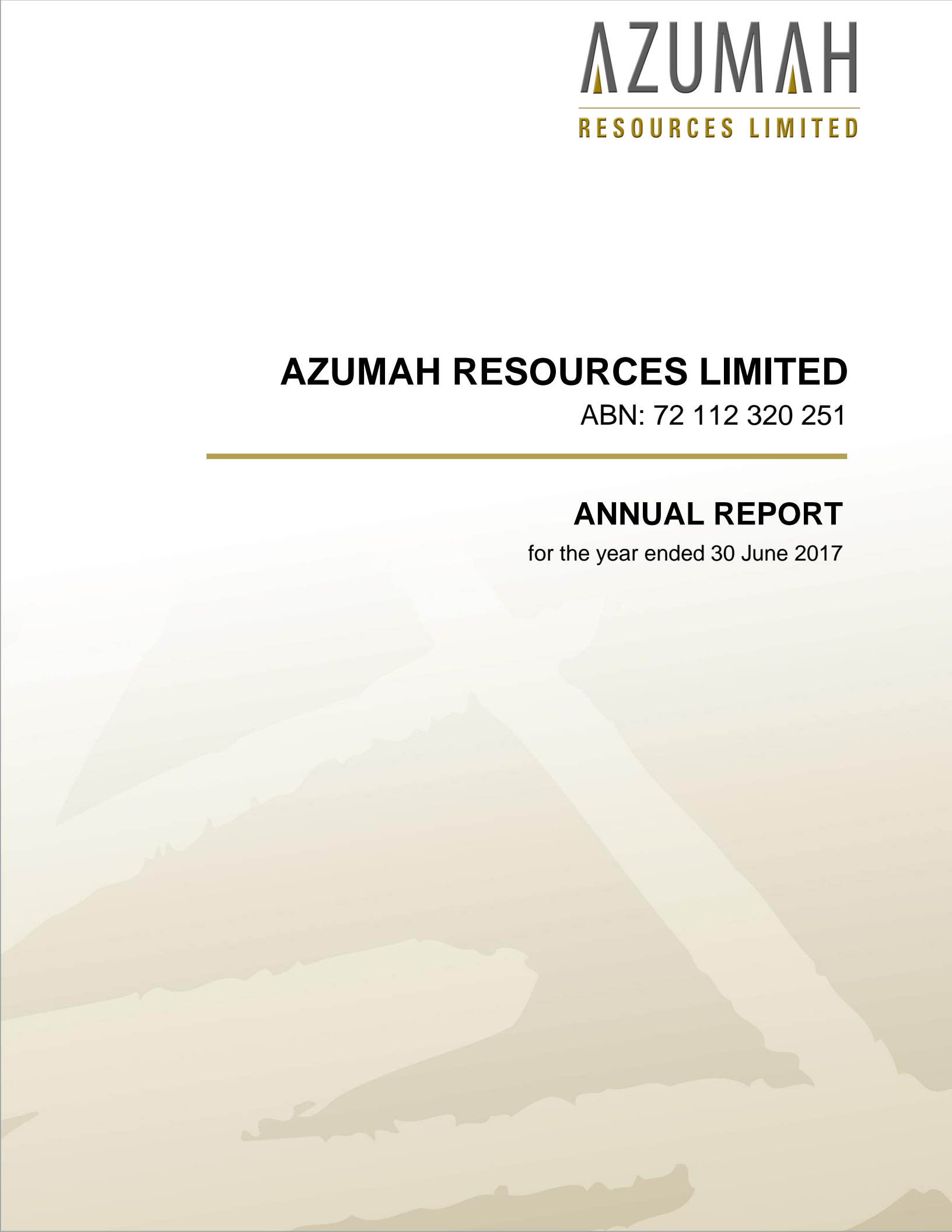


AZUMAH RESOURCES LIMITED

ABN: 72 112 320 251

ANNUAL REPORT

for the year ended 30 June 2017

A faint, stylized background image of a mountain range, rendered in shades of beige and light brown, covering the lower half of the page.

CORPORATE INFORMATION

ABN 72 112 320 251

Directors

Michael Atkins (Non-executive Chairman)
Stephen Stone (Managing Director)
Geoffrey Jones (Non-executive Director)
William LeClair (Non-executive Director)

Company Secretary

Dennis Wilkins

Registered Office

Suite 2, 11 Ventnor Avenue
WEST PERTH WA 6005

Principal Place of Business

Suite 2, 11 Ventnor Avenue
WEST PERTH WA 6005
Telephone: +61 8 9486 7911
Facsimile: +61 8 9481 4417

Bankers

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005

Barclays Bank of Ghana Ltd
High Street
Accra GHANA

Share Register

Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: 1300 992 916
Facsimile: +61 8 6365 4086

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Stock Exchange Listing

Azumah Resources Limited shares are listed on the Australian Securities Exchange (ASX code: AZM).

Internet: www.azumahresources.com.au

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CHAIRMAN'S LETTER

Dear Fellow Shareholders

I am pleased to report that sustained exploration success at the Company's Wa Gold Project, Ghana and a landmark project level funding transaction, distinguish the past year as one of Azumah's most productive yet, confirm the high quality and inherent value of its assets and solidly reposition Azumah for its next stage of growth.

The discovery of primary mineralisation at several new prospects demonstrates the integrity of Azumah's systematic and scientifically driven approach to targeting and highlights the considerable prospectivity of its contiguous 2,400km² land position in Ghana's emerging Upper West Region.

The recently inked A\$17 million project earn-in deal with Ibaera Capital GP Limited is a game-changing development that will see an escalation of drilling to boost resources and reserves and ultimately the delivery of a revised blueprint for funding and development.

The magnitude of the Ibaera investment, which will see it earn in stages up to a 47.5% interest over the next two years, is larger than Azumah's present very modest market capitalisation and provides a real benchmark from which we hope the market will now revalue your Company.

Prior to making its commitment to Azumah, and after considering many projects worldwide, Ibaera undertook a very thorough technical and commercial due diligence which scrutiny your Board sees as representing a ringing endorsement of the quality of the Project and Azumah itself.

Equally important is that the partnership will see Ibaera's team of highly experienced and accomplished technical staff combine with and augment the skillsets of Azumah's capable team.

We highly value the open and respectful partnerships established with the many communities and stakeholders with whom we interact. Their support is essential in obtaining and maintaining the social licence that is critical to us being able to operate in Ghana. We are very proud of the modest contributions that we have made in the form of employment for many local people, the sustainable improvements in medical and educational facilities and in many other direct and indirect ways.

At a corporate level, and in what has been a challenging operating environment, existing shareholders strongly supported a Share Purchase Plan and accompanying Placement in July 2016 and a Rights Issue in August 2017 placing the Company in a well-funded position to meet its continuing obligations.

The Board also welcomes to the share register the many new investors that supported these capital raisings or who have generally purchased shares and remain shareholders of the Company.

I assure you that your Board and management will continue to relentlessly strive to unlock the value it views as being compressed into Azumah's extremely modest valuation. This is something that it can only do with the tremendous and continuing support of you, the Company's shareholders, and the unwavering dedication and tenacity of every member of the Azumah team.

Azumah is now very nicely poised for what I anticipate will be an eventful and fruitful year to come.

Michael Atkins
Chairman

DIRECTORS REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as “the Group”) consisting of Azumah Resources Limited 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 financial year and until the date of this report are as follows.

Where applicable, all current and former directorships held in listed public companies over the past three years have been detailed below.

Directors were in office for this entire period unless otherwise stated.

Michael Atkins

B.Comm, Non-Executive Chairman (Member of audit and remuneration committees)

Mr Atkins is a Fellow of the Australian Institute of Company Directors.

He was a founding partner of a national Chartered Accounting practice from 1979 to 1987 and was a Fellow of the Institute of Chartered Accountants in Australia until resigning in June 2011.

Between 1987 and 1998 he was a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa. From 1990 to 1995 he was Managing Director and later a non-executive director of Claremont Petroleum NL and Beach Petroleum NL during their reconstruction, and then remained as a Non-Executive Director until 1995. He was also founding Executive Chairman of Gallery Gold Ltd until 1998, and remained a Non-Executive Director until 2000.

Since February 2009 Mr Atkins has been a Director - Corporate Finance at Patersons Securities Limited where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

He is currently non-executive Chairman of ASX listed public companies Castle Minerals Limited and Legend Mining Ltd, and a non-executive director of Structural Systems Limited. He is a member of the Audit Committee of Azumah Resources Limited.

Stephen Stone,

BSc (Hons) Mining Geology, MAusIMM, FAICD, Managing Director

Mr Stone graduated with honours in Mining Geology from University of Wales, Cardiff and has since gained more than 30 years’ operating, project evaluation, executive management and corporate development experience in the international mining and exploration industry.

Mr Stone worked for several years at the large open pit and underground copper mines of the Zambian Copperbelt. He came to Australia in 1986 and since then has been involved in the formation and management of several junior ASX listed exploration companies.

He joined Azumah Resources Limited as Non-Executive Chairman in November 2006, was appointed Executive Chairman in December 2007 and Managing Director in October 2009.

Mr Stone is a Member of the Australasian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Company Directors and a member of the Editorial Board of International Mining Magazine. He is currently also a director of ASX listed public companies Alto Metals Limited (non-executive) and Castle Minerals Limited (executive).

Geoffrey Jones

BE (Civil), FIE Aust, CP Eng (Member of audit and remuneration committees)

Mr Jones is a Fellow of the Institution of Engineers, Australia, with a Bachelor of Engineering (Civil) degree. He has over 30 years' experience in the evaluation, design, development, commissioning and operation of major resource projects in Australia and overseas, especially in Africa, including Ghana.

Mr Jones spent over six years as Group Project Engineer for ASX-listed Resolute Limited with responsibility for the successful development of its Obotan Gold Project in Ghana, Golden Pride Gold Project in Tanzania, as well as the Chalice and Bullabulling Gold Projects in Western Australia. For all of these projects, his involvement ranged from feasibility study preparation through to development, commissioning and start-up operations.

Mr Jones has operated his own project management and engineering consultancy, JMG Projects Pty Ltd, servicing the mining industry. In this capacity Mr Jones has completed works on gold and base metal projects for Australian and overseas based mining groups. Mr Jones is currently employed by GR Engineering Services Limited as Managing Director.

Mr Jones is also a director of GR Engineering Services Limited, Marindi Metals Limited (formerly Brumby Resources Limited) and Ausgold Limited. During the previous three years Mr Jones was also a director of Energy Metals Limited.

William (Bill) LeClair

BComm, FCA (Member of audit and remuneration committees)

Mr LeClair is a Chartered Accountant and a resident of Canada. He has many years of financial and mining experience and an extensive background in North American markets as a past executive and director of several Toronto Stock Exchange (TSX) listed companies.

Mr LeClair was President and CEO of TSX-listed Crew Gold Corporation, prior to it being taken over in 2010. Crew Gold employed up to 3,000 staff in operating mines and exploration projects in multiple jurisdictions, including West Africa where it operated the 250,000-ounce per year LEFA gold mine in Guinea.

Currently Mr LeClair is also a director and Chairman of the Audit Committee of Copper North Ltd, a Vancouver based company listed on the TSX. Mr LeClair is the Chairman of the Audit Committee of Azumah Resources Limited and a member of the Remuneration Committee. Previously Mr LeClair was a director of Goldbrook Ventures Inc. and Qwick Media Inc., and the CRO of Veris Gold Corp., all Vancouver based and TSX listed companies.

COMPANY SECRETARY**Dennis Wilkins**

B.Bus., AICD, ACIS

Mr Wilkins is the founder and principal of DWCorporate Pty Ltd, a privately held corporate advisory firm servicing the natural resources industry.

Since 1994 Mr Wilkins has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006.

Since July 2001 Mr Wilkins has been running DW Corporate Pty Ltd where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

He is currently non-executive director of Australian listed company Key Petroleum Limited (since 5 July 2006) and an alternate director of Middle Island Resources Limited (since 1 May 2010). During the previous three years he was also a non-executive director of Duketon Mining Limited (*resigned 18 November 2014*), A1 Consolidated Gold Limited (*resigned 11 May 2015*) and Shaw River Manganese Ltd (*resigned December 2015*).

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

As at the date of this report, the interests of the directors in the shares of Azumah Resources Limited were:

| | Ordinary Shares |
|-----------------|------------------------|
| Michael Atkins | 2,642,061 |
| Stephen Stone | 11,696,725 |
| Geoffrey Jones | 559,092 |
| William LeClair | - |

PRINCIPAL ACTIVITIES

Azumah Resources Limited is a Perth-based mineral exploration company entirely focused on exploring and developing its regional-scale, 100%-owned Wa Gold Project in northwest Ghana, West Africa.

