquisitive mineral property opportunities, so that it may strive to provide returns for shareholders and benefits for other stakeholders.

Debt and equity funding options are open to the Group. The working capital position of the Group at 30 June 2017 and 30 June 2016 are as follows:

	2017 $	2016 $
Cash and cash equivalents	**2,749,349**	2,046,448
Trade and other receivables	**42,884**	16,650
Other assets	**3,181**	14,132
Trade and other payables	**(205,356)**	(19,630)
Provisions	**(2,068)**	(1,055)
Working capital position	**2,587,990**	2,056,545

15. RESERVES

(a) Reserves

	2017 $	2016 $
Available-for-sale financial assets	**-**	35,800
Share-based payments reserve	**363,750**	5,720
	363,750	41,520

(b) Nature and purpose of reserves

(i) Available-for-sale financial assets reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income, as described in note 1(j) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued at the grant date (or the shareholder approval date, in the case of 3.75 million options agreed to be issued to directors on 21 Dec 2016, approved by shareholders on 8 Feb 2017, and issued on 7 March 2017).

16. DIVIDENDS

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

17. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2017 $	2016 $
Audit and review of financial reports	**23,300**	21,000
Tax compliance services	**2,500**	2,000
Total remuneration	**25,800**	23,000

18. CONTINGENCIES AND COMMITMENTS

The Group has a contingent asset, being a cause of action it contends to have against Territory Minerals Limited (ACN 121 200 299) and/or parties associated with it (including without limitation Ron Stanley and Ron Stanley & Associates) in relation to the lost opportunity, costs and expenses incurred and thrown away as a result of Ron Stanley & Associates repudiation of an agreement whereby Emu could, subject to various conditions, acquire an interest in certain exploration tenements held (or claimed to be held) by Territory Minerals Limited in Queensland.

Other than as described above, there are no material contingent liabilities or contingent assets of the Group at the reporting date.

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay approximately $50,000 (2016: $15,259) in the following financial year in respect of tenement concession renewal fees and rents to meet minimum expenditure requirements under the Chile option agreement. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $

19. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Emu NL.

(b) Subsidiaries

Interests in subsidiaries are set out in note 20.

(c) Key management personnel compensation

	2017 $	2016 $
Short-term benefits	**330,000**	330,000
Post-employment benefits	**6,270**	6,270
Share-based payments	**345,000**	-
	681,270	336,270

Refer to the Remuneration Report contained in the Directors' Report for the details of the remuneration paid or payable and the share and option holdings in relation to each of the Group's KMP for the year ended 30 June 2017.

(d) Loans to related parties

Emu NL has an unsecured, interest free loan with its wholly owned subsidiary, Emu Blue Pty Ltd, totalling $507,984 receivable at 30 June 2017 (2016: $531,144). An impairment assessment is undertaken each financial year by the respective lender at that point in time to determine the ability of the borrower to repay the amount outstanding. When objective evidence of impairment exists, the lending entity is to recognise an allowance for the impairment loss.

(e) Transactions with other related parties

Transactions with director related entities

Key Management Personnel and Related Entity	Transaction	Consolidated 2017 $	Consolidated 2016 $
Peter Thomas	Underwriting fees	-	6,028
Greg Steemson – GH Steemson Family Superannuation Fund	Underwriting fees	-	6,028
Gavin Rutherford	Underwriting fees	-	6,028

There were no balances outstanding at reporting date in relation to the above transactions, and the transactions were made on normal commercial terms and conditions and at market rates.

Other transactions with key management personnel

The Group is party to a Lease Agreement with Mr Peter Thomas, Chairman, whereby Mr Thomas has agreed to provide the Group with office accommodation for a fee of $3,000 per month, terminable at will by either party on one month's notice, which commenced on 1 January 2013. Rental paid during the year totalled $36,000 (2016: $36,000), and there was nil outstanding at the reporting date (2016: nil).

20. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and 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(1) 2017 %	Equity Holding(1) 2016 %
Emu Blue Pty Ltd	Australia	Ordinary	**100**	100
American Emu Inc.(2)	USA	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) American Emu Inc. was incorporated in the state of Nevada, United States of America, on 9 November 2015 with Emu Blue Pty Ltd being and remaining the sole shareholder.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2016

	Consolidated 2017 $	Consolidated 2016 $

21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Since the reporting date (on 7 August 2017) the Company issued 1,000,000 unlisted options (exercisable at $0.10 each; expiring 20 December 2018) for nil cash consideration to employees (or their nominees) in respect of services provided. The Company is party to a conditional agreement to issue a further 4 lots each of 500,000 unlisted options (exercisable at $0.11 each; expiring 20 December 2018, subject to various and varying conditions) for nil cash consideration to a new employee.

