APHRODITE
Gold Limited

# ANNUAL REPORT 2017

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## CORPORATE DIRECTORY

### REGISTERED AND CORPORATE OFFICE

Aphrodite Gold Limited
ABN 61 138 879 928
116 Harrick Road,
Keilor Park
Melbourne VIC 3042

### DIRECTORS

Peter Buttigieg – Executive Chairman, Acting Chief Executive Officer
Angus Middleton – Non-Executive Director
Roger Mitchell BCom, ACA – Non-Executive Director
Paul Buttigieg – Non-Executive Director

### ACTING CHIEF EXECUTIVE OFFICER

Peter Buttigieg
Tel 613 8399 9462
Fax 613 9331 7323
peter@aphroditegold.com.au

### COMPANY SECRETARY

Michael Beer B Bus (Acctcy), FCA, AGIA
Tel 613 9600 3599
Fax 613 9602 2291
michael@aphroditegold.com.au

### AUDITOR

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 10 Kings Park Road
West Perth WA 6005

### SOLICITORS

GTP Legal
Level 1, 28 Ord Street,
West Perth WA 6005

### WEB SITE

www.aphroditegold.com.au

## EXECUTIVE CHAIRMAN'S REVIEW

Review of Operations

Prefeasibility and drill program

During the year ending 30 June 2017, Aphrodite Gold Limited (Aphrodite or the Company) completed a prefeasibility study comprising 4,750m of infill drilling that focussed on the distribution of gold within the oxide/supergene and transition zone and LeachWell/Bottle Roll metallurgical test work to identify the metallurgical boundaries between the oxide, transition and primary mineralisation.

The prefeasibility study updated the mineral resource estimate, provides a comprehensive assessment of capital expenditure and operating expenditure including an open pit optimisation design. Other prefeasibility study activities included environmental baseline assessments for fauna, flora, short range endemic invertebrates, subterranean fauna, material characterisation, surface water assessment, Heritage study, risk assessments and a tailing storage facility preliminary assessment. All were completed without any major impediments identified.

The Board is pleased with the results of the prefeasibility study as it means that the documentation of technical, environmental and regulatory components for the project are nearing completion.

Indicated and inferred resources are now 13.1 million tonnes @ 2.99 g/t gold for 1.26 million contained ounces compared with the previous estimate of 28.7 tonnes @1.52 g/t gold for 1.4 million ounces.

This comprises the open pit resource estimate that is now 10.2 million tonnes @ 1.8 g/t gold for 598,000 ounces and the underground mineral resource estimate that is now 2.9 million tonnes @ 7.0 g/t gold for 663,000 ounces, an increase in grade and ounces from 4.6 g/t and 485,000 ounces respectively.

The Board continues to note that the mineral resource is open at depth with strong mineralisation below 440 metres to a depth of at least 600 metres.

Merger with Spitfire Materials Ltd

On 14 August 2017, the Company and Spitfire Materials Limited (ASX: SPI) announced that they had entered into a Terms sheet to merge the two companies to create a significant new diversified Australian gold development company.

Subsequently, on 4 September 2017 the Company announced that a formal Merger Implementation Agreement had been executed.

The Merger is to be implemented by way of a scheme of arrangement whereby Spitfire has agreed to acquire all of the issued capital of Aphrodite that it does not already hold. Spitfire currently holds a 10.38% stake in Aphrodite. Pursuant to the Merger Implementation Agreement, Aphrodite shareholders (other than Spitfire) will receive 1 new Spitfire share for every 2.8959 Aphrodite shares held.

The Merger will create a leading gold exploration and development company with a diversified asset base spread. In addition to Aphrodite shareholders continued participation in the resource level, near-term development opportunity at the Aphrodite Gold Project near Kalgoorlie in WA, Aphrodite shareholders will be able to participate in other projects including a highly prospective greenfields exploration project at the Alice River Project in Queensland, an emerging gold discovery at the Mulwarrie Project in WA, and a resource level, near-term development opportunity at the Aphrodite Gold Project near Kalgoorlie in WA. The merged entity will have increased scale and liquidity as an emerging Australian gold company, a strengthened investor base and the ability to accelerate exploration and development opportunities within its growth pipeline.

The Board has unanimously recommended that all Aphrodite shareholders vote in favour of the Merger at a upcoming meeting, in the absence of a superior proposal and subject to the Independent Expert (BDO Corporate Finance (WA) Pty Ltd) concluding and continuing to conclude that the Merger is in the best interests of Aphrodite

Shareholders. Subject to those same qualifications, each of Aphrodite's directors intends to vote the Aphrodite shares in which they have a relevant interest in favour of the Merger.

A Scheme Booklet will soon be issued which will detail the advantages and disadvantages of the proposed merger. When received, the Board encourages all shareholders to read the booklet and the report of the Independent Expert carefully. Your vote will be important regardless of how many shares you own. If required, please seek your own legal, financial and other professional advice.

The Company's tenements are in good standing and the Company has continuing rights to explore these tenements for a further 11 to 12 years.

**Financial Results**

During the period, the Company capitalised exploration and evaluation costs totalling $2,743,593 (2016: $652,320) with no exploration write-downs (2016: nil). Total capitalised costs in respect to the exploration and evaluation asset at 30 June 2017 are $27,777,082 (2016: $25,033,489). Total comprehensive loss after income tax for the year was $550,817 (2016: profit of $175,095).