DIVIDENDS

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

REVIEW OF OPERATIONS

Three main deposits have been discovered and extensively drilled at Kunche and Bepkong, adjacent to the Black Volta River and Ghana's border with Burkina Faso, and at Julie ~80km to the east. Several satellite deposits, including Aduane and Collette, have also been delineated.

To date, the Company has defined a JORC 2012 Mineral Resource of 2.1Moz of gold grading 1.5g/t Au (including 1.4Moz Measured and Indicated) grading 1.7g/t Au with these evenly distributed between Kunche-Bepkong and Wa East (Julie deposit).

Mineral Resources have been progressively grown through a focused, systematic approach to exploration of the Company's 2,400km² licence holdings, which encompass large tracts of prospective Birimian terrain, the rocks that host the majority of West Africa's gold mines. Much of this is covered in soil, alluvium or laterite so most discoveries have been 'blind'. Azumah anticipates Mineral Resources will grow substantially as it continues to test its large pipeline of target areas and specific prospects.

Azumah completed in 2015 a Feasibility Study for a mining operation based on an initial seven-year life and producing ~90,000oz Au per year from the open pit mining and treatment of ore through a nominal 1.2 million tonnes per year carbon-in-leach (CIL) processing plant (1.8Mtpa treating softer oxide material). The plant will be located adjacent to the Kunche deposit and incorporate a flotation and regrind circuit to treat Julie primary and some transitional ore which will be hauled by road to the processing plant.

A JORC 2012 Ore Reserve of 624,000oz Au (9.1Mt at 2.14g/t Au) has been defined with the designed optimised pits also containing Inferred Resources of 28,000oz Au. Extensive metallurgical test work has been undertaken to confirm a high average overall gold recovery of ~92% for the combined Kunche, Bepkong and Julie deposits.

No technical, social or environmental impediments to development have been identified, no communities need to be rehoused and there is strong support from all stakeholders for the Project. Whilst the region has no other major industry, the Project benefits from excellent regional infrastructure including grid power to site, good quality bituminised and non-bituminised roads, easy access to water, a 2km sealed airstrip at the regional centre of Wa and good general communications.

Azumah has two 15-year Mining Leases over its key deposits (Ghana government holds a 10% free carried interest in their 'rights and obligations' and is also entitled to a 5% gross gold royalty).

Exploration

Azumah's exploration strategy has been driven by its need to boost Mineral Resources to increase the existing Ore Reserve base from 624,000oz towards 1.0Moz. This would more solidly underpin a development decision and improve funding capability, in particular through an effective reduction in the development capital intensity per reserve ounce.

Work has focused around laterally extending existing resources, identifying new target areas and at specific prospects within these areas.

Geochemical sampling campaigns using the Company's two continuously operating power auger drill rigs have been maintained throughout the year. This work was augmented by mapping, trenching and where there is some outcrop, rock chip sampling. Several new anomalies have been identified and existing ones extended.

Subsequent first-pass testing by a 93-hole, 5,885m multi-target aircore and RC drilling programme was very successful in identifying primary mineralisation at the Manwe, Manwe South, Josephine, Madam's Farm and Georgie prospects. All are proximal to the Project's main ore deposits and proposed mining infrastructure.

At Manwe the drilling intersected 12m at 5.28g/t Au from 49m, 7m at 5.14g/t Au from surface, 9m at 3.64g/t Au from 55m and 8m at 2.53g/t Au from 70m in extension and infill drilling. This work also confirmed strike continuity over 200m and excellent depth upside.

Primary mineralisation was identified over a strike of at least 200m at Manwe South where intercepts of 2m at 22.99g/t Au from 44m, 4m at 2.14g/t Au from 16m and 9m at 2.01g/t Au from 22m were obtained.

At the evolving Josephine discovery, where a consistently mineralised system over a strike of 400m and to a vertical depth of 130m has already been delineated, all 19 RC holes drilled intersected mineralisation with best intercepts including 10m at 7.43g/t Au from 97m (incl. 2m at 28.95g/t Au), 5m at 3.46g/t Au from 89m, 13m at 2.43g/t Au from 74m, 12m at 1.66g/t Au from 149m, 1m at 12.70g/t Au from 92m and 18m at 1.05g/t Au from 49m. Extensional and infill drilling is planned ahead of an imminent maiden resource estimate.

Testing for primary mineralisation at Madam's Farm, a 1km line of artisanal workings, also confirmed primary mineralisation with better intercepts including 2m at 3.29g/t Au from 32m and 4m at 2.20g/t Au from 34m.

The Julie West Prospecting Licence adjacent to Azumah's 834,000oz Julie deposit and acquired in 2016, hosts the high-grade 56,200oz Julie West prospect (415,000t at 4.2g/t Au) and the 12,800oz Danyawu prospect (72,100t at 5.5g/t Au), 2km to the northwest. Both remain open at depth. First-pass drilling at the Georgie target returned encouraging intercepts including 3m at 9.78g/t Au from 12m. Rock chip sampling has returned high-grades from several other newly identified Julie West sites including 60.0g/t, 37.7g/t, 26.1g/t, 18.8g/t, 16.9g/t, 12.3g/t and 11.4g/t Au. At one of these, the new JW5 target, a 9m-wide mineralised quartz vein subsequently investigated by trenching returned a high-grade zone grading 2m at 27.9g/t Au.

Follow-up RC drilling programmes are being planned for the majority of these prospects and will commence in the latter months of 2017 and continue into 2018.

CSA Global Targeting Study

To better understand the geological context of existing deposits and new targets and to generate new target areas, Azumah commissioned a review and updated targeting study from geological consultants CSA Global Pty Ltd (CSA). This study confirmed 18 very high-priority and 32 high-priority target areas within a total of 140 target areas. Thirty-eight of the target areas are totally new.

The Company has amassed a considerable body of geological information across several major datasets. This most recent review and gap analysis by CSA sought to integrate and interrogate these datasets using the latest geological intelligence, multi-disciplinary interpretive and data processing techniques.

A particular focus was directed towards reinterpreting the structural controls and their sequencing and then determining which of these are associated with mineralising events. This revised structural framework has generated many new target areas and seen a number of others upgraded.

The study also highlighted the benefits of applying to target identification and ranking the latest litho-geochemical 'fingerprinting' techniques. This will reference the considerable multi-element geochemical data that Azumah has been routinely collecting but until now underutilised. A number of chemical elements or combinations of these have been identified as possible 'pathfinders' to mineralisation.

Broader scale outputs from the long-term, multi-client, private-publicly funded WAXI (West African Exploration Initiative) programme of which Azumah has been a key sponsor, were also referenced. An additional contribution has been from Azumah sponsored doctorate research at the University of Toulouse undertaken by the Company's Ghanaian senior geologist.

Azumah's excellent track record of discovery, its enviable regional-scale footprint of prospective Birimian geological terrain, the large number of priority target areas awaiting evaluation and generally the early-stage status of much of its landholding, confirms that there remains considerable opportunity to take the Wa Gold Project to the next level of over 3Moz and in time well beyond that.

Azumah is looking forward to systematically testing its new and extensive array of priority targets, initially using low-cost auger or aircore drilling, followed by RC drilling as warranted.

Ibaera Funding Transaction

On 1 September 2017 Azumah executed an Earn-In and Shareholders Agreement (EISA) with Perth managed private equity group, Ibaera Capital GP Limited (Ibaera), whereby Ibaera can earn up to a 47.5% interest for an expenditure of US\$13.5 million (~A\$17M) in the Company's Wa Gold Project.

The terms of the EISA set out the basis for the parties to boost Mineral Resources, Ore Reserves and to deliver a study supporting a decision to proceed to production within the next two years.

The EISA, which is contingent on the approval of the Government of Ghana, provides for the following:

- Ibaera will earn an interest in the Project, including the Company's Ghana mining licences, through the provision of funds to Azumah's wholly owned Ghana registered subsidiary, Azumah Resources Ghana Limited (AZG).
- Ibaera will spend an initial US\$11.25 million (~A\$14.3M) within two years to earn an initial 42.5% interest.
- If additional funds are required to achieve the key objectives of the joint venture, and Azumah elects not to pro-rata co-fund and maintain its 57.5% equity, Ibaera may sole fund to a total of US\$13.50M (~A\$17M) and increase its interest up to 47.5%.
- If Ibaera does not fulfil its initial funding obligations of US\$11.25M, subject to provisions to rectify this, it will withdraw from and not hold any equity in AZG.

-
- The parties will work together to co-fund all subsequent expenditures and/or to secure project development funding with each party having the right to match third party funding terms.
 - A standard industry fair market-value based dilution mechanism will apply if one party elects not to contribute.
 - The AZG Board will be reconfigured from the existing two directors to four with Azumah appointing the Chair who will have a casting vote so long as Azumah remains the majority equity holder.
 - Ibaera will nominate a suitably qualified and experienced Project Manager who will submit programmes and budgets to the AZG board for its unanimous approval.
 - The Project licences include the Julie West licence once it has been fully transferred to Azumah by Castle Minerals Limited.
 - Additional terms are as standard in such transactions.

Licencing

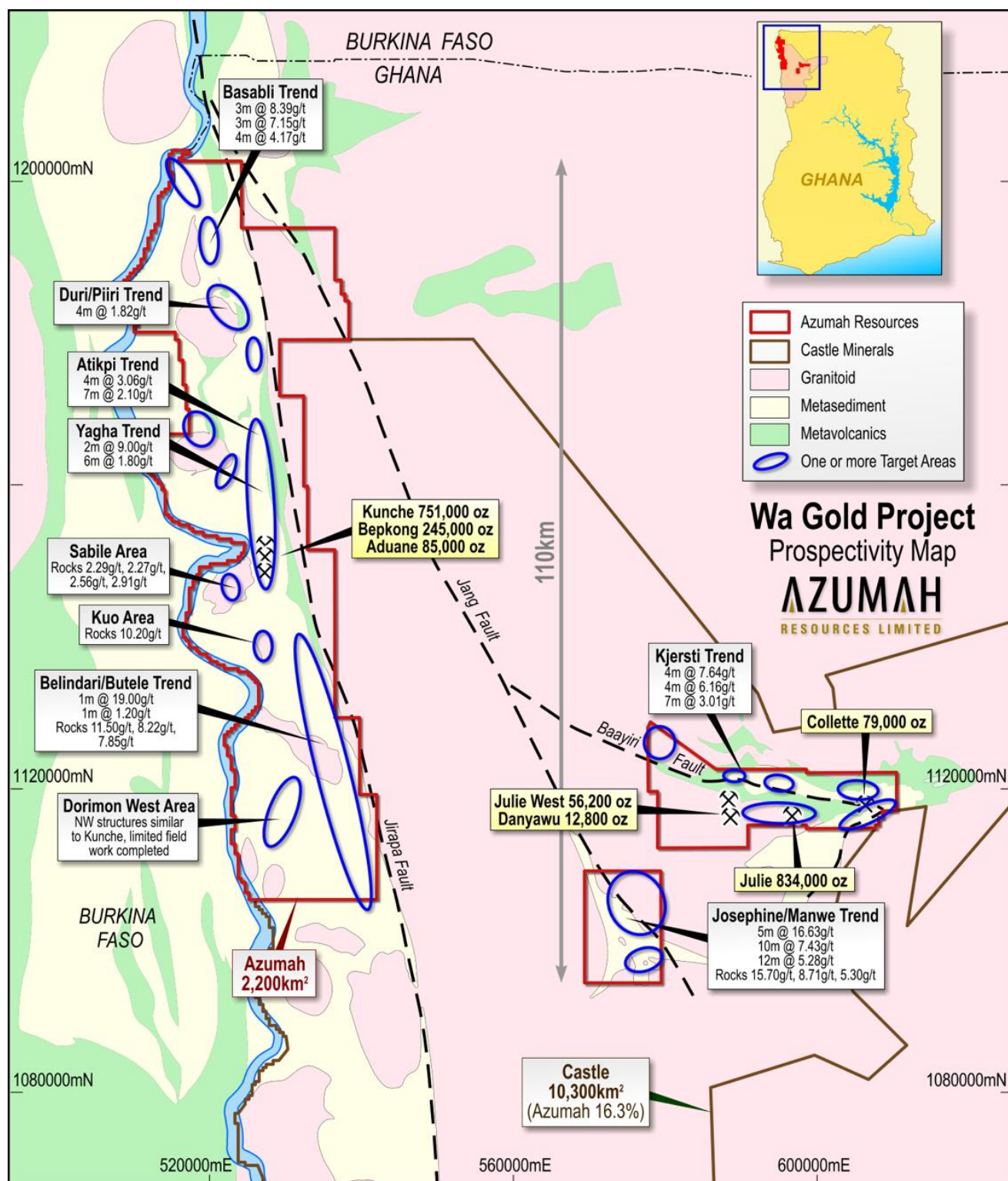
Azumah continually reviews its licence holdings to ensure that only areas of enhanced prospectivity are retained and various area-based annual fees minimised. Partial relinquishments were successfully applied for on two prospecting licences and others are pending as-and-when they fall due for extensions or renewals. Three licences were fully relinquished.