No other events or circumstances have arisen since the end of the financial year which significantly affected or which in the judgement of the board may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

22. CASH FLOW INFORMATION

	2017 $	2016 $
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(2,795,309)**	(890,972)
Non-Cash Items		
Depreciation of non-current assets	**3,011**	3,677
Net loss on sale of plant and equipment	**-**	16,635
Net loss (gain) on sale of investments	**11,679**	(215,506)
Unrealised loss on available-for-sale financial assets	**36,287**	-
Net exchange differences	**1,281**	2,150
Share-based payments expenses	**763,750**	5,720
Change in operating assets and liabilities		
Decrease (increase) in trade and other receivables	**(6,596)**	9,333
Decrease in prepayments	**10,951**	229
Increase (decrease) in trade and other payables	**185,726**	(4,638)
Increase in provisions	**1,013**	411
Net cash outflow from operating activities	**(1,788,207)**	(1,072,961)

23. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

	2017 $	2016 $
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(2,795,309)**	(890,972)

	Number of shares 2017	Number of shares 2016
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic	**83,397,217**	75,423,225

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2017, no options on issue have been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

24. SHARE-BASED PAYMENTS

Options issued to employees

The Group may provide benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby, for instance, options to acquire ordinary shares may be issued as an incentive to improve employee and shareholder goal congruence. The exercise price of options so issued and outstanding at 30 June 2017 is 10 cents (3,750,000 options) and 25 cents (300,000 options) with an expiry date of 31 December 2018.

Options granted carry no dividend or voting rights. When exercised, each option "converts" into one ordinary fully paid share of the Company with full dividend and voting rights.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2017

24. SHARE-BASED PAYMENTS (cont'd)

Set out below are summaries of the options granted:

	Consolidated			
	2017		2016	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the financial year	**200,000**	**10.0**	82,736	42.7
Granted	**300,000**	**25.0**	-	-
Granted	**3,750,000**	**10.0**	200,000	10.0
Exercised	**(200,000)**	**10.0**	-	-
Expired			(82,736)	42.7
Outstanding at year-end	**4,050,000**	**11.1**	200,000	10.0
Exercisable at year-end	**4,050,000**	**11.1**	200,000	10.0

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.47 years (2016: 0.75 years), and the weighted average exercise price is 11.1 cents.

The weighted average "fair value" (determined in accordance with accounting standards, which does not represent the view of the directors with respect to the market value of those options – see notes 1(o) and (t) regarding share-based payments) of the options granted during the year was 11.1 cents (2016: 2.9 cents). The fair value was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2017	2016
Weighted average exercise price (cents)	**11.1**	10.0
Weighted average life of the option (years)	**1.85**	1.25
Weighted average underlying share price (cents)	**16.1**	8.7
Weighted average expected share price volatility	**84.3%**	86.3%
Weighted average risk free interest rate	**1.8%**	2.0%

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2017	2016
	$	$
Shares issued to vendor of Chile gold project	**400,000**	-
Options issued to employees and contractors shown as share-based payments	**363,750**	5,720
Total	**763,750**	**5,720**

Notes to the Consolidated Financial Statements (continued)

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Emu NL, at 30 June 2017. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Consolidated	
	2017	2016
	$	$
Current assets	**2,772,009**	2,033,610
Non-current assets	**622,873**	618,245
Total assets	**3,394,882**	2,651,855
Current liabilities	**207,424**	20,685
Total liabilities	**207,424**	20,685
Contributed equity	**14,146,213**	11,175,866
Reserves	**363,750**	41,520
Accumulated losses	**(11,322,506)**	(8,586,216)
Total equity	**3,187,457**	2,631,170
Loss for the year	**(2,736,292)**	(361,032)
Other comprehensive income	**(35,800)**	60,250
Total comprehensive income for the year	**(2,772,092)**	(300,782)

Directors' Declaration

In the directors’ opinion:

(a) the financial statements comprising the statements of comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes set out on pages 13 to 31 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company’s and the consolidated entity’s financial position as at 30 June 2017 and of their performance for the financial year ended on that date;

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

(c) the remuneration disclosures included in the Directors’ Report (as part of the audited Remuneration Report), for the year ended 30 June 2017, comply with Section 300A of the *Corporations Act 2001*; and

(d) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Greg Steemson
Managing Director
Perth, 22 September 2017

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Independent Audit Report to the members of Emu NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Emu NL (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 30 June 2017 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 as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. 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.