**Financial Position**

The Board currently does not plan any capital raising prior to the outcome of the merger. It is anticipated however that upon the completion of the merger, the merged entity will undertake further capital raisings so that it may proceed with the development of projects in its portfolio. The Company continues to report a positive working capital position and all creditors are up to date.

**Close**

On behalf of the Company, I would like to thank my fellow Directors, contractors and consultants that have worked on the prefeasibility study during the year. Their collective efforts have further enhanced the value of the project and the Company is well positioned to gain the maximum value for shareholders.

Aphrodite's Directors look forward to seeing you at the AGM, if you are able to attend, and further updating you on the Company's plans including the planned merger with Spitfire Materials Limited.

Yours sincerely

Executive Chairman & Acting Chief Executive Officer

**Note A:**
The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.

Information in this report which relates to the Mineral Resource estimation, together with any related assessments and interpretations, is based on information approved for release by Mr. E. Eshuys. Mr. Eshuys holds a B.Sc. University of Tasmania, is a Fellow of The Australasian Institute of Mining And Metallurgy and has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr. Eshuys consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

## DIRECTORS' REPORT

The Directors present their Report on the activities of Aphrodite Gold Limited ("the Company") for the year ended 30 June 2017.

### Currency

All monetary amounts shown throughout the Annual Report are expressed in Australian Dollars.

### Directors

The following persons were Directors of the Company during the year and at the date of this Report:

**Peter Anthony Buttigieg**
**Non-Executive Chairman - Appointed 16 May 2012.**
**Executive Chairman and Acting CEO from 19 July 2013**

Mr Buttigieg brings a wealth of business management skills and business connections to the Board as head of the RMS (Aust) information technology group. This Company operates world-wide in property management and reservations management systems supporting the hospitality industry.

Mr Buttigieg has continued as Executive Chairman and Acting CEO of the Company, and has demonstrated his belief in Aphrodite and the Aphrodite Gold Project from the early days by progressively increasing his shareholding, and through RMS (Aust) Pty Ltd, a company in which he has an interest has previously provided a convertible note facility at a critical time for the Company. Mr Buttigieg is now the largest shareholder.

Mr Buttigieg continues to spend time working closely with staff and consultants to further progress the Pre-Feasibility study for the Aphrodite Gold Project.

Mr Buttigieg has not been a Director of any other ASX listed company during the last three years.

Number of Shares held directly and indirectly: 203,868,132

**Roger Mitchell**
**Non-Executive Director - Appointed 7 January 2013**

Mr Mitchell has extensive corporate experience in Australasia and South East Asia, and holds a Bachelor of Commerce from New Zealand and is a Chartered Accountant.

Mr Mitchell has not been a Director of any other ASX listed company during the last three years.

Number of Shares held directly and indirectly: 789,474

**Paul Buttigieg**
**Non-Executive Director - Appointed 16 August 2013**

Mr Buttigieg assisted Aphrodite raise its pre-IPO funding in 2009, and assisted in its subsequent capital raisings. He has extensive business and marketing experience being a past director of the Master Grocers Association of Victoria setting up national product sales and distribution through Australia's major employer associations. He is experienced in developing and maintaining shareholder/stakeholder/business relationships.

Mr Buttigieg has not been a Director of any other ASX listed company during the last three years.

Number of Shares held directly and indirectly: 4,069,474

**DIRECTORS' REPORT (continued)**

**Angus Middleton**
**Non-Executive Director - Appointed 21 January 2014**

Mr Middleton brings extensive experience in the equity markets and also with other exploration companies. He is a Director of Kalamazoo Resources Limited a previous Managing Director of Crest Minerals Ltd and is the founder and Managing Director of SA Capital Funds Management Limited.

Mr Middleton has been a Director of other ASX listed companies during the last three years including Excalibur Mining Corporation Limited (Appointed 6th May 2014) and Hillcrest Litigation Services Limited (Appointed 27th October 2010).

Number of Shares held directly and indirectly: 444,915

## Options

At the date of this Report, there. 40 million options approved by a General meeting of shareholders on 18 August 2016 and were issued on 19 August 2016 as part of a brokerage fee package for the share placement in June 2016. The options are exercisable at $0.04 on or before 19 August 2019.

During the year ended 30 June 2017 no shares were issued on exercise of options granted. No further shares have been issued since year end from the exercise of options. On 16 August 2017, the Company announced that 35 million options lapsed unexercised on 31 July 2017.

## Results

Net loss after income tax and other comprehensive income for the year ended 30 June 2017 was $550,817 (2016: Profit of $175,095).

## Principal Activities and Use of Funds

During the year the principal activities of the Company were the exploration and development of the Aphrodite Gold Project. Cash funds were utilised to further studies for the Aphrodite Gold Project. No other significant activities were undertaken during the period.

## Dividends or Distributions

a) no dividends or distributions were paid to members during the year ended 30 June 2017; and

b) no dividends or distributions were recommended or declared for payment to members, but not paid, during the year ended 30 June 2017.

## Significant Changes in the State of Affairs

No significant changes took place during the year in the state of affairs of the Company other than described elsewhere in this annual report.