Corporate

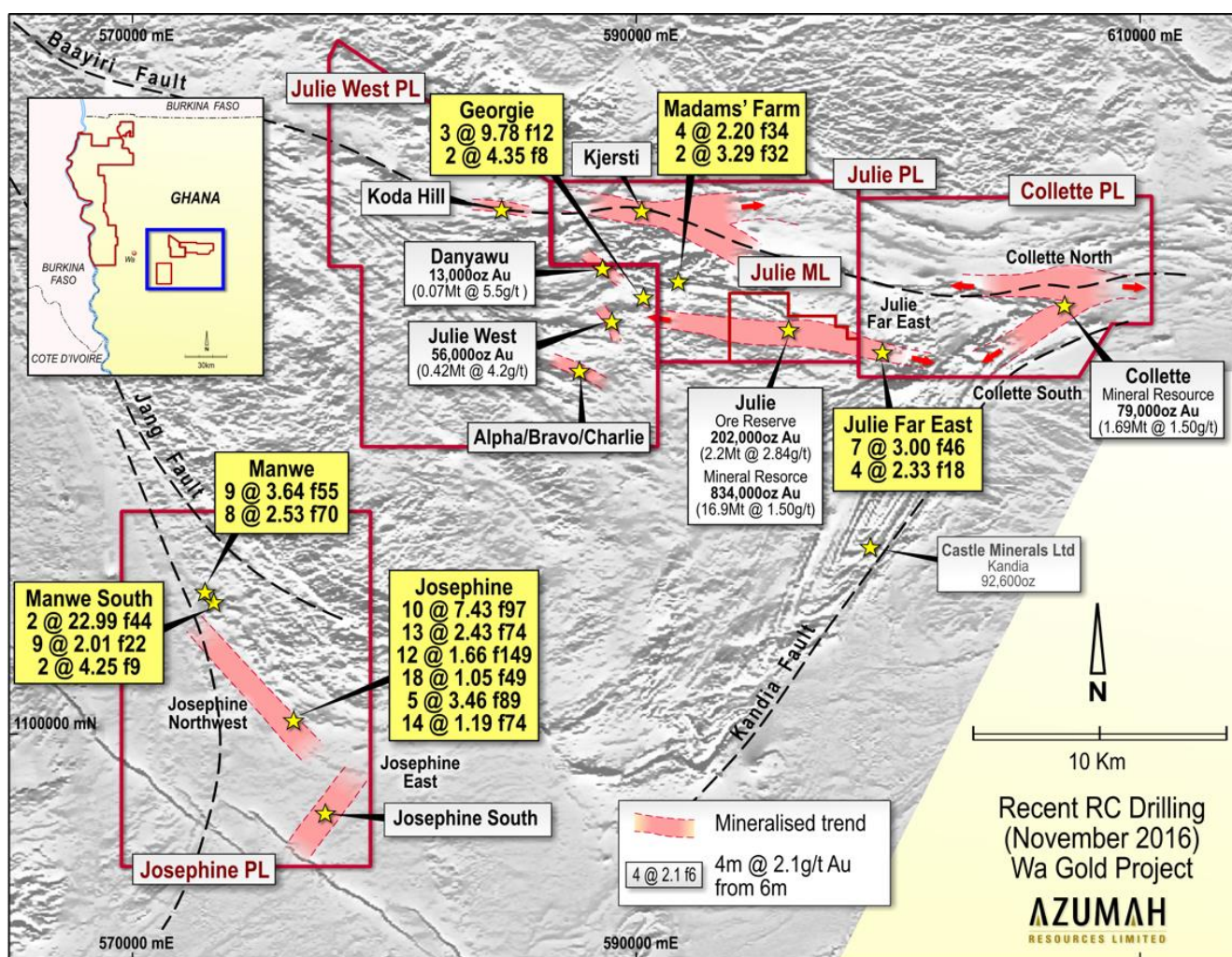
Additional to the Ibaera transaction, Azumah

- Boosted working capital in July 2016 by \$4.65M (before costs) through an underwritten share purchase plan and a subsequent oversubscribed share placement;
- Redeemed the \$2.0M unsecured Converting Note with Ausdrill Limited plus outstanding interest through the payment of \$1.0M cash with the balance satisfied by an issue of new ordinary Azumah shares;
- Successfully completed in early September 2017 a 1-for-5, fully underwritten, non-renounceable rights issue to raise A\$2.33 million (before costs); and
- Retained a 16.3% interest in neighbouring licence holder, Castle Minerals Limited (ASX: CDT).

Wa Gold Project: Outline of high-priority targets areas (with selected historical intercepts) generated by 2017 CSA Targeting Study



Wa East: Multiple Discoveries During 2016/2017 Highlight Prospectivity



References

All references to Mineral Resources and Ore Reserves pertain to ASX releases dated 2 September 2014, 23 March 2015 and 12 October 2016 respectively. Also refer to Tables 1 and 2 herein. The Company confirms that all material assumptions underpinning the production targets and forecast information continue to apply and have not materially changed other than a positive material reduction in capital costs (refer ASX release dated 9 May 2016). For further information on Azumah Resources Limited and its Wa Gold Project please visit its website at www.azumahresources.com.au which contains copies of all continuous disclosure documents to ASX, Competent Persons' Statements and Corporate Governance Statement and Policies.

Ore Reserve Statement

Ore Reserve summary applicable to the Wa Gold Project were as follows:

| (As at August 2014) | Proved | | Probable | | Total | | Gold To Mill |
|-----------------------------|-------------|--------------|-------------|--------------|-------------|--------------|----------------|
| | Tonnes (Mt) | Grade g/t Au | Tonnes (Mt) | Grade g/t Au | Tonnes (Mt) | Grade g/t Au | Gold oz |
| Kunche | 4.91 | 1.92 | 0.05 | 3.11 | 4.97 | 1.94 | 309,000 |
| Bepkong | 1.79 | 1.84 | 0.11 | 1.97 | 1.90 | 1.85 | 113,000 |
| Julie | 0.29 | 2.45 | 1.93 | 2.89 | 2.21 | 2.84 | 202,000 |
| Total – 30 June 2017 | 7.00 | 1.92 | 2.09 | 2.85 | 9.08 | 2.14 | 624,000 |
| Total – 30 June 2016 | 7.00 | 1.92 | 2.09 | 2.85 | 9.08 | 2.14 | 624,000 |

Table 1

Values have been rounded. Note: The Ore Reserve excludes 28,000oz inferred gold deemed 'Mining Inventory'

Mineral Resource Statements

Mineral Resources applicable to the Wa Gold Project as at 30 June 2017 are as follows:

| Deposit | Measured | | | Indicated | | | Inferred | | | Total | | |
|-------------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|--------------|------------------|
| | Tonnes (M) | Grade g/t Au | Gold oz | Tonnes (M) | Grade g/t Au | Gold oz | Tonnes (M) | Grade g/t Au | Gold oz | Tonnes (M) | Grade g/t Au | Gold oz |
| Kunche | 8.42 | 1.7 | 468,000 | 2.24 | 1.4 | 99,000 | 4.86 | 1.2 | 183,000 | 15.52 | 1.5 | 751,000 |
| Bepkong | 2.22 | 1.8 | 128,000 | 1.70 | 1.3 | 73,000 | 1.17 | 1.2 | 44,000 | 5.09 | 1.5 | 245,000 |
| Aduane | | | | | | | 1.77 | 1.5 | 85,000 | 1.77 | 1.5 | 85,000 |
| Julie | 0.89 | 1.4 | 41,000 | 10.06 | 1.6 | 507,000 | 5.98 | 1.5 | 286,000 | 16.93 | 1.5 | 834,000 |
| Julie West | | | | 0.38 | 4.2 | 52,000 | 0.03 | 4.0 | 4,000 | 0.41 | 4.2 | 56,000 |
| Danyawu | | | | 0.07 | 5.5 | 13,000 | | | | 0.07 | 5.5 | 13,000 |
| Collette | | | | | | | 1.69 | 1.5 | 79,000 | 1.69 | 1.5 | 79,000 |
| Total | 11.52 | 1.7 | 637,000 | 14.45 | 1.6 | 744,000 | 15.50 | 1.4 | 681,000 | 41.49 | 1.5 | 2,063,000 |

Table 2

Note: Values have been rounded. A lower cut-off of 0.5g/t Au was used for Kunche, Bepkong, Aduane, Julie and Collette, and a lower cut-off of 1.0g/t Au was used for Julie West and Danyawu.

Mineral Resources applicable to the Wa Gold Project as at 30 June 2016 were as follows:

| Cut-off 0.5 g/t Au | Measured | | | Indicated | | | Inferred | | | Total | | |
|-----------------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|--------------|------------------|
| | Tonnes (M) | Grade g/t Au | Gold Oz | Tonnes (M) | Grade g/t Au | Gold Oz | Tonnes (M) | Grade g/t Au | Gold Oz | Tonnes (M) | Grade g/t Au | Gold Oz |
| Kunche | 8.42 | 1.73 | 468,000 | 2.24 | 1.38 | 99,000 | 4.86 | 1.17 | 183,000 | 15.52 | 1.50 | 751,000 |
| Bepkong | 2.22 | 1.79 | 128,000 | 1.70 | 1.33 | 73,000 | 1.17 | 1.17 | 44,000 | 5.09 | 1.49 | 245,000 |
| Aduane | | | | | | | 1.77 | 1.50 | 85,000 | 1.77 | 1.50 | 85,000 |
| Julie | 0.89 | 1.44 | 41,000 | 10.06 | 1.57 | 507,000 | 5.98 | 1.49 | 286,000 | 16.93 | 1.53 | 834,000 |
| Collette | | | | | | | 1.69 | 1.45 | 79,000 | 1.69 | 1.45 | 79,000 |
| Total | 11.52 | 1.72 | 637,000 | 14.00 | 1.51 | 679,000 | 15.47 | 1.36 | 677,000 | 40.99 | 1.51 | 1,994,000 |

Table 3

Values have been rounded. Excludes Julie West 2004 JORC resource

Ore Reserves and Mineral Resources

Table 1 notes the Company's Ore Reserves as at 30 June 2017. There has been no change to the Company's Ore Reserves since 30 June 2016.

Table 2 and Table 3 compare the Company's Mineral Resources as at 30 June 2017 (Table 2) against those at 30 June 2016 (Table 3).

Review of material changes

During the year, the Company's combined Mineral Resources for its Wa Gold Project, Ghana increased by 69,000oz at 4.4g/t Au to 2,063,000oz following an update to JORC 2012 compliance of the acquired Julie West and Danyawu gold deposits.

The shallow depth Julie West and Danyawu Mineral Resources are particularly high-grade at 4.2g/t Au and 5.5g/t Au respectively.

The JORC 2012 update of the Julie West and Danyawu resources was undertaken by Perth based independent consultants, RungePincockMinarco Limited using a 1.0g/t Au cut off, the same as it used for the original JORC 2004 estimates.

Governance controls

Azumah Resources Limited has a firm policy to only utilise the services of external independent consultants to estimate Mineral Resources and Ore Resources. The Company also has established practices and procedures to monitor the quality of data applied in Mineral Resource and Ore Reserve estimation, and to commission and oversee the work undertaken by external independent consultants.

The Mineral Resource and Ore Reserve estimates have been calculated by a suitably qualified consultant and overseen by suitably qualified Azumah Resource Limited employee and/or consultant.

Competent Persons' Statements

The scientific and technical information in this report that relates to the geology of the deposits and exploration results is based on information compiled by Mr Stephen Stone, who is a full-time employee (Managing Director) of Azumah Resources Limited. Mr Stone is a Member of the Australian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stone is the Qualified Person overseeing Azumah's exploration projects and has reviewed and approved the disclosure of all scientific or technical information contained in this announcement that relates to the geology of the deposits and exploration results.

Statements of Competent Persons for the various Mineral Resource Estimates, Ore Reserve Estimates and Process Metallurgy can all be found on the Company's website at: http://www.azumahresource.com.au/projects-competent_persons.php

Azumah is the sole unencumbered legal and beneficial owner of the above listed licences. Other than as disclosed in the above Schedule of Licences and to ASX, there are no royalties payable to any third party (other than a government agency) in respect of future production from the licences. The Licences are valid, subsisting, in full force and effect and in good standing in terms of applicable laws and regulations in Ghana. Azumah is not aware that it is in default in the due and punctual observance or performance of its obligations under the provisions of the licences and the applicable laws and regulations in Ghana. So far as Azumah is aware, it has complied in all material respects with all laws and regulations applicable to the Licences and with all orders of governmental agencies having jurisdiction over the Licences. Azumah has not received any notice or information regarding any circumstances that would result in a material breach of the terms and conditions of the Licences or any application for renewal not being granted. All fees, charges, penalties, fines and royalties in respect of the Licences which have fallen due for payment and which have been invoiced by the Government of Ghana (other than fees for Stool Lands for which there remains uncertainty in Ghana as to the fees payable) have been paid and all renewal and extensions of time applications submitted on time and in accordance with the terms of applicable mining laws in Ghana. The status of a majority of the Licences is that they are subject to renewal or extension applications and these are being duly processed and still awaiting invoices for payment of applicable fees.