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

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 period. 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.

Decentralised Operations
$1.38 million of expenses relate to the Chile project in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

Key Audit Matter	How our audit addressed the matter
The Group has operations that are based in Chile. The decentralised and varied nature of these operations require significant oversight by Emu NL's management to monitor the activities, review component financial reporting and undertake the Group consolidation. This was a key audit matter given the significance of the operations.	Our audit work included, but was not restricted to, the following: • Tested the financial data used in the consolidation; • Documented an understanding of the controls related to the financial transactions; and • Reviewed costs incurred in Chile and agreed amounts to supporting invoices or other documentation.

Valuation of Share Based Payments

Note 1(o) and Note 1(t) to the financial statements contain the accounting policy and Note 14, 15 and 24 to the financial statements contain the disclosure in relation to the share based payments.

Key Audit Matter	How our audit addressed the matter
Emu NL has made a number of share based payments during the year to its directors (with shareholder approval) and suppliers. The valuation of the performance rights was based on the Black Scholes pricing model which included a number of judgemental estimates and assumptions.	Our audit work included, but was not restricted to the following: • We tested the integrity of management's valuation model; and • We obtained sufficient evidence to support the key inputs into the model; and • We assessed the accounting treatment with comparison to the requirements of *AASB 2 Share Based Payments*.

Other Information

The directors are responsible for the other information. The other information comprises the Review of Operations and Directors Report and other information included in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

The other information obtained at the date of this auditor's report is included in the annual report, (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 on the other information obtained prior to the date of this auditor's report, 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 Directors for the Financial Report

The directors of the Group 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 Group's ability 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 have 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 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 the 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, intentional omissions, misrepresentations, 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 in 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, used 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 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.

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 included on pages 7 to 9 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of EMU NL, for the year ended 30 June 2017, 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.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Lin Lee Kwa
Audit Director

Perth

22 September 2017

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 12 September 2017.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		Contributing shares	
	Number of holders	**Number of shares**	**Number of holders**	**Number of shares**
1 - 1,000	**42**	**13,618**	18	8,955
1,001 - 5,000	**65**	**191,573**	34	91,601
5,001 - 10,000	**55**	**438,727**	24	185,065
10,001 - 100,000	**250**	**9767,654**	81	3,737,690
100,001 and over	**96**	**55,498,815**	33	32,557,356
	508	**65,910,387**	190	36,580,667
The number of shareholders holding less than a marketable parcel of shares are:	114	243,209		

(b) Twenty largest shareholders of quoted ordinary shares

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	Steemson G H + B F <GH Steemson Fam Super>	7,507,012	11.39
2	Northern Griffin Pty Ltd	6,678,544	10.13
3	King Wallace F + J I <Karta Koomba Super>	4,214,947	6.39
4	Citicorp Nominees Pty Ltd	3,452,210	5.24
5	Cozzi Paul	1,862,430	2.83
6	St Barnabas Investments Pty Ltd <Melvista Fam A/C>	1,700,000	2.39
7	Rutherford G A R + M L <Gavelle S/F A/C>	1,344,422	2.04
8	Hart A C + P <Hart Fam S/F A/C>	1,300,000	1.97
9	Oceanic Capital Pty Ltd	1,000,000	1.52
10	Wit Team Entps Ltd	915,747	1.39
11	Dance Barrington	880,000	1.34
12	Payzone PL <St Barnabas Super>	869,992	1.32
13	Maraldo S J + A L <Maraldo Fam S/F A/C>	857,832	1.30
14	Arahill Damian John	720,000	1.09
15	Leo Kevin Anthony + L	682,587	1.04
16	Anna Carina PL <Anna Carina Fam A/C>	647,759	0.98
17	Leo Kevin Anthony + L <Leo S/F A/C>	646,383	0.98
18	Sattler Alan Frederick	627,685	0.95
19	Hatfull Peter W + JE <Hatfull S/F A/C>	603,253	0.92
20	Wildbrook Nominees Pty Ltd <Panzich S/F A/C>	600,000	0.91
		37,110,803	56.12