## DIRECTORS' REPORT (continued)

### Matters Subsequent to the 30 June 2017

Post year end, on 14 August 2017, the Company announced that it had entered into a terms sheet for a merger by way of court appointed Scheme of Arrangement with Spitfire Materials Limited (ASX:SPI). Subsequently, on 4th September 2017, the Company announced it had signed a formal merger implementation agreement to merge the companies and the Board of Directors has recommended that all shareholders vote in favour of the transaction at scheme meeting expected to be held in December 2017 in the absence of a superior proposal and subject to the Independent Expert concluding that the transaction is in best interest of shareholders.

No other matter or circumstances of significance have arisen since the reporting date.

### Likely Developments and Expected Results of Operations

There are no other likely developments contemplated at the date of this Report that may have a significant effect upon the expected results of operations of the Company other than those disclosed elsewhere in this Annual Report.

### Environmental Regulations

Operating in the minerals exploration and development industry, Aphrodite is subject to Environmental Regulations and controls as set down by the Statutory Authorities, including the Department of Mines and Petroleum. The Company has complied and will continue to comply with those Regulations, and has adopted such compliance as an important point in its Corporate Governance practices.

### Meetings of Directors and Committees

Directors during the year and Directors' Meetings held and attended were:

| Name | Meetings Held | Meetings Attended |
|---|---|---|
| Peter Buttigieg | 8 | 8 |
| Roger Mitchell | 8 | 8 |
| Paul Buttigieg | 8 | 8 |
| Angus Middleton | 8 | 7 |

The Company's Audit and Risk Management Committee met during the year with the Company's Auditor for the purpose of reviewing and discussing the Company's activities and the financial statements. Previously this function was undertaken by the entire Board of Directors.

The Audit and Risk Management Committee has met twice in the past 12 months. This Committee is chaired by Independent Director, Mr Angus Middleton, who has detailed experience in financial management, and also includes Mr Peter Buttigieg and Mr Paul Buttigieg. Mr Mitchell also attends Audit and Risk Management Committee meetings.

The Company does not have a Remuneration Committee. Remuneration is considered and determined by the Board of the Directors of the Company, with any relevant affected Director not participating in the vote on his Remuneration.

**DIRECTORS' REPORT (continued)**

# Remuneration Report (Audited)

The Board of the Company determines the remuneration policies and practices generally, and makes specific decisions on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors.

Key management personnel of the Company during the reporting period are considered to be:

- Peter Buttigieg (Director)
- Roger Mitchell (Director)
- Paul Buttigieg (Director)
- Angus Middleton (Director)
- Eduard Eshuys (Consultant)

The Company had no Employee Option Plan in place during the financial year. The Directors and key management personnel have been issued with 31 million options exercisable at $0.025 on or before 31 July 2017. On 16 August 2017 the Company announced that 35 million options lapsed unexercised on 31 July 2017 which included the 31 million options issued to Directors and key management personnel. No other incentives to Directors or Key Management Personnel as part of their remuneration. No Key Management Personnel remuneration was linked to the Company's performance.

The performance of Key Management Personnel (KMP) will be measured on an ongoing basis against criteria agreed with each executive, and is based predominantly on the successful development of the Company's Aphrodite Gold Project. Any bonuses and incentives to be paid in the future must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long term growth in Shareholder value.

Key Management Personnel do not receive compensation payments that are subject to a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

Upon retirement, Key Management Personnel are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to Key Management Personnel is valued at cost and expensed or capitalised to exploration and evaluation where appropriate.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board of Directors 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 and if required. The maximum aggregate amount of Directors' fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting.

**Voting and Comments made at the Company's 2016 Annual General Meeting ("AGM")**
The Company did not receive a "no vote" of 25% or more on its remuneration report at its 2016 AGM.

**Use of Remuneration Consultants**
The Company did not make use of any external remuneration consultants during this reporting period or up to the date of this financial report.

**DIRECTORS' REPORT (continued)**

# Remuneration Report (Audited)

**Compensation of Key Management Personnel for the year ended 30 June 2017**

During the year the following Directors' fees, salaries, management and consulting fees were paid or accrued to Key Management Personnel:

| 2017 | Short Term benefits | | Post Employment Benefits | | |
|---|---|---|---|---|---|
| | Salary and Fees $ | Non monetary benefits $ | Superannuation $ | Share Based Payments $ | Total $ |
| Peter Buttigieg | 100,000 | - | - | - | 100,000 |
| Roger Mitchell | 50,000 | - | - | - | 50,000 |
| Paul Buttigieg | 36,000 | - | - | - | 36,000 |
| Angus Middleton | 36,000 | - | - | - | 36,000 |
| Eduard Eshuys (a) | 120,000 | - | - | 120,000 | 240,000 |
| **Total** | **342,000** | **-** | **-** | **120,000** | **462,000** |

(a) Mr Eshuys is currently remunerated under his consultancy agreement whereby he is paid $10,000 a month in cash and a further $10,000 per month in shares. During the reporting period he was issued 4,483,874 shares with a fair value of $80,000 in consideration for his services for the period January 2016 to August 2016. A further $100,000 has been accrued for his services up to 30 June 2017. Shares were issued post year end to settle this accrual.

| 2016 | Short Term benefits | | Post Employment Benefits | | |
|---|---|---|---|---|---|
| | Salary and Fees $ | Non monetary benefits $ | Superannuation $ | Share Based Payments $ | Total $ |
| Peter Buttigieg | - | - | - | - | - |
| Roger Mitchell | - | - | - | - | - |
| Paul Buttigieg | - | - | - | - | - |
| Angus Middleton | 36,000 | - | - | - | 36,000 |
| Eduard Eshuys | 120,000 | - | - | 120,000 | 240,000 |
| **Total** | **156,000** | **-** | **-** | **120,000** | **276,000** |

No amounts were paid to Key Management Personnel during 2017 or 2016 which were the result of meeting performance conditions.