Forward-Looking Statement

All statements other than statements of historical fact included on this website including, without limitation, statements regarding future plans and objectives of Azumah, are forward-looking statements. Forward-looking statements can be identified by words such as ‘anticipate’, ‘believe’, ‘could’, ‘estimate’, ‘expect’, ‘future’, ‘intend’, ‘may’, ‘opportunity’, ‘plan’, ‘potential’, ‘project’, ‘seek’, ‘will’ and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Azumah that could cause Azumah’s actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained on this website will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Azumah does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained on this website, except where required by applicable law and stock exchange listing requirements.

FINANCE REVIEW

The Group began the financial year with a cash reserve of \$1,031,143. The Group raised funds during the year via a placement of 3,850,001 ordinary shares to professional and sophisticated investors, and a share purchase plan totalling 88,561,351 ordinary shares. Total gross funds raised during the year were \$4,046,685. Funds were used to actively advance the Group’s projects located in Ghana, West Africa, with \$1,000,000 also used to repay half of the convertible notes borrowings. The \$1,000,000 balance of the convertible notes was settled by the issue of 22,727,273 ordinary shares.

During the year the Group received revenue and other income totalling \$73,195. Total exploration expenditure incurred by the Group amounted to \$2,348,531. In line with the Company’s accounting policies, all exploration expenditure was written off during the year. Total Administration expenditure of \$458,575, Impairment recognised of \$96,934, Salaries and Employee Benefits of \$417,058, Finance costs of \$40,537 and non-cash total amounted to \$206,895 were incurred for the same period. Additionally, the Group’s share of net profit of associate accounted for using the equity method was \$1,452. This has resulted in an operating loss after income tax for the year ended 30 June 2017 of \$3,493,883 (2016: \$4,054,840).

At 30 June 2017 cash and cash equivalents totalled \$750,912.

OPERATING RESULTS FOR THE YEAR

Summarised operating results are as follows:

| | 2017 | |
|--|----------|-------------|
| | Revenues | Results |
| | \$ | \$ |
| Consolidated entity revenues and loss from ordinary activities before income tax expense | 73,195 | (3,493,883) |

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 Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate 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 the following:

- ▶ Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- ▶ 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 REPORTING DATE

On 2 August 2017, the Group announced it had entered into an Earn-In and Shareholders Agreement arrangement with Ibaera Capital GP Limited ("Ibaera") whereby Ibaera can earn up to 47.5% of the Wa Gold Project in Ghana by spending USD\$13.5 million over two years.

On 11 August 2017, the Company lodged an Entitlements Issue Prospectus for a fully underwritten non-renounceable entitlement issue of one new share for every five shares held to raise \$2,330,263 (before costs). The full amount was received and shares issued on 7 September 2017.

No other matter or circumstance has arisen since 30 June 2017, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

REMUNERATION REPORT (AUDITED)

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

Principles Used to Determine the Nature and Amount of Remuneration

Remuneration Governance and Policy

The Remuneration Committee consists of William LeClair, Michael Atkins and Geoffrey Jones (Chairman). The Corporate Governance Statement provides further information on the role of this committee. The remuneration policy of Azumah Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term and short-term incentives. The board of Azumah Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

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

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. The board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.

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

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

Where required, the executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9.5% in the reporting period, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using an option pricing methodology depending on the terms of the options.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$500,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance based remuneration

During the year, the Company executed short-term incentive deeds with the Chairman and the Managing Director on the following terms:

Michael Atkins, Non-Executive Chairman

- 1 upon completion of a corporate transaction on or before 31 December 2017 resulting in a change of control of the Company, a cash bonus equal to 0.25% of the Company's market capitalisation as at the date of the change of control (subject to clause 4); or
- 2 upon completion of a sale or part sale, on or before 31 December 2017, of at least 50% of the Wa Project leading to a full funding solution for the Wa Project, a cash bonus equal to 0.25% of the value of the sale proceeds (subject to clause 4); or

- 3 upon obtaining a financing solution on or before 31 December 2017 for full development of the Wa Project, a cash bonus equal to 0.25% of the full funding solution (subject to clause 4); and
- 4 in all cases, the quantum of the cash bonus is capped at 3 times Mr Atkins' Director Fees as at the date of satisfaction of the condition set out in clauses 1, 2 or 3 above, as appropriate.

Stephen Stone, Managing Director

- 1 upon completion of a corporate transaction on or before 31 December 2017 resulting in a change of control of the Company, a cash bonus equal to 1% of the Company's market capitalisation as at the date of the change of control (subject to clause 4); or
- 2 upon completion of a sale or part sale, on or before 31 December 2017, of at least 50% of the Wa Project leading to a full funding solution for the Wa Project, a cash bonus equal to 1% of the value of the sale proceeds (subject to clause 4); or
- 3 upon obtaining a financing solution on or before 31 December 2017 for full development of the Wa Project, a cash bonus equal to 1% of the full funding solution (subject to clause 4); and
- 4 in all cases, the quantum of the cash bonus is capped at 3 times Mr Stone's Total Remuneration Package as at the date of satisfaction of the condition set out in clauses 1, 2 or 3 above, as appropriate.

None of the performance conditions were satisfied during the year, and no payments have accrued or been paid in relation to the short-term incentive deeds during the year.

Company performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Company performance as the Directors do not consider it appropriate due to the Company still being in the exploration phase.

The table below shows the gross revenue, losses and earnings per share for the last five years for the listed entity.

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---------------------------------|-------------|-------------|-------------|-------------|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | 73,195 | 246,907 | 405,893 | 650,784 | 730,013 |
| Net loss | (3,493,883) | (4,054,840) | (4,149,118) | (3,400,604) | (19,128,990) |
| Loss per share (cents) | (0.6) | (1.0) | (1.1) | (1.0) | (5.7) |
| Share price at year end (cents) | 2.5 | 4.5 | 2.2 | 4.3 | 2.7 |

No dividends have been paid.

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 99% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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 of the Group include the directors as per pages 4 to 6 above and the following executive officers who have authority and responsibility for planning, directing and controlling activities within the Group:

- Paul Amoako-Atta – *Mineral Licence Manager*

Given the size and nature of operations of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

| | | Short-Term | | Long-Term | | Post-Employment | Share-based Payments | | Percentage Performance Related |
|--|---------------|------------|--------------|--------------------|-----------------|---------------------|---|---------|--------------------------------|
| | Salary & Fees | Cash Bonus | Non-Monetary | Leave Entitlements | Super-annuation | Retirement benefits | Options & Performance Rights ⁽¹⁾ | Total | % |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Directors | | | | | | | | | |
| Michael Atkins | | | | | | | | | |
| 2017 | 75,000 | - | 2,433 | - | 7,125 | - | (5,811) | 78,747 | - |
| 2016 | 75,000 | - | 2,042 | - | 7,125 | - | 17,575 | 101,742 | - |
| Stephen Stone | | | | | | | | | |
| 2017 | 273,973 | - | 2,433 | 10,439 | 26,027 | - | (30,992) | 281,880 | - |
| 2016 | 273,973 | - | 2,042 | - | 26,027 | - | 55,146 | 357,188 | - |
| Geoffrey Jones | | | | | | | | | |
| 2017 | 41,250 | - | 2,433 | - | 3,919 | - | (2,905) | 44,697 | - |
| 2016 | 41,250 | - | 2,042 | - | 3,919 | - | 8,788 | 55,999 | - |
| William LeClair | | | | | | | | | |
| 2017 | 49,275 | - | 2,433 | - | - | - | - | 51,708 | - |
| 2016 | 49,275 | - | 2,042 | - | - | - | 5,414 | 56,731 | - |
| Other key management personnel | | | | | | | | | |
| Paul Amoako-Atta | | | | | | | | | |
| 2017 | 39,276 | - | - | - | - | - | - | 39,276 | - |
| 2016 | 36,203 | - | - | - | - | - | 12,500 | 48,703 | - |
| Total key management personnel compensation | | | | | | | | | |
| 2017 | 478,774 | - | 9,732 | 10,439 | 37,071 | - | (39,708) | 496,308 | - |
| 2016 | 475,701 | - | 8,168 | - | 37,071 | - | 99,423 | 620,363 | - |

- (1) Performance rights previously granted to the Directors expired without vesting on 30 December 2016. Therefore, as no rights have ultimately vested due to failure to satisfy the vesting conditions, the previously expensed amounts have been reversed during the current period in accordance with the requirements of AASB 2: Share Based Payments.

Service Agreements

The details of service agreements of the key management personnel of the Group are as follows:

Stephen Stone, Managing Director and Chief Executive Officer:

- ▶ Term of agreement – Employment commencing 1 July 2012 continuing until employment is terminated.
- ▶ Total remuneration package of \$300,000 consisting of a base salary of \$273,973 (gross) and a superannuation contribution of \$26,027.
- ▶ The agreement may be terminated by the Company giving 9 months' notice in writing, or by Mr Stone giving 3 months' written notice, or applicable shorter periods upon breach of contract by either party. There are no benefits payable on termination other than entitlements accrued to the date of termination.

None of the other directors or key management personnel has service agreements in place.

Share-Based Compensation

Performance Rights

Performance rights are issued to directors and executives as part of their remuneration, following the approval by shareholders of the Company's Performance Rights Plan at the 2011 Annual General Meeting.

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows, there were no performance rights forfeited during the year:

| | Grant Date | Granted Number | Vested Number | Date Vesting & Exercisable | Expiry Date | Value per right at grant date (cents) ⁽¹⁾ | % of Remuneration |
|------------------|------------|----------------|---------------|----------------------------|-------------|--|-------------------|
| Directors | | | | | | | |
| Michael Atkins | 03/12/2015 | 750,000 | Nil | (2) | 30/12/2016 | 2.9 | (7.4) |
| Stephen Stone | 03/12/2015 | 2,000,000 | Nil | (2) | 30/12/2016 | 2.9 | (5.4) |
| Stephen Stone | 03/12/2015 | 2,000,000 | Nil | (3) | 30/12/2016 | 2.9 | (5.4) |
| Geoffrey Jones | 03/12/2015 | 375,000 | Nil | (2) | 30/12/2016 | 2.9 | (6.5) |

- (1) The value at grant date in accordance with AASB 2: Share Based Payments of performance rights granted during the year as part of remuneration. The value for rights with a non-market based performance condition is the closing share price on grant date. The value for rights with a market-based performance condition has been calculated by reference to a Trinomial Barrier Option Calculator.
- (2) These rights were to vest on completion of a material transaction including any transaction involving equity, debt, any other funding or a combination of each, including but not limited to:
 - a takeover bid for the Company where the bidder gains at least 50% of the issued capital of the company; or,
 - securing finance that has the reasonable expectation of leading to the development of the Wa Gold Project in preparation for commercial production;
 - sale of at least a 50% interest in the Wa Gold Project; or,
 - the introduction of joint venture partners with the reasonable expectation that the joint venture would lead to the development of the Wa Gold Project in preparation for commercial production.

These rights expired without vesting on 30 December 2016.

- (3) These rights were to vest on a greater than 20% increase in JORC resources and/or reserves. These rights expired without vesting on 30 December 2016.

Equity Instruments Held by Key Management Personnel

Performance Rights Holdings

The numbers of performance rights in the Company held during the financial year by each director of Azumah Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

| 2017 | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested & exercisable | Unvested |
|--|------------------------------|-------------------------|-----------|---------------|----------------------------|----------------------|----------|
| Directors of Azumah Resources Limited | | | | | | | |
| Michael Atkins | 750,000 | - | - | (750,000) | - | - | - |
| Stephen Stone | 4,000,000 | - | - | (4,000,000) | - | - | - |
| Geoffrey Jones | 375,000 | - | - | (375,000) | - | - | - |
| William LeClair | - | - | - | - | - | - | - |
| Other key management personnel of the Group | | | | | | | |
| Dennis Wilkins | - | - | - | - | - | - | - |
| Paul Amoako-Atta | 500,000 | - | (500,000) | - | - | - | - |

Share Holdings

The numbers of shares in the Company held during the financial year by each director of Azumah Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

| 2017 | Balance at start of the year | Received during the year on the vesting of performance rights | Other changes during the year | Balance at end of the year ⁽¹⁾ |
|--|------------------------------|---|-------------------------------|---|
| Directors of Azumah Resources Limited | | | | |
| Ordinary shares | | | | |
| Michael Atkins | 1,350,000 | - | 340,910 | 1,690,910 |
| Stephen Stone | 9,633,633 | - | 113,637 | 9,747,270 |
| Geoffrey Jones | 375,000 | - | 90,910 | 465,910 |
| William LeClair | - | - | - | - |
| Other key management personnel of the Group | | | | |
| Ordinary shares | | | | |
| Dennis Wilkins | 2 | - | - | 2 |
| Paul Amoako-Atta | 3,250,000 | 500,000 | - | 3,750,000 |

(1) At year end there are no nominally held shares.