ASX Additional Information (continued)

(c) Twenty largest shareholders of quoted contributing shares

The names of the twenty largest holders of quoted contributing shares are:

		Listed contributing shares	
		Number of contributing shares	**Percentage of contributing shares**
1	Steemson G H + B F <GH Steemson Fam Super>	9,570,884	26.16
2	Northern Griffin Pty Ltd	8,031,855	21.96
3	King Wallace F + J I <Karta Koomba Super>	3,510,606	9.60
4	Rec Pty Ltd	1,560,706	4.27
5	Rutherford G A R + M L <Gavelle S/F A/C>	1,103,685	3.02
6	Citicorp Nominees Pty Ltd	950,370	2.60
7	Rutherford G A R + M L <Gavelle S/F A/C>	876,379	2.40
8	Payzone PL <St Barnabas Super>	699,957	1.91
9	Leo Kevin Anthony + L <Leo S/F A/C>	551,843	1.51
10	RSR Entps WA PL	551,843	1.51
11	Sept Rouges Ltd	505,239	1.38
12	Thomas P S	438,540	1.20
13	Tate Steven Lionel + SN	398,579	1.09
14	Sengupta Arun + SJ <Sengupta Fam S/F A/C>	392,500	1.07
15	Cozzi Paul	280,000	0.77
16	Baron Ian Ronald	234,499	0.64
17	Leeman PL	234,418	0.64
18	Anna Carina PL <Anna Carina Fam A/C>	233,750	0.64
19	Wonfair Inv PL	200,000	0.55
20	MPL 16 PL <ms & SL Evans Fam>	200,000	0.55
		30,525,653	83.47

(d) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Ordinary Shares	**Number of Contributing Shares**
G H and B F Steemson	7,507,012	9,570,884
P S Thomas	6,949,634	8,503,984
W F and J I King	4,214,947	2,958,763
S A Goodwin*	4,628,825	4,628,825

** S A Goodwin last notified the Company on 23 December 2013. The Company understands Ms Goodwin is no longer a substantial holder, although it has not received a 'ceasing to be a substantial holder' notice.*

(e) Voting rights

All fully ordinary shares carry one vote per share. Each contributing share has a voting entitlement proportionate to the amount paid up thereon relative to the entire amount payable (including the amount paid but ignoring amounts credited as paid).

(f) Unquoted Securities

			Holders of 20% or more of the class*	
Class	**Number of Securities**	**Number of Holders**	**Holder Name**	**Number of Securities**
Unlisted $0.10 Options, expiry 31 December 2018	4,750,000	5	N/A*	N/A*
Unlisted $0.25 Options, expiry 31 December 2018	300,000	1	N/A*	N/A*

** Not applicable for securities issued under an employee incentive scheme.*

ASX Additional Information (continued)

(g) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning*
Vidalita Project		
Atacama Region, Chile	Vidalita A1	Option to acquire 100% (Emu's Option Agreement and Prospex's Option Agreement)
Atacama Region, Chile	Vidalita B1	Option to acquire 100% (Emu's Option Agreement and Prospex's Option Agreement)
Atacama Region, Chile	Vidalita C1	Option to acquire 100% (Emu's Option Agreement and Prospex's Option Agreement)
Atacama Region, Chile	Vidalita D1	Option to acquire 100% (Emu's Option Agreement and Prospex's Option Agreement)
Atacama Region, Chile	Vidalita E1	Option to acquire 100% (Emu's Option Agreement and Prospex's Option Agreement)
Atacama Region, Chile	Vidalita F1	Option to acquire 100% (Emu's Option Agreement and Prospex's Option Agreement)
Atacama Region, Chile	Vidalota A	Option to acquire 100% (Emu's Option Agreement)
Atacama Region, Chile	Vidalota B	Option to acquire 100% (Emu's Option Agreement)
Jotahues Project		
Atacama Region, Chile	Ciclope Tuerto 7	Option to acquire 100% (Emu's Option Agreement)
Atacama Region, Chile	Ciclope Tuerto 8	Option to acquire 100% (Emu's Option Agreement)
Atacama Region, Chile	Ciclope Tuerto 9	Option to acquire 100% (Emu's Option Agreement)

**Refer to Review of Operations – Activities – Chilean assets (page 3) for a description of the projects and, in particular, Prospex's Option Agreement and Emu's Option Agreement.*