**DIRECTORS' REPORT (continued)**

# Remuneration Report (Audited)

Salary and Directors' fees includes fees paid to related entities as shown in Note 9 Related Party Transactions.

**Employment Contracts**

No current Directors are employed under an official contract of service.

**Shareholdings by Key Management Personnel**

The number of ordinary shares held by each Key Management Personnel during the 2017 year was:

| | Balance at 1 July 2016 | Granted as remuneration during the year | Issued on exercise of options during the year | Acquired / (Sold) | Balance at 30 June 2017 |
|---|---|---|---|---|---|
| Peter Buttigieg | 203,078,658 | - | - | 789,474 | 203,868,132 |
| Roger Mitchell | - | - | - | 789,474 | 789,474 |
| Paul Buttigieg | 3,280,000 | - | - | 789,474 | 4,069,474 |
| Angus Middleton | - | - | - | 444,915 | 444,915 |
| Eduard Eshuys | 28,004,663 | 4,483,874 | | 789,474 | 33,278,011 |
| **Total** | **234,363,321** | **4,483,874** | - | **3,602,811** | **242,450,006** |

**Options Held by Key Management Personnel**

Number of options held by KMP during the 2017 year was:

| | Balance at 1 July 2016 | Granted as remuneration during the year | Acquired | Expired without being exercised | Balance at 30 June 2017 |
|---|---|---|---|---|---|
| Peter Buttigieg | 4,000,000 | - | - | - | 4,000,000 |
| Roger Mitchell | 6,000,000 | - | - | - | 6,000,000 |
| Paul Buttigieg | 3,000,000 | - | - | - | 3,000,000 |
| Angus Middleton | 3,000,000 | - | - | - | 3,000,000 |
| Eduard Eshuys | 15,000,000 | - | - | - | 15,000,000 |
| **Total** | **31,000,000** | **-** | **-** | **-** | **31,000,000** |

All of the above options expired on 31 July 2017.

**Other KMP transactions**

Eduard Eshuys was issued with 5,594,658 shares on 22 August 2017 as part of his compensation package as Consultant and Technical Advisor to the Board.

**DIRECTORS' REPORT (continued)**

# Remuneration Report (Audited)

**Loan to KMP's**

No loans have been made by the Company to any of the Company's directors or KMP during the period.

**Other Information**

There were no consultants engaged in relation to the remuneration of Key Management Personnel during the financial year.

## End of Remuneration Report.

## CORPORATE GOVERNANCE STATEMENT

The Directors are responsible for the Corporate Governance practices of the Company. These practices are being progressively developed, having regard to the most suitable and effective procedures applicable to the Company.

The main Corporate Governance practices in operation by the Company are:-

### The Board of Directors

- The Board's Charter is that it should be comprised of at least three Directors;
- be made up of a majority of independent and/or Non-Executive Directors;
- be comprised of Directors with a broad range of skills, qualifications and experience appropriate to the Company's operations;
- meet on a regular basis; and
- maintain constant on-going communication of activities between Directors so that all Directors are fully informed of the Company's business and so as to be possessed of all the necessary information required to make decisions by Resolutions of the Board.

### Duties and Responsibilities of Directors

At the date on which this Report of the Directors is made out, the Board consisted of four Directors, the Chairman became an Executive Director on 19th July 2013 plus three Non-Executive Directors. Details of the Directors are set out at the commencement of this Directors' Report.

The primary responsibilities of the Board include:

- the approval of the Company's periodic Financial Statements;
- establishment of long term goals of the Company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Company, monitoring the results on a regular basis;
- ensuring that the Company abides by ASX listing rule disclosure requirements;
- ensuring that all management, employees and consultants abide by a high standard code of conduct befitting a listed corporation;
- ensuring that the Company abides strictly by Environmental Regulations affecting its operations in the minerals exploration and development industry; and
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.
- through the chair, ensuring the company secretary is accountable directly to the Board, on all matters concerning the proper functioning of the Board.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire year ended 30 June 2017.

### Board Composition

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term of office are detailed in the Directors' Report.

The names of non-executive and / or independent Directors of the Company at the date of this report are:

- Roger Mitchell – Non-Executive
- Paul Buttigieg – Non-Executive
- Angus Middleton – Independent Non-Executive

Mr Peter Buttigieg continues as Executive Chairman. He has led the Company effectively and been the Company's strongest financial supporter since his appointment as a Director.

## CORPORATE GOVERNANCE STATEMENT (Continued)

When determining whether a Non-Executive Director is independent the Director must not fail any of the following materiality thresholds:

- less than 5% of Company's Shares are held by the Director and any entity or individual directly or indirectly associated with the Director; and

- none of the Director's income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any Member of the Company other than income derived as a Director of the Company.

All Directors have the right to seek reasonable independent professional advice in the furtherance of their duties as Directors at the Company's expense.