Loans to Key Management Personnel

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

Other Transactions with Key Management Personnel

GR Engineering Services Limited, an Australian publicly listed company of which Mr Jones is a director, provided engineering consultancy services to Azumah Resources Limited during the 2016 financial year totalling \$27,055. There were no services provided during the 2017 financial year. The amounts paid were on arm's length commercial terms, and were expensed as exploration expenditure. At 30 June 2017 there was nil (2016: nil) owing to GR Engineering Services Limited.

Castle Minerals Limited, an Australian publicly listed company of which Messrs Atkins and Stone are directors, was on-charged rent and administration support expenses by Azumah Resources Limited during the year totalling \$43,368 (2016: \$29,580). The amounts on-charged were at cost to the Company, and are included as a reduction of administration or salaries and employee benefits expenses. At 30 June 2017 there was \$79,781 (including GST) (2016: \$32,077) owed by Castle Minerals Limited.

End of Audited Remuneration Report

DIRECTORS' MEETINGS

During the year the Company held four meetings of directors. The attendance of directors at meetings of the board was:

| | Directors Meetings | | Audit | Committee Meetings | | |
|-----------------|--------------------|---|-------|--------------------|--------------|---|
| | A | B | | B | Remuneration | |
| | A | B | A | B | A | B |
| Michael Atkins | 4 | 4 | 2 | 2 | - | - |
| Stephen Stone | 4 | 4 | * | * | * | * |
| Geoffrey Jones | 4 | 4 | 2 | 2 | - | - |
| William LeClair | 4 | 4 | 2 | 2 | - | - |

A – Number of meetings attended.

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

* – Not a member of the relevant committee.

During the year the Directors also met on numerous occasions informally outside of formal meetings and addressed other matters by circular resolution.

SHARES UNDER OPTION

There are no unissued ordinary shares of Azumah Resources Limited under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Azumah Resources Limited issued during the year ended 30 June 2017, and up to the date of this report, on the exercise of options.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Azumah Resources Limited paid a premium to insure the directors and secretary of the Company. The total amount of insurance contract premiums paid was \$10,065. The amount has been included in the compensation amounts disclosed for key management personnel elsewhere in this report and in the notes to the financial statements.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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 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*.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO Audit (WA) Pty Ltd 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, 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*.

BDO Corporate Tax (WA) Pty Ltd and BDO Audit (WA) Pty Ltd received or are due to receive the following amounts for the provision of non-audit services:

| | 2017 | 2016 |
|------------------------------|---------------|---------------|
| | \$ | \$ |
| Taxation compliance services | <u>11,390</u> | <u>11,632</u> |

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 23.

Signed in accordance with a resolution of the directors.



Stephen Stone
Managing Director

Perth, 29 September 2017

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AZUMAH RESOURCES LIMITED

As lead auditor of Azumah Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Azumah Resources Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2017

CORPORATE GOVERNANCE STATEMENT

Azumah Resources Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Azumah Resources Limited has reviewed 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 29 September 2017 and is current as at 29 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.azumahresources.com.au.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2017

| | Notes | Consolidated | |
|--|-------|--------------------|-------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| REVENUE | 4(a) | 32,791 | 31,793 |
| Other income | 4(b) | 40,404 | 215,114 |
| EXPENDITURE | | | |
| Depreciation expense | | (252,462) | (194,722) |
| Salaries and employee benefits expense | | (417,058) | (430,334) |
| Exploration expenditure | | (2,348,531) | (2,119,118) |
| Impairment expense | 5 | (96,934) | (130,541) |
| Administration expenses | | (458,575) | (688,904) |
| Finance costs | 5 | (40,537) | (489,896) |
| Share-based payments income/(expense) | 24 | 45,567 | (166,259) |
| Share of net profit/(loss) of associate accounted for using the equity method | | 1,452 | (81,973) |
| LOSS BEFORE INCOME TAX | | (3,493,883) | (4,054,840) |
| INCOME TAX EXPENSE | 6 | - | - |
| LOSS AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED | | (3,493,883) | (4,054,840) |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Net loss on revaluation of financial assets | | - | (57,874) |
| Impairment of financial assets included in loss for the year | | - | 77,189 |
| Exchange differences on translation of foreign operations | | (40,766) | 181,121 |
| Share of associate's exchange differences on translation of foreign operations | | (3,415) | 133 |
| Other comprehensive income for the year, net of tax | | (44,181) | 200,569 |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF AZUMAH RESOURCES LIMITED | | (3,538,064) | (3,854,271) |
| Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share) | 23 | (0.6) | (1.0) |

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 | 2017 \$ | Consolidated 2016 \$ |
|---|-------|------------------|----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 750,912 | 1,031,143 |
| Trade and other receivables | | 181,563 | 136,730 |
| TOTAL CURRENT ASSETS | | 932,475 | 1,167,873 |
| NON-CURRENT ASSETS | | | |
| Investments accounted for using the equity method | 9 | 126,931 | 128,894 |
| Property, plant and equipment | 10 | 1,491,358 | 1,775,482 |
| TOTAL NON-CURRENT ASSETS | | 1,618,289 | 1,904,376 |
| TOTAL ASSETS | | 2,550,764 | 3,072,249 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 645,644 | 385,685 |
| Borrowings | 12 | - | 2,222,013 |
| TOTAL CURRENT LIABILITIES | | 645,644 | 2,607,698 |
| TOTAL LIABILITIES | | 645,644 | 2,607,698 |
| NET ASSETS | | 1,905,120 | 464,551 |
| EQUITY | | | |
| Contributed equity | 13 | 103,361,606 | 98,337,406 |
| Reserves | 14 | 5,677,220 | 5,766,968 |
| Accumulated losses | | (107,133,706) | (103,639,823) |
| TOTAL EQUITY | | 1,905,120 | 464,551 |

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**

| | Notes | Contributed Equity \$ | Share-Based Payments Reserve \$ | Fair Value Reserve \$ | Foreign Currency Translation Reserve \$ | Accumulated Losses \$ | Total \$ |
|--|-------|-----------------------------|--|-----------------------------|---|-----------------------------|-------------|
| Consolidated | | | | | | | |
| BALANCE AT 1 JULY 2015 | | 96,142,775 | 4,268,528 | (19,315) | 1,227,603 | (99,584,983) | 2,034,608 |
| Loss for the year | | - | - | - | - | (4,054,840) | (4,054,840) |
| OTHER COMPREHENSIVE INCOME | | | | | | | |
| Net loss on revaluation of financial assets | | - | - | (57,874) | - | - | (57,874) |
| Impairment of financial assets included in loss for the year | | - | - | 77,189 | - | - | 77,189 |
| Exchange differences on translation of foreign operations | | - | - | - | 181,121 | - | 181,121 |
| Share of associate's exchange differences on translation of foreign operations | | - | - | - | 133 | - | 133 |
| TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR | | - | - | 19,315 | 181,254 | (4,054,840) | (3,854,271) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | | | | |
| Shares issued during the year | 13 | 2,248,031 | (76,676) | - | - | - | 2,171,355 |
| Share issue transaction costs | 13 | (53,400) | - | - | - | - | (53,400) |
| Share-based payments expense | 24 | - | 166,259 | - | - | - | 166,259 |
| BALANCE AT 30 JUNE 2016 | | 98,337,406 | 4,358,111 | - | 1,408,857 | (103,639,823) | 464,551 |
| Loss for the year | | - | - | - | - | (3,493,883) | (3,493,883) |
| OTHER COMPREHENSIVE INCOME | | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | - | (40,766) | - | (40,766) |
| Share of associate's exchange differences on translation of foreign operations | | - | - | - | (3,415) | - | (3,415) |
| TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR | | - | - | - | (44,181) | (3,335,343) | (3,538,064) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | | | | |
| Shares issued during the year | 13 | 5,228,503 | - | - | - | - | 5,228,503 |
| Share issue transaction costs | 13 | (204,303) | - | - | - | - | (204,303) |
| Share-based payments income | 24 | - | (45,567) | - | - | - | (45,567) |
| BALANCE AT 30 JUNE 2017 | | 103,361,606 | 4,312,544 | - | 1,364,676 | (107,133,706) | 1,905,120 |

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

CONSOLIDATED STATEMENT OF CASHFLOWS**YEAR ENDED 30 JUNE 2017**

| | Notes | Consolidated | |
|---|-------|----------------|------------------|
| | | 2017 | 2016 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (932,808) | (995,881) |
| Interest received | | 32,425 | 37,109 |
| Interest paid | | (40,328) | - |
| Expenditure on exploration interests | | (2,140,697) | (1,764,033) |
| Proceeds from the release of security bond | | - | 40,000 |
| Research & development tax incentive grant received | | - | 137,234 |
| NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES | 22(a) | (3,081,408) | (2,545,571) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Loan to associate | | (250,000) | - |
| Repayment of loan by associate | | 250,000 | - |
| Payments for purchases of available-for-sale financial assets | | - | (75,448) |
| Payments for security deposits | | (20,000) | - |
| Payments for property, plant and equipment | | (20,914) | (3,126) |
| NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES | | (40,914) | (78,574) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (1,000,000) | - |
| Proceeds from issues of ordinary shares | | 4,046,685 | 1,510,000 |
| Payments of share issue transaction costs | | (204,303) | (53,400) |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | | 2,842,382 | 1,456,600 |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | | (279,940) | (1,167,545) |
| Cash and cash equivalents at the beginning of the financial year | | 1,031,143 | 2,198,304 |
| Effects of exchange rate changes on cash and cash equivalents | | (291) | 384 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 7 | 750,912 | 1,031,143 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Azumah Resources Limited and its subsidiaries. The financial statements are presented in the Australian currency. Azumah Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 29 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 (AASB) and the *Corporations Act 2001*. Azumah Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Azumah Resources Limited 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 their operations and effective 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 has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through the profit and loss.

(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.

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

(b) Principles of consolidation (cont'd)

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) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. However, refer to note 9 for details of an investee classified as an associate even though the Group holds less than 20% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(h).

(iv) 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 Azumah Resources Limited.

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

(b) Principles of consolidation (cont'd)

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.

(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 Azumah Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. 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 or 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.

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

(d) Foreign currency translation (cont'd)

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) Government grants

The Research and Development Tax Incentive Grant received from the Australian Taxation Office is recognised in profit or loss in the period in which it becomes receivable, with the amount included in other income.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period'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.

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

(g) Income tax (cont'd)

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.

(h) Impairment of assets

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.

(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, and bank overdrafts.

(j) Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

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.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Group's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within impairment expenses. When a loan or receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

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

(j) Financial assets (cont'd)

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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.

Measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment. 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 or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The rate of depreciation for property is 11% and for plant and equipment the rates vary between 20% and 40% per annum.

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

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

(k) Property, plant and equipment (cont'd)

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 or loss and other comprehensive income.

(l) Exploration and evaluation costs

Exploration and evaluation costs are expensed (and not capitalised) in the year they are incurred.

(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. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured and are paid on normal commercial terms.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

The fair value of the liability portion of the converting notes was determined as the proceeds less the value of the conversion rights. The liability is subsequently recognised at fair value until extinguished on conversion or maturity of the notes. The value of conversion rights is recognised in shareholders' equity, and not subsequently remeasured.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Employee benefits

(i) 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.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 24.

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

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

(o) Employee benefits (cont'd)

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 the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

Performance rights are also granted to employees. The fair value of performance rights granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and allocated over the period during which the employees become unconditionally entitled to the performance rights. The fair value of the performance rights is determined by fair market value of share at the date of grant.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(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) and Value Added Tax (VAT)

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.

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

(r) Goods and Services Tax (GST) and Value Added Tax (VAT) (cont'd)

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.

The Group's transactions in Ghana are subject to VAT administered by the Value Added Tax Service of the Republic of Ghana. Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the Value Added Tax Service. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

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

(s) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

AASB 9 *Financial Instruments* (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are described below.

- (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

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

(s) New accounting standards and interpretations not yet adopted (cont'd)

- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in December 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on or after 1 January 2015.