### Securities Trading Policy

The Company's policy regarding Directors and employees trading in its securities is set by the Board. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Company's share price.

### Gender Diversity Policy

Aphrodite agrees with the Corporate Governance Principles and Recommendations regarding gender diversity, notwithstanding the difficulty of achieving diversity in a small company struggling to deliver value for shareholders. It is much easier to achieve reasonable diversity equality in a major Australian resources company. Aphrodite currently has 4 Directors. All Directors are currently males, as is the Company Secretary.

At present, the Company is supported by 2 part time female staff; being an accounts assistant and exploration assistant.

The Company will continue to manage the principle of gender equality in the best interests of the Company's shareholders and other stakeholders.

### Communication with Shareholders

The Company's policy is to keep Shareholders well informed of operational activities and financial matters via ASX announcements, media releases, direct letter and email advices and its web site. The Company also actively encourages communication from Shareholders.

### Audit and Risk Management

The Audit and Risk Management Committee is responsible for the Company's system of internal controls to effectively manage material business risks and any oversights. The Audit and Risk Management Committee constantly monitor's the operational and financial aspects of the Company's activities and considers the recommendations and advice of the Auditor and other external advisers on the operational and financial risks that face the Company. The members of the Audit and Risk Management Committee are Chair, Mr Angus Middleton, Independent Non-Executive Director, Mr Peter Buttigieg, Executive Chairman and Acting CEO and Mr Paul Buttigieg, Non-Executive Director.

The Board and Committee ensures that recommendations made by the Auditor and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the risks identified.

## CORPORATE GOVERNANCE STATEMENT (Continued)

The Board is satisfied from the annual declaration of the CEO and Chief Financial Officer, who have signed off in that regard, that all material business risks and financial reporting risks for the period have been managed effectively and that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position of the company.

### Code of Conduct

As part of the Board's commitment to the highest standards of conduct, the Company has adopted a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code of Conduct covers such matters as:

- responsibilities to Shareholders;
- relations with customers and suppliers;
- compliance with environmental regulations;
- employment practices; and
- responsibilities to the community.

### Performance Evaluation

A performance evaluation of the Board and all Board members was conducted by the Board for the period ended 30 June 2017. The Chairman also speaks to each Director individually regarding their role as a Director.

### Remuneration Policies

The remuneration policy, which sets the terms and conditions for Key Management Personnel, was developed by the Board after seeking professional advice from independent consultants. The objective is to reward executives adequately so as to attract highly capable personnel who will develop the Company's activities to the maximum benefit of Shareholders.

The Company aims to remunerate Non-Executive Directors in a similar manner to industry norms for remuneration of non-executive directors generally.

### Remuneration Committee and Nomination Committee

The Company does not have either a Remuneration Committee or Nomination Committee as recommended by the ASX Corporate Governance Council. Given that the Company has only four Directors, it is considered that there are no efficiencies to be gained by having these separate Committees, so these roles are undertaken by the Board.

### Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at www.aphroditegold.com.au

## DIRECTORS REPORT (Continued)

### Proceedings on Behalf of Company

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

### Indemnification and Insurance of Officers and Auditors

The Company has agreed to indemnify, to the extent permitted by law, each Director and Secretary of the Company against any liability incurred by that person as an Officer of the Company. The Company has in place the relevant Directors and Officers insurance policies.

The Company has not paid any premiums in respect of any contract insuring its Auditor against a liability incurred in their role as Auditor of the Company. In respect of non-audit services, Grant Thornton Audit Pty Ltd, the Company's Auditor, has the benefit of an indemnity to the extent Grant Thornton Audit Pty Ltd reasonably relies on information provided by the Company which is false, misleading or incomplete. No amount has been paid under this indemnity during the period ended 30 June 2017 or to the date of this Report.

### Non-Audit Services

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

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees were paid or payable to a related practice of Grant Thornton Audit Pty Ltd for non-audit services provided during the year.

### Auditor's Independence Declaration

The Auditor's Independence Declaration for the period ended 30 June 2017 is on the following page.

This Directors' Report is made in accordance with a Resolution of the Board of Directors.

**Director**

**Dated at Perth this 29th Day of September 2017**

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10 Kings Park Road
West Perth WA 6005

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# Auditor's Independence Declaration to the Directors of Aphrodite Gold Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Aphrodite Gold Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 29 September 2017

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
**For the year ended 30 June 2017**

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Other Income** | | | |
| Interest income | 3 | 2,155 | 3,051 |
| **Total Other Income** | | **2,155** | **3,051** |
| **Expenses** | | | |
| Employee benefits expenses | | - | - |
| Depreciation | | (14,205) | (23,676) |
| Financing expenses | 4(b) | - | (273) |
| Other expenses | 4(a) | (989,069) | (543,957) |
| **Total Expenses** | | **(1,003,274)** | **(567,906)** |
| **(Loss) before Income Tax** | | **(1,001,119)** | **(564,855)** |
| Income tax benefit | 5 | 450,302 | 739,950 |
| **Profit / (Loss) for the year after Income Tax** | | **(550,817)** | **175,095** |
| Other Comprehensive Income | | - | - |
| **Total Comprehensive Profit / (Loss) for the year** | | **(550,817)** | **175,095** |
| Basic and diluted profit / (loss) per share (cents) | 20 | (0.09) | 0.04 |

The accompanying notes form part of the Financial Statements

## STATEMENT OF FINANCIAL POSITION
**As at 30 June 2017**

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 900,808 | 1,993,679 |
| Trade and other receivables | 10 | 769,156 | 46,462 |
| Other assets | 11 | 3,979 | 3,979 |
| **Total Current Assets** | | **1,673,943** | **2,044,120** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 14 | 39,630 | 53,835 |
| Exploration and evaluation costs | 15 | 27,777,082 | 25,033,489 |
| **Total Non-Current Assets** | | **27,816,712** | **25,087,324** |
| **Total Assets** | | **29,490,655** | **27,131,444** |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 673,892 | 277,443 |
| Funds received in advance | 12 | - | 32,300 |
| Borrowings | 13 | 250,000 | - |
| **Total Current Liabilities** | | **923,892** | **309,743** |
| **Non-Current Liabilities** | | | |
| Borrowings | 13 | 2,250,000 | 2,500,000 |
| **Total Non-Current Liabilities** | | **2,250,000** | **2,500,000** |
| **Total Liabilities** | | **3,173,892** | **2,809,743** |
| **Net Assets** | | **26,316,763** | **24,321,701** |
| **Equity** | | | |
| Issued capital | 16 | 29,773,855 | 27,615,986 |
| Reserves | 24 | 388,000 | - |
| Accumulated losses | | (3,845,092) | (3,294,275) |
| **Total Equity** | | **26,316,763** | **24,321,701** |

The accompanying notes form part of the Financial Statements

## STATEMENT OF CASH FLOWS
**For the year ended 30 June 2017**

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Research and development refund | | - | 739,950 |
| Payments to suppliers & employees | | (905,012) | (375,729) |
| Interest income | | 2,155 | 3,051 |
| Interest expense | | - | (273) |
| **Net cash provided by / (used in) operating activities** | **18** | **(902,857)** | **366,999** |
| **Cash flows from investing activities** | | | |
| Exploration and evaluation costs capitalised | | (2,623,593) | (438,070) |
| **Net cash (used in) investing activities** | | **(2,623,593)** | **(438,070)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 2,451,500 | 1,993,459 |
| Share issue costs | | (17,921) | (65,360) |
| Share subscription payments received in advance | | - | 32,300 |
| **Net cash provided by financing activities** | | **2,433,579** | **1,960,399** |
| Net increase / (decrease) in cash held | | (1,092,871) | 1,889,328 |
| Cash and cash equivalents at beginning of year | | 1,993,679 | 104,351 |
| **Cash and cash equivalents at end of financial year** | **7** | **900,808** | **1,993,679** |

The accompanying notes form part of the Financial Statements

## STATEMENT OF CHANGES IN EQUITY
**For the year ended 30 June 2017**

| 2016 | Issued Capital | Accumulated Losses | Option Reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2015** | **25,573,473** | **(3,469,370)** | **-** | **22,104,103** |
| Total comprehensive profit for the year | | 175,095 | | **175,095** |
| | **25,573,473** | **(3,294,275)** | **-** | **22,279,198** |
| Share based payment | 154,250 | **-** | - | 154,250 |
| Placement of shares | 1,993,459 | **-** | - | 1,993,459 |
| Share issue costs | (105,206) | - | - | (105,206) |
| **Balance at 30 June 2016** | **27,615,976** | **(3,294,275)** | **-** | **24,321,701** |

| 2017 | Issued Capital | Accumulated Losses | Option Reserve | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2016** | **27,615,976** | **(3,294,275)** | | **24,321,701** |
| Total comprehensive loss for the year | | (550,817) | | **(550,817)** |
| | **27,615,976** | **(3,845,092)** | | **23,770,884** |
| Share based payment | 80,000 | - | | **80,000** |
| Placement of shares | 32,300 | - | | **32,300** |
| Shares issued | 2,451,500 | - | | **2,451,500** |
| Equity component of options | (388,000) | - | 388,000 | **-** |
| Share issue costs | (17,921) | - | | **(17,921)** |
| **Balance at 30 June 2017** | **29,773,855** | **(3,845,092)** | **388,000** | **26,316,763** |

The accompanying notes form part of the Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS**
**For the year ended 30 June 2017**

## Note 1: Statement of Significant Accounting Policies

This financial report includes the financial statements and notes of Aphrodite Gold Limited ("the Company").

The Financial Report was authorised for issue on 29 September 2017 by a Resolution of the Board of Directors. The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

**Statement of compliance**
Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

Aphrodite Gold Limited is a for-profit entity for the purposes of preparing these financial statements.

**(a) Income Tax**

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

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

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

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

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

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

## Note 1: Statement of Significant Accounting Policies (continued)

**(a) Income Tax (continued)**

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

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

Amounts receivable from the Australian Taxation Office (“ATO”) in respect of the research and development concession claims are accrued as a tax benefit in the year for which the claim relates.

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

**(b) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and Equipment**

Subsequent costs are included in the asset’s carrying amount or capitalised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset’s useful life to the Company commencing from the time the asset is held ready for use.
The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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

| **Class of fixed asset** | **Depreciation Rate** |
|---|---|
| Computer and electronic equipment | 20% - 40% |
| Office furniture | 20% |
| Motor vehicles | 10% - 20% |

## Note 1: Statement of Significant Accounting Policies (continued)

**(c) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

**(d) Leases**

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

**(e) Financial Instruments**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are capitalised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.
Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are capitalised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, recognised in profit or loss.