Based on the financial assets and liabilities currently held, the Group does not anticipate any material impact on the financial statements upon adoption of this standard. The Group does not presently engage in hedge accounting.

AASB 15 *Revenue from Contracts with Customers* (applicable for annual reporting periods commencing on or after 1 January 2017).

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations (IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue-Barter Transactions Involving Advertising Services*). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- a) Step 1: Identify the contract(s) with a customer
- b) Step 2: Identify the performance obligations in the contract
- c) Step 3: Determine the transaction price
- d) Step 4: Allocate the transaction price to the performance obligations in the contract
- e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted. AASB 2014-5 incorporates the consequential amendments to a number of Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

There will be no material impact on the Group's financial position or performance.

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

(s) New accounting standards and interpretations not yet adopted (cont'd)

AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- IFRS 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided the new revenue standard, AASB 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.

The effect of this amendment on the Group's financial statements has yet to be determined.

(t) Critical accounting estimates and judgements

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:

Depreciation of Ghanaian Buildings

Depreciation is calculated using the straight-line method to allocate the cost of the buildings over their estimated useful life. The Group has estimated the useful life of the buildings to coincide with the current term of the mining licences. If the useful life of the buildings was to be different to this term, there would be an impact on the amount of depreciation charged to the profit or loss and the carrying value of buildings recognised in the statement of financial position.

Estimated fair value of borrowings

The initial fair value of the liability portion of converting notes was determined as the proceeds less the value of the conversion rights. The liability is subsequently recognised at fair value until extinguished on conversion or maturity of the notes, with the fair value at maturity estimated based on management's view of the most likely conversion outcome. The value of conversion rights is recognised in shareholders' equity, and not subsequently remeasured, and was calculated using the Black-Scholes European Option Pricing Model on the issue date using the assumptions detailed in note 12. If any of these assumptions or estimates were to change, there may be an impact on the amounts reported.

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

(t) Critical accounting estimates and judgements (cont'd)

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using an appropriate option pricing model or fair market value of share (right) at the date of grant, using the assumptions detailed in note 24. If any of these assumptions, including probability of achieving the performance hurdle, were to change, there may be an impact on the amounts reported.

Classification of investee as an associate

The Group has made a significant judgement about the classification of an investee as an associate where the voting rights held is less than 20%. During the 2016 financial year the Company had two of its directors, Messrs Atkins and Stone, appointed to the board of Castle Minerals Limited, an entity of which the Group held 16.3% of the voting rights at the reporting date. This representation on the board of the investee, and ability to participate in the policy-making processes of the investee, has led to the determination that the Group has significant influence over the investee. From the date of the director appointments, the Group has accounted for the investee using the equity method. Prior to this date the investee was classified as an available-for-sale financial asset and accounted for at fair value through other comprehensive income. Refer to note 9 for further details.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director has 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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

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 has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The risk is not material and sensitivity analysis does not result in a material effect on Group results or financial position.

(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 investments accounted for using the equity method. Given the current level of operations, the Group is not currently exposed to commodity price risk.

2. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market risk (cont'd)

The Group's equity investments are publicly traded on the ASX, 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 risk is not material and sensitivity analysis does not result in a material effect on Group results or financial position.

(iii) Interest rate risk

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

The risk is not material and sensitivity analysis does not result in a material effect on Group results or financial position.

(b) Credit risk

The maximum exposure to credit risk at reporting 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. The only significant concentration of credit risk for the Group is the cash and cash equivalents held with financial institutions. All material deposits are held with the major Australian banks for which the Board evaluate credit risk to be minimal.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(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. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

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 estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The equity investments held by the Group are classified as investments accounted for using the equity method, refer to note 9 for further details. The market value of all equity investments represents the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as level 1 financial instruments.

2. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Fair value estimation (cont'd)

The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

| | Consolidated | |
|------------------------------|--------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Financial Assets | | |
| Cash and cash equivalents | 750,912 | 1,031,143 |
| Trade and other receivables | 181,563 | 136,730 |
| Total Financial Assets | 932,475 | 1,167,873 |
| Financial Liabilities | | |
| Trade and other payables | 645,644 | 385,685 |
| Total Financial Liabilities | 645,644 | 385,685 |

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

Fair value measurements of financial instruments

The carrying values of financial assets and liabilities of the Group approximate their fair values. Fair values of financial assets and liabilities have been determined for measurement and / or disclosure purposes.

Fair value hierarchy

The Group classifies assets and liabilities carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in determining that value. The Group does not currently have any financial instruments carried at fair value.

Due to their short-term nature, the carrying amount of the current receivables and current payables is assumed to approximate their fair value.

3. SEGMENT INFORMATION

For management purposes, the Group has identified only one reportable segment being exploration activities undertaken in Ghana, West Africa. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

Segment performance matches the Group's financial statements.

| | Consolidated | |
|---|--------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| 4. REVENUE AND OTHER INCOME | | |
| (a) Revenue | | |
| <i>Other revenue</i> | | |
| Interest | 32,791 | 31,793 |
| (b) Other income | | |
| Gain on modification of converting notes | 40,404 | 77,880 |
| Research and development grant refund | - | 137,234 |
| | 40,404 | 215,114 |
| 5. EXPENSES | | |
| Loss before income tax includes the following specific expenses: | | |
| Minimum lease payments relating to operating leases | 58,080 | 59,760 |
| Defined contribution superannuation expense | 45,407 | 44,774 |
| Foreign exchange losses | 4,035 | 115,563 |
| <i>Finance costs</i> | | |
| Interest and accretion on converting notes | 40,537 | 489,896 |
| Total finance costs | 40,537 | 489,896 |
| <i>Impairment expense</i> | | |
| Impairment of trade and other receivables | 96,934 | 53,352 |
| Impairment of available-for-sale financial assets (note 8) | - | 77,189 |
| Total impairment expense | 96,934 | 130,541 |
| 6. INCOME TAX | | |
| (a) Income tax (benefit)/expense | | |
| Current tax | - | - |
| Deferred tax | - | - |
| (b) Numerical reconciliation of income tax benefit to prima facie tax payable | | |
| Loss from continuing operations before income tax benefit | (3,493,883) | (4,054,840) |
| Prima facie tax benefit at the Australian tax rate of 30% (2016: 30%) | (1,048,165) | (1,216,452) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Share-based payments | (13,670) | 49,878 |
| Sundry items | 119,697 | 375,271 |
| | (942,138) | (791,303) |
| Movements in unrecognised temporary differences | 37,576 | (8,934) |
| Tax effect of current year tax losses for which no deferred tax asset has been recognised | 1,021,895 | 883,006 |
| Foreign tax rate differential | (117,333) | (82,769) |
| Income tax benefit | - | - |

| | Consolidated | |
|--|--------------|------|
| | 2017 | 2016 |
| | \$ | \$ |

6. INCOME TAX (cont'd)

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)

On Income Tax Account

| | | |
|--|-------------------|-------------------|
| Capital raising costs | 49,642 | 14,035 |
| Accruals and other provisions | 24,309 | 34,868 |
| Carry forward foreign losses | 22,553,519 | 21,732,179 |
| Carry forward tax losses (revenue and capital) | 3,455,971 | 3,309,956 |
| | <u>26,083,441</u> | <u>25,091,038</u> |
| Deferred Tax Liabilities (at 30%) | - | - |

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 companies in the Group satisfying the relevant tax authority's criteria for using these losses.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | | |
|---|----------------|------------------|
| Cash at bank and in hand | 131,809 | 553,634 |
| Short-term deposits | 619,103 | 477,509 |
| Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows | <u>750,912</u> | <u>1,031,143</u> |

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 three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

8. CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | | |
|--|----------|-----------|
| Australian listed equity securities | | |
| Opening value | - | 193,159 |
| Additions | - | 486 |
| Impairment through profit and loss | - | (77,189) |
| Revaluation adjustment through equity | - | 19,315 |
| Transfer to investments accounted for using the equity method (note 9) | - | (135,771) |
| Closing value | <u>-</u> | <u>-</u> |

All available-for-sale financial assets were denominated in Australian currency.

9. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

During the 2016 financial year the Company had two of its directors, Messrs Atkins and Stone, appointed to the board of Castle Minerals Limited (**CDT**), an entity of which the Group held 16.3% (2016: 18.6%) of the voting rights at the reporting date, represented by a holding of 27,725,024 ordinary shares (2016: 27,725,024). This representation on the board of the investee, and ability to participate in the policy-making processes of the investee, has led to the determination that the Group has significant influence over the investee. From the date of the director appointments (18 January 2016), the Group has accounted for the investee using the equity method, with CDT now classified as an associate of the Group. Prior to this date the investee was classified as an available-for-sale financial asset and accounted for at fair value through other comprehensive income.

CDT has share capital consisting solely of ordinary shares, which are held directly by the Group. CDT was incorporated in Australia, which is also their principal place of business. The proportion of ownership interest is the same as the proportion of voting rights held.

CDT is an ASX listed exploration company with minerals interests in Ghana. It is a strategic investment which utilises the Group's knowledge and expertise, and compliments the Group's mineral interests held in Ghana.

| Name of entity | % of ownership interest | | Quoted fair value | | Carrying amount | |
|------------------------------------|-------------------------|------|-------------------|---------|-----------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | % | % | \$ | \$ | \$ | \$ |
| Castle Minerals Limited | 16.3 | 18.6 | 471,325 | 332,700 | 126,931 | 128,894 |
| Total equity accounted investments | | | | | 126,931 | 128,894 |

(a) Summarised financial information for associate

The tables below provide summarised financial information for the Group's associate (CDT). The information disclosed reflects the amount presented in the financial statements of CDT and not Azumah Resources Limited's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method.

| | Castle Minerals Limited | |
|---|-------------------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Summarised statement of financial position | | |
| Current assets | 308,792 | 202,304 |
| Non-current assets | 34,922 | 43,157 |
| Total assets | 343,714 | 245,461 |
| Current liabilities | 324,443 | 576,546 |
| Total liabilities | 324,443 | 576,546 |
| Net assets/(liabilities) | 19,271 | (331,085) |

9. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

(a) Summarised financial information for associate (cont'd)

| | Castle Minerals Limited | |
|---|-------------------------|-----------|
| | 2017 | 2016 |
| | \$ | \$ |
| Summarised statement of comprehensive income | | |
| Revenue and other income | 563,827 | 282,339 |
| Profit/(loss) for the period | 8,911 | (480,297) |
| Other comprehensive income | (20,948) | 8,174 |
| Total comprehensive loss | (12,037) | (472,123) |
| Dividends received from associate | - | - |
| Reconciliation of value of investment: | | |
| Opening carrying amount | 128,894 | - |
| Cost at acquisition date | - | 135,771 |
| Additional investment during the year | - | 74,963 |
| Share of associate's other comprehensive income | (1,963) | (81,840) |
| Closing carrying amount | 126,931 | 128,894 |

(b) Contingent liabilities in respect of associate

The Group shares in the following contingent liabilities, as disclosed in CDT's Annual Report, incurred jointly with other investors of the associate:

"The Group [CDT] holds exploration areas of interest in Ghana for which various prospecting license, administration fees, reconnaissance licences, annual mineral rights fees and other fees are periodically levied to the Group [CDT]. At 30 June 2017, all invoices received for the fees from the Ghanaian authorities have been paid or accrued as liabilities, however due to the timeframes in receiving some invoices from local authorities, there may be amounts which the Group [CDT] may be required to settle in the future which have not been taken up as liabilities at 30 June 2017. The amounts and the timing of payment are not able to be determined at the period end and accordingly, no liability has been recognised for the contingent liability."