**Classification and Subsequent Measurement**

*i Available-for-sale financial assets*

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

## Note 1: Statement of Significant Accounting Policies (continued)

**(e) Financial Instruments**

ii Financial Liabilities

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

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Where the value of listed securities that are classified as available-for-sale has increased the resultant gains are recognised in the other financial assets reserve. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**(f) Provisions**

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

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

**(h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(i) Comparative Figures**

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

**(j) Impairment of Non-Financial Assets**

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

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

## Note 1: Statement of Significant Accounting Policies (continued)

**(k) Interests in Joint Arrangements**

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

Separate joint ventures providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group’s interests in the assets, liabilities, revenue and expenses of the joint operations are included in the respective line items of the financial statements.

All of the Group’s current joint arrangements are treated as joint operations.

**(l) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. All revenue is stated net of the amount of goods and services tax (GST).

The Company receives interest on funds deposited with its Bank, and brings this to account as revenue in the income statement using the effective interest rate method.

**(m) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**(n) Trade and other payables**

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

## Note 1: Statement of Significant Accounting Policies (continued)

**(o) 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, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**(p) 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 Board of Directors of Aphrodite Gold Limited.

**(q) Critical Accounting Estimates and Judgments**

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

**Key Estimates — Impairment**

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

**Key Judgments — Exploration and Evaluation Expenditure**

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the extent of the resource and reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the belief that, except where specific impairment adjustments are made, such expenditure should not be written off since feasibility studies have not yet concluded. Such expenditure is carried at balance sheet date at $27,777,082 (2016: $25,033,489).

**(r) New and amended Standards adopted by the Company in this report**

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. These include:

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle. AASB 2015-1 introduced annual improvements that resulted in changes to various standards.
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. AASB 2015-2 clarifies existing presentation and disclosure requirements.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has had no effect on the amounts reporting for the current or prior periods.

## Note 1: Statement of Significant Accounting Policies (continued)

### (s) Going concern

The financial statements have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the financial year the Company incurred an operating loss of $550,817 (2016 Profit: $175,095). Net cash outflow from operating and investing activities was $3,526,450 (2016: $71,071). At balance sheet date the Company had current assets exceeding current liabilities by $750,051 (2016: $1,734,377).

The Company is evaluating its Aphrodite Gold Project resource. The ability of the Company to continue to evaluate and/or develop the Aphrodite Gold Project is dependent upon the Company's ability to obtain further debt or equity funding. The Directors are confident that the Company will be able to continue its operations into the foreseeable future for the following reasons:

- The Company has signed a formal merger implementation agreement on 4 September 2017 to merge the Company with Spitfire Materials Limited (ASX: SPI). The Board of Directors has recommended that all shareholders vote in favour of the transaction at scheme meeting expected to be held in December 2017 in the absence of a superior proposal and subject to the Independent Expert concluding that the transaction is in best interest of shareholders. The merged entity has additional cash resources and will have increased scale and a strengthened investor base with the ability to accelerate exploration and development opportunities.

- The Company continues to be eligible for Research & Development claims including those in respect of the expenditure incurred in the year ended 30 June 2016 and 30 June 2017, As at the date of this report the 2016 claim has been quantified and filed at $152,106 and the 2017 claim has been estimated and accrued at $298,195 with the work to fully quantify the 2017 claim to commence in the coming months.

- The Directors are satisfied that the Company continues to receive the support of the Executive Chairman and should the Company need to raise additional funds this year, RMS (Aust) Pty Ltd an entity related to the Executive Chairman that has previously underwritten an equity raising would do so again for an amount necessary to ensure the Company meets its obligations as they fall due.

- The exploration expenditure commitments are discretionary in nature and will be dependent upon the Company's ability to raise further funds.

Should the Company be unable to raise sufficient funding, there is a material uncertainty whether the Company will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from these stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

**Note 2: New and Revised Standards that are in effect for these Financial Statements**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. These standards and interpretations have not been early adopted. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2018). AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. As Aphrodite is a project development company focused on exploration and evaluation and has no complex financial assets or financial liabilities, Aphrodite has determined that AASB 9 will have no material impact on the way the Group accounts for or discloses its financial instruments.
- AASB 15 *Revenue from Contracts with Customers* (effective for annual reporting periods beginning on or after 1 January 2018). AASB 15 introduces new framework for accounting for revenue and will replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The new standard is based on the principle that revenue is recognised when control over goods and services transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards. As Aphrodite is a project development company focussed on exploration and evaluation, Aphrodite has determined that there will be no material impact of the new standard on the Group's financial statements.
- AASB 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019). AASB 16 introduces new framework for accounting for leases and will replace AASB 117 Leases. The new standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the Statement of Financial Position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Aphrodite expects that AASB 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. It is also expected that depreciation expense will increase and cash flow from operating activities will decrease as these lease payments will be recorded as financing outflows in the cash flow statement. However, it is not expected that AASB 16 will have a material impact on the Group's financial statements.