10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

| | Freehold Buildings \$ | Plant and Equipment \$ | Total \$ |
|--------------------------------|--------------------------|---------------------------|-------------|
| At 1 July 2015 | | | |
| Cost | 1,879,995 | 1,652,924 | 3,532,919 |
| Accumulated depreciation | (175,782) | (1,452,395) | (1,628,177) |
| Net book amount | 1,704,213 | 200,529 | 1,904,742 |
| Year ended 30 June 2016 | | | |
| Opening net book amount | 1,704,213 | 200,529 | 1,904,742 |
| Exchange differences | 54,339 | 7,997 | 62,336 |
| Additions | - | 3,126 | 3,126 |
| Depreciation charge | (49,388) | (145,334) | (194,722) |
| Closing net book amount | 1,709,164 | 66,318 | 1,775,482 |
| At 30 June 2016 | | | |
| Cost | 1,938,875 | 1,699,180 | 3,638,055 |
| Accumulated depreciation | (229,711) | (1,632,862) | (1,862,573) |
| Net book amount | 1,709,164 | 66,318 | 1,775,482 |
| Year ended 30 June 2017 | | | |
| Opening net book amount | 1,709,164 | 66,318 | 1,775,482 |
| Exchange differences | (52,294) | (282) | (52,576) |
| Additions | - | 20,914 | 20,914 |
| Depreciation charge | (213,476) | (38,986) | (252,462) |
| Closing net book amount | 1,443,394 | 47,964 | 1,491,358 |
| At 30 June 2017 | | | |
| Cost | 1,875,100 | 1,674,313 | 3,549,413 |
| Accumulated depreciation | (431,706) | (1,626,349) | (2,058,055) |
| Closing net book amount | 1,443,394 | 47,964 | 1,491,358 |

| | Consolidated | |
|---|----------------|----------------|
| | 2017 \$ | 2016 \$ |
| 11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES | | |
| Trade payables | 133,337 | 128,834 |
| Other payables and accruals | 512,307 | 256,851 |
| | 645,644 | 385,685 |

All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

| | Consolidated | |
|--|--------------|------|
| | 2017 | 2016 |
| | \$ | \$ |

12. CURRENT LIABILITIES - BORROWINGS

| | | |
|-------------------|---|-----------|
| Convertible notes | - | 2,222,013 |
|-------------------|---|-----------|

The parent issued 2,000,000 8% converting notes for \$2,000,000 on 29 January 2014. Prior to extensions (see below), the notes were convertible into ordinary shares of the parent entity at any time prior to the expiry date (1 February 2016), at the option of the holder, at \$0.05 per share. Azumah Resources Limited had the option to repay the notes on expiry, and pay periodic interest, in cash or by the issue of ordinary shares. The issue price of shares required to settle interest payments is 90% of the 15-day volume weighted average price (VWAP) of Azumah Resources Limited's shares traded on ASX prior to the interest payment date. The issue price of shares at expiry upon the Company's election to convert was the greater of (i) \$0.014, or (ii) 90% of the 30 day VWAP of Azumah Resources Limited's shares preceding the expiry date. The Company also had the right to require conversion prior to expiry at \$0.05 per share if the 30 day VWAP of Azumah Resources Limited's shares exceeded \$0.075.

During the 2016 financial year the expiry date was extended, firstly to 1 May 2016, and finally to 1 August 2016 at which time the converting notes were redeemed through the payment of \$1 million cash and the issue of 22,727,273 ordinary shares at a notional price of \$0.044 per share. Accrued interest due at redemption was paid in cash. All other terms remained the same. The effect of these modifications resulted in a gain of \$77,880 to the Group, recognised in other income during the 2016 financial year, a gain of \$40,404 to the Group on settlement, recognised in other income during the current reporting period, and a reduction in the effective interest rate from 27% to 22%.

| | | |
|---|---|-----------|
| Face value of notes issued | - | 2,000,000 |
| Other equity securities – value of conversion rights (note 13(b)) | - | (560,000) |
| | - | 1,440,000 |
| Fair value adjustment* | - | 394,944 |
| Interest paid | - | 387,069 |
| | - | 2,222,013 |

* Interest expense is calculated by applying the effective interest rate of 22% (2016: 22%) to the liability component. The effective interest rate is the rate that exactly discounts estimated future cash payments (in this case \$2,222,222) through the expected life of the financial instrument (in this case 2.5 years (2016: 2.5 years)) to the net carrying amount of the financial liability (in this case \$1,440,000).

The initial fair value of the liability portion of the notes was determined as the proceeds less the value of the conversion rights. The liability is subsequently recognised at fair value until extinguished on conversion or maturity of the notes, with the fair value at maturity estimated to be \$2,222,222 being the face value plus the premium to recognise conversion at 90% of VWAP. The value of conversion rights is recognised in shareholders' equity, and not subsequently remeasured, and was calculated using the Black-Scholes European Option Pricing Model on the issue date applying the following inputs:

| | |
|---------------------------------|--------|
| Exercise price (cents) | 5.0 |
| Life of the option (years) | 2.0 |
| Underlying share price (cents) | 3.4 |
| Expected share price volatility | 94.06% |
| Risk free interest rate | 2.64% |

Historical volatility has been used as the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

13. CONTRIBUTED EQUITY

| | | 2017 | | 2016 | |
|--|------------|--------------------|--------------------|--------------------|-------------------|
| | Notes | Number of shares | \$ | Number of shares | \$ |
| (a) Share capital | | | | | |
| Ordinary shares fully paid | 13(c), (e) | <u>582,565,957</u> | <u>103,361,606</u> | <u>464,727,332</u> | <u>97,777,406</u> |
| (b) Other equity securities | | | | | |
| Value of conversion rights – converting notes | 13(f) | | - | | 560,000 |
| Total contributed equity | | | <u>103,361,606</u> | | <u>98,337,406</u> |
| (c) Movements in ordinary share capital | | | | | |
| Beginning of the financial year | | 464,727,332 | 97,777,406 | 393,850,639 | 95,582,775 |
| Issued during the year: | | | | | |
| – Issued on vesting of performance rights ⁽¹⁾ | | 2,700,000 | - | 3,875,000 | 76,676 |
| – Issued on conversion of convertible notes ⁽²⁾ | | 22,727,273 | 1,181,818 | - | - |
| – Transferred from other equity securities on conversion of convertible notes ⁽³⁾ | | - | 560,000 | - | - |
| – Issued as consideration for interest payable on converting notes ⁽⁴⁾ | | - | - | 7,240,994 | 248,355 |
| – Issued for cash at 2.3 cents per share | | - | - | 39,565,217 | 910,000 |
| – Issued via share purchase plan | | 71,506,802 | 3,146,299 | - | - |
| – Issued for cash at 4.4 cents per share ⁽⁵⁾ | | 20,904,550 | 900,386 | 13,195,482 | 600,000 |
| – Issued as consideration for tenement acquisition ⁽⁶⁾ | | - | - | 7,000,000 | 413,000 |
| Less transaction costs | | - | (204,303) | - | (53,400) |
| End of the financial year | | <u>582,565,957</u> | <u>103,361,606</u> | <u>464,727,332</u> | <u>97,777,406</u> |

- (1) Included within the amount of \$76,676 for 2016 is \$67,500 relating to 2,700,000 employee performance rights that vested on 30 June 2016 for which the shares were not issued until 1 July 2016.
- (2) These shares were issued on conversion of converting notes with a face value of \$1,000,000, in accordance with the terms and conditions of the converting notes as described at note 12.
- (3) The value of conversion rights recorded upon initial recognition of the convertible notes has been transferred to ordinary share capital at the time of their redemption.
- (4) These shares were valued at the respective closing prices of the Company's shares traded on ASX on the dates of issue. 3,496,504 shares were issued on 3 August 2015, 2,755,172 shares were issued on 8 February 2016, and 989,318 shares were issued on 5 May 2016.
- (5) An amount of \$19,400 was received prior to the reporting date for 440,909 shares that were issued on 1 July 2016.
- (6) These shares were valued at the closing price of the Company's shares traded on ASX on the date of issue, being 5 May 2016.

13. CONTRIBUTED EQUITY (cont'd)

| | Number of Performance rights | |
|---|-------------------------------------|-------------|
| | 2017 | 2016 |
| (d) Movements in performance rights on issue | | |
| Beginning of the financial year | 5,875,000 | 4,075,000 |
| Issued, expiry 30 June 2016 | - | 3,450,000 |
| Issued, expiry 30 December 2016 | - | 9,750,000 |
| Vested, expiry 30 June 2016 | - | (3,450,000) |
| Vested, expiry 30 December 2016 | - | (3,875,000) |
| Expired/cancelled, expiry 30 November 2015 | - | (75,000) |
| Expired 30 June 2016 | - | (4,000,000) |
| Expired 30 December 2016 | (5,875,000) | - |
| End of the financial year | - | 5,875,000 |

(e) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

(f) Other equity securities

The amount shown for other equity securities is the value of the conversion rights relating to the 8% converting notes, details of which are shown in note 12.

(g) Capital risk management

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

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital positions of the Group at 30 June 2017 and 30 June 2016 are as follows:

| | Consolidated | |
|-----------------------------|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Cash and cash equivalents | 750,912 | 1,031,143 |
| Trade and other receivables | 181,563 | 136,730 |
| Trade and other payables | (645,644) | (385,685) |
| Borrowings | - | (2,222,013) |
| Working capital position | 286,831 | (1,439,825) |

| | Consolidated | |
|--------------------------------------|------------------|------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| 14. RESERVES | | |
| (a) Reserves | | |
| Foreign currency translation reserve | 1,364,676 | 1,408,857 |
| Share-based payments reserve | 4,312,544 | 4,358,111 |
| | 5,677,220 | 5,766,968 |

(b) Nature and purpose of reserves*(i) Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated within a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights granted.

15. DIVIDENDS

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

16. REMUNERATION OF AUDITORS

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

(a) Audit services

| | | |
|--|---------------|---------------|
| BDO Audit (WA) Pty Ltd – audit and review of financial reports | 29,722 | 40,024 |
| Non-related audit firm for the audit or review of financial reports of Group subsidiary entities | 19,904 | - |
| Total remuneration for audit services | 49,626 | 40,024 |

(b) Non-audit services

| | | |
|---|---------------|---------------|
| BDO Corporate Tax (WA) Pty Ltd – taxation compliance services | 11,390 | 11,632 |
| Total remuneration for other services | 11,390 | 11,632 |

17. CONTINGENCIES

Ghanaian Government's Rights to Participation in Mining Projects

The Government is entitled to a 10% interest in any mineral operations in respect of mineral rights held in Ghana without the payment of compensation. However, it is not usual for the Government to exercise this option in relation to the holder of reconnaissance rights.

The Government also has the option of acquiring an additional 20% interest in the rights and obligations in any mineral operations where any mineral is discovered in commercial quantities. The acquisition of this further 20% interest must be on terms agreed upon between the holder of the mining lease and the Government. Since the law was passed in 1986, the Government has never exercised this option.

Ghanaian Tenement Fees

The Group holds exploration areas of interest in Ghana for which various prospecting license, administration fees, reconnaissance licences, annual mineral rights fees and other fees are periodically levied to the Group. At 30 June 2017, all invoices received for the fees from the Ghanaian authorities have been paid or accrued as liabilities, however due to the timeframes in receiving some invoices from local authorities, there may be amounts which the Group may be required to settle in the future which have not been taken up as liabilities at 30 June 2017. The amounts and the timing of payment are not able to be determined at the period end and accordingly, no liability has been recognised for the contingent liability.

18. COMMITMENTS

| | Consolidated | |
|--|--------------|--------|
| | 2017 | 2016 |
| | \$ | \$ |
| Lease commitments: Group as lessee | | |
| <i>Operating leases (non-cancellable):</i> | | |
| Minimum lease payments | | |
| within one year | 29,040 | 24,000 |
| later than one year but not later than five years | - | - |
| Aggregate lease expenditure contracted for at reporting date | | |
| but not recognised as liabilities | 29,040 | 24,000 |

The property lease is a non-cancellable lease with a twelve-month term, with rent payable monthly in advance. The rent payable is fixed for the duration of the term. The lease allows for subletting of all lease areas.

19. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Azumah Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 20.

(c) Key management personnel compensation

| | | |
|--------------------------|----------|---------|
| Short-term benefits | 488,506 | 483,869 |
| Long-term benefits | 10,439 | - |
| Post-employment benefits | 37,071 | 37,071 |
| Share-based payments | (39,708) | 99,423 |
| | 496,308 | 620,363 |

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 21.

| | Consolidated | |
|--|--------------|------|
| | 2017 | 2016 |
| | \$ | \$ |

19. RELATED PARTY TRANSACTIONS (cont'd)

(d) Transactions and balances with other related parties

Expense on-charges and purchases of goods and services

| | | |
|--|--------|--------|
| Various expenses on-charged to an associate | 43,368 | 29,580 |
| Purchases of various goods and services from entities controlled by key management personnel | - | 27,055 |

The Group acquired the following goods and services from entities that are controlled by members of the Group's key management personnel:

- Company secretarial and other corporate services; and
- In-country exploration, geological and field personnel and support services, and tenement management services.

(e) Loans to/from related parties

During the year the Group provided short-term funding by way of a loan facility of \$250,000 to the Group's associate, Castle Minerals Limited (Castle). The key terms and conditions of the loan were as follows:

- The loan is unsecured.
- Interest is charged at the rate of 8% per annum.
- The loan is to be repaid on the earlier of:
 - a) The date Castle receives any funding relating to the sale of equity;
 - b) The date on which Castle receives the proceeds from the sale of any of its assets;
 - c) The date upon which the obligation of the Group, pursuant to the assignment of the Julie West Agreement, becomes due and payable; and
 - d) 30 September 2017.

All principal and interest owed under the loan facility was repaid during January 2017.

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 | 2016 |
| | | | % | % |
| Azumah Resources Ghana Ltd | Ghana | Ordinary | 100 | 100 |
| Phoenix Resources Ltd | Ghana | Ordinary | 100 | 100 |
| Azumah Metals (Ghana) Ltd | Ghana | Ordinary | 100 | 100 |

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

21. EVENTS OCCURRING AFTER THE REPORTING DATE

On 2 August 2017, the Group announced they had entered into an Earn-In arrangement with Ibaera Capital ("Ibaera") whereby Ibaera can earn up to 47.5% of the Wa Gold Project in Ghana by spending USD\$13.5 million over two years.

On 11 August 2017, the Company lodged an Entitlements Issue Prospectus for a fully underwritten non-renounceable entitlement issue of one new share for every five shares held to raise \$2,330,263 (before costs). The full amount was received and shares issued on 7 September 2017.

No other matter or circumstance has arisen since 30 June 2017, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

22. CASH FLOW INFORMATION

| | Consolidated | |
|--|--------------------|--------------------|
| | 2017 | 2016 |
| | \$ | \$ |
| (a) Reconciliation of net loss after income tax to net cash outflow from operating activities | | |
| Net loss for the year | (3,493,883) | (4,054,840) |
| Non-Cash Items | | |
| Depreciation of non-current assets | 252,462 | 194,722 |
| Share of net (profit)/loss of associate accounted for using the equity method | (1,452) | 81,973 |
| Share-based payment (income)/expense | (45,567) | 166,259 |
| Net exchange differences | 5,636 | 123,580 |
| Shares issued as consideration for tenement acquisition | - | 413,000 |
| Accrued interest and fair value adjustment on converting notes | 209 | 489,896 |
| Gain on modification of converting notes | (40,404) | (77,880) |
| Impairment of available-for-sale financial assets | - | 77,189 |
| Change in operating assets and liabilities | | |
| (Increase) in trade and other receivables | (26,469) | (4,187) |
| Increase in trade and other payables | 268,060 | 44,718 |
| Net cash outflow from operating activities | (3,081,408) | (2,545,570) |

(b) Non-cash investing and financing activities

During the 2017 financial year, a total of 22,727,273 ordinary shares were issued on conversion of converting notes with a face value of \$1,000,000, in accordance with the terms and conditions of the converting notes as described at note 12. This amount is included in 'Contributed equity' on the statement of financial position of the Group.

| | Consolidated | |
|--|--------------|------|
| | 2017 | 2016 |
| | \$ | \$ |

23. LOSS PER SHARE

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

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share

| | |
|-------------|-------------|
| (3,493,883) | (4,054,840) |
|-------------|-------------|

| | Number of shares | Number of shares |
|--|------------------|------------------|
| (b) Weighted average number of shares used as the denominator | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share | | |
| | 574,368,218 | 424,184,275 |

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2017, the converting notes are considered antidilutive for the year ended 30 June 2017 as their potential impact would be to reduce the basic loss per share.

24. SHARE-BASED PAYMENTS

(a) Employees and contractors performance rights

The Group has provided benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby performance rights over ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. All performance rights on issue during the year expired unvested on 30 December 2016.

Performance rights granted carry no dividend or voting rights. When each performance condition is satisfied, each performance right is converted into one ordinary share of the Company with full dividend and voting rights.

Set out below are summaries of the performance rights granted:

| | 2017 | 2016 |
|--|-------------|-------------|
| Outstanding at the beginning of the year | 5,875,000 | 4,075,000 |
| Granted | - | 13,200,000 |
| Forfeited/cancelled | - | - |
| Exercised | - | (7,325,000) |
| Expired | (5,875,000) | (4,075,000) |
| Outstanding at year-end | - | 5,875,000 |

There were not rights granted during the 2017 financial year. The weighted average fair value of performance rights granted during the 2016 financial year was 2.8 cents. The fair value was calculated by reference to the closing share price on the date of each grant of performance rights.

24. SHARE-BASED PAYMENTS (cont'd)**(b) Shares issued to suppliers**

During the 2016 financial year, 7,000,000 ordinary shares were issued at a deemed cost of \$413,000 as consideration for tenement acquisition. This amount was included in 'Exploration expenditure' on the statement of profit or loss and other comprehensive income of the Group.

(c) Expenses arising from share-based payment transactions

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

| | Consolidated | |
|--|---------------------|-------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Performance rights issued to employees and contractors | (45,567) | 166,259 |
| Shares issued to suppliers ('Exploration expenditure') | - | 413,000 |
| | (45,567) | 579,259 |
| | 2017 | 2016 |
| | \$ | \$ |

25. PARENT ENTITY INFORMATION

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

| | | |
|--|----------------------|---------------|
| Current assets | 893,612 | 1,109,303 |
| Non-current assets | 155,144 | 150,959 |
| Total assets | 1,048,756 | 1,260,262 |
| Current liabilities | 143,879 | 2,361,428 |
| Total liabilities | 143,879 | 2,361,428 |
| Contributed equity | 103,361,606 | 98,337,406 |
| Reserves | | |
| Foreign Currency Translation Reserve | (3,282) | 133 |
| Share-Based Payments | 4,312,544 | 4,358,111 |
| Accumulated losses | (106,765,991) | (103,796,816) |
| Total equity | 904,877 | (1,101,166) |
| Loss for the year | (2,969,175) | (3,725,892) |
| Total comprehensive loss for the year | (2,972,590) | (3,725,759) |

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

As at 30 June 2017 the parent entity had lease commitments, as disclosed at note 18, totalling \$29,040 (2016: \$24,000).

DIRECTORS DECLARATION

In the directors' opinion:

- (a) the financial statements comprising the statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and accompanying notes set out on pages 25 to 56 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.



Stephen Stone
Managing Director

Perth, 29 September 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Azumah Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Azumah Resources Limited (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 report, 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 ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

Valuation and Useful Life of Property, Plant and Equipment

| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
|---|---|
| <p>At 30 June 2017 the carrying value of Freehold Buildings was \$1,443,394 (2016: \$1,709,164) as disclosed in note 10 of the Financial Report.</p> <p>As the carrying value of Freehold Buildings represents a significant asset of the Group, and determining the useful life of the asset requires significant judgement we considered it necessary to assess whether any facts or circumstances exist to suggest that the asset may be impaired and/or that the assessment on the expected useful life is appropriate.</p> | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ➤ Obtaining supporting documentation to demonstrate the ongoing use of the asset and to assess for any impairment indicators; ➤ Assessing the change in the use life of the asset by considering the expected use of the asset including the terms of the associated mining license; ➤ Performing a review of depreciation calculations, including the impact of changes to the useful life of the assets; ➤ Reviewing minutes of meetings and ASX announcements; and ➤ Assessing the adequacy of the related disclosures in Notes 1 and 10 to the financial statements. |

Other information

The directors are responsible for the other information. The other information comprises the information 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 Group's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and 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 identified above when it becomes available 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.

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Azumah Resources Limited, 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.

BDO Audit (WA) Pty Ltd

BDO



Phillip Murdoch

Director

Perth, 29 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 18 September 2017.

(a) Distribution of equity securities

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

| | | Ordinary shares | |
|---|-----------|-------------------|------------------|
| | | Number of holders | Number of shares |
| 1 | - 1,000 | 158 | 85,342 |
| 1,001 | - 5,000 | 710 | 2,261,391 |
| 5,001 | - 10,000 | 502 | 4,201,094 |
| 10,001 | - 100,000 | 1,428 | 53,419,927 |
| 100,001 | and over | 643 | 639,111,395 |
| | | 3,441 | 699,079,149 |
| The number of shareholders holding less than a marketable parcel of shares are: | | 2,059 | 18,865,356 |

(b) Twenty largest shareholders

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

| | | Listed ordinary shares | |
|----|--|------------------------|-------------------------------|
| | | Number of shares | Percentage of ordinary shares |
| 1 | Caitlyn Ltd | 54,952,416 | 7.86 |
| 2 | HSBC Custody Nominees Australia Ltd | 48,510,376 | 6.94 |
| 3 | Ausdrill International Pty Ltd | 36,629,810 | 5.24 |
| 4 | Macquarie Bank Ltd <Metals Mining & AG> | 25,920,000 | 3.71 |
| 5 | Citicorp Nominees Pty Ltd | 23,383,774 | 3.34 |
| 6 | BNP Paribas Nominees Pty Ltd <IB Au Noms Retail> | 17,504,785 | 2.50 |
| 7 | Continental Global Inv LT | 11,123,740 | 1.59 |
| 8 | Qingtao Zeng | 10,943,000 | 1.57 |
| 9 | Gladstone Super Pty Ltd <Gladstone S/F A/C> | 9,160,360 | 1.31 |
| 10 | Dawei Feng | 8,745,653 | 1.25 |
| 11 | Lewis Hutchins | 7,521,889 | 1.08 |
| 12 | Redstar Resources Ltd | 7,521,875 | 1.08 |
| 13 | Bunda Holdings Pty Ltd | 7,000,000 | 1.00 |
| 14 | BNP Paribas Nominees Pty Ltd <DRP> | 6,710,000 | 0.96 |
| 15 | CS Third Nominees Pty Ltd <HSBC Cust Nom Au> | 6,598,947 | 0.94 |
| 16 | William Henry Hernstadt | 6,491,299 | 0.93 |
| 17 | David Harper | 6,046,445 | 0.86 |
| 18 | Kaos Investments Pty Ltd | 5,750,000 | 0.82 |
| 19 | AET SFS Pty Ltd <Peak Opportunities> | 5,408,972 | 0.77 |
| 20 | J P Morgan Nominees Australia Ltd | 5,268,162 | 0.75 |
| | | 311,191,503 | 44.50 |

Note: Nominee holders hold shares on behalf of a number of beneficial holders

(c) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(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 Shares |
|---|------------------|
| Caitlyn Ltd | 50,000,000 |
| Agnivesh Agarwal ⁽¹⁾ | 50,000,000 |
| Azumah Resources Limited ⁽²⁾ | 50,000,000 |
| Ausdrill Limited | 36,629,810 |
| J P Morgan Nominees Australia Ltd | 32,041,127 |
| HSBC Custody Nominees Australia Ltd | 24,568,324 |
| CDS & Co | 18,883,250 |
| Citicorp Nominees Pty Ltd | 17,549,530 |

- (1) Agnivesh Agarwal has a relevant interest in the shares held by Caitlyn Limited (Caitlyn) pursuant to section 608(3) Corporations Act 2001 (Cth) as the sole shareholder of Caitlyn.
- (2) Azumah Resources Limited (Azumah) has a relevant interest in the shares held by Caitlyn pursuant to section 608(8) Corporations Act 2001 (Cth) as a result of the support obligation set out in clause 2.3 of a deed between Caitlyn and Azumah dated 12 September 2014 which contains obligations concerning the voting and disposal of certain shares in Azumah.

(e) Schedule of interests in mining tenements

| Location | Tenement | Percentage held / earning |
|------------------------|--------------------------|---------------------------|
| Kunche, Ghana | ML 10/1 | 100 ⁽ⁱ⁾ |
| Julie, Ghana | ML 10/5 ⁽ⁱⁱ⁾ | 100 ⁽ⁱ⁾ |
| Collette, Loggo, Ghana | PL 10/4 ⁽ⁱⁱ⁾ | 100 |
| Julie near Du, Ghana | PL 10/5 ⁽ⁱⁱ⁾ | 100 |
| Josephine, Du, Ghana | PL 10/9 ⁽ⁱⁱ⁾ | 100 |
| Julie West, Ghana | PL 10/13 | Assignment |
| Vapor, Ghana | PL 10/12 | 100 |
| Basabli, Ghana | PL 10/13 | 100 |
| Duri, Ghana | PL 10/14 | 100 |
| Butele, Ghana | PL 10/18 | 100 |
| Vapor West, Ghana | PL 10/19 | 100 |
| Vapor South, Ghana | PL 10/20 | 100 |
| Dorimon West, Ghana | PL 10/35 | 100 |
| Tangasia, Ghana | PL 10/36 | 100 |
| Zadong South, Ghana | PL 10/37 | 100 |
| Dorimon, Ghana | PL 10/38 | 100 |
| Vapor S/West, Ghana | PL 10/39 | 100 |
| Lawra North, Ghana | PL 10/41 | 100 |
| Tangasia North, Ghana | PL 10/42 | 50 |
| Samoa S/West, Ghana | PL 10/43 ⁽ⁱⁱ⁾ | 50 |

- (i) Ghana Government 10% Free Carried Interest (payable through dividends) and 5% Gross Royalty.
- (ii) Held by Phoenix Resources Ltd. All other tenements held by Azumah Resources Ghana Ltd.

Prospecting Licence (PL): A Prospecting Licence gives the holder the exclusive right to search for specific minerals (or commodities) by the conduct of geological and geophysical investigations and to determine the extent and economic value of any deposit within the licence area.