| **Note 3: Other Income** | **2017** | **2016** |
|---|---|---|
| | **$** | **$** |
| Interest income | 2,155 | 3,051 |
| **Other Income** | **2,155** | **3,051** |

| **Note 4: Expenses** | **2017** | **2016** |
|---|---|---|
| | **$** | **$** |
| **(a) Other Expenses** | | |
| Accounting fees | 59,725 | 50,080 |
| Administration service fee | 36,000 | 36,000 |
| Consultants fees | 155,166 | 222,551 |
| Legal fees | 367,357 | 160,963 |
| Office Rent | 15,188 | 7,517 |
| Marketing and website expenses | 9,923 | 5,053 |
| Director fees | 222,000 | 36,000 |
| Filing and listing costs | 63,463 | 31,621 |
| Other | 60,247 | (5,828) |
| **Total Other Expenses** | **989,069** | **543,957** |
| **(b) Financing Expenses** | | |
| Interest expense | - | 273 |
| **Total Financing Expenses** | **-** | **273** |

| Note 5: Income Tax | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.** | | |
| The Prima facie tax on profit before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax payable on profit from original activities before income tax at 27.5% | (275,308) | (169,457) |
| **Adjusted for the tax effect of:** | | |
| Expenditure not allowed for income tax purposes | 1,400 | 33,600 |
| Deferred tax asset not brought to account – losses | 1,000,968 | 294,672 |
| Deferred tax asset not brought to account – temporary differences | (727,060) | (158,815) |
| Research and development tax offset | (450,302) | (739,950) |
| | **(450,302)** | **(739,950)** |
| Under the research and development (R&D) tax incentive scheme, the Company receives a 43.5% refundable tax offset (2016: 45%) of eligible expenditure. Management applied judgement to estimate the amount of R&D tax offset available to the Company for the financial year ended 30 June 2017. | | |
| **Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:** | | |
| **Unrecognised Deferred Tax Asset** | | |
| - Unrecognised deferred tax asset – losses | 8,221,490 | 7,540,001 |
| - Unrecognised deferred tax asset – profit and loss timing differences | 13,072 | 18,186 |
| - Unrecognised deferred tax asset – Other Comprehensive Income | 26,605 | 7,511 |
| | **8,261,167** | **7,565,698** |
| **Unrecognised Deferred Tax Liabilities** | **(7,638,698)** | **(7,510,047)** |

The tax rate used in the above tax expense reconciliation is the corporate tax rate of 28.5% payable by Australian corporate entities on taxable profits under Australian tax law for the year ended 30 June 2017. There has been no change in the corporate tax rate when for the current period the tax expense compared with the previous reporting period.

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that profits will be available against which deductable temporary differences and tax losses can be utilised. Unrecognised deferred tax assets and liabilities have been valued at the tax rate of 30% that is applicable to the Company from 1 July 2017.

The potential deferred tax assets will only be obtained if:

(i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the Company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefits.

**Note 6: Key Management Personnel (KMP)**

Refer to the audited Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's KMP for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the Company during the year are as follows:

| | **2017** **$** | **2016** **$** |
|---|---|---|
| Short term employee benefits | 342,000 | 156,000 |
| Post employment benefits | - | - |
| Share based payments | 120,000 | 120,000 |
| | **462,000** | **276,000** |

No other non-cash benefits were paid to KMP's during the year.

**Options granted as part of remuneration for the period ended 30 June 2017**

No options were granted as part of remuneration during the year (2016: Nil).

**Shares Issued on Exercise of Compensation Options**

No options granted as compensation were exercised during the year.

**Material Contacts**

No Director has entered into a material contract with the Company during the financial year.

**Other KMP transactions**

During the reporting period 4,483,874 shares were issued to an entity related to Mr Eshuys pursuant to a compensation package for Mr Eshuys services as Technical Consultant to the Board. There have been no other transactions involving equity instruments to KMP's during the reporting year. For details of other transactions with KMP, refer to Note 9 Related Party Transactions.

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| **Note 7: Cash and Cash Equivalents** | **2017** **$** | **2016** **$** |
|---|---|---|
| Cash at bank and in hand | 900,808 | 1,993,679 |
| **Balance at end of the year** | **900,808** | **1,993,679** |
| Effective interest rate on short term bank deposit | 0% | 0% |
| Average maturity of short term bank deposit | at call | at call |

Cash at bank earns interest at floating rates based on daily deposit rates. The carrying amounts of cash and cash equivalents represent fair value. Short-term deposits are made for varying periods of between one day, and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rate.

| **Note 8: Auditor's Remuneration** | **2017 $** | **2016 $** |
|---|---|---|
| Remuneration of Grant Thornton Audit Pty Ltd for: | | |
| – auditing and reviewing the financial report | 57,725 | 50,080 |
| | **57,725** | **50,080** |

**Note 9: Related Parties Transactions**

**(a) Associated Entities**

| | 2017 | 2016 |
|---|---|---|
| Fees and reimbursement of expenses paid to Sempre Fidelis Pty Ltd, an entity in which Director Paul Buttigieg has an interest | 36,000 | - |
| Administration and accounting fees paid to RMS (Aust) Pty Ltd, an entity in which Chairman Peter Buttigieg has an interest | 36,000 | 36,000 |
| Director fees and reimbursement of expenses paid to Tornado Nominees Pty Ltd, an entity in which Director Angus Middleton has an interest | 36,000 | 36,000 |
| Company Secretary and Public Officer fees paid to Michael Beer for Company Secretary services and other services | 60,000 | 36,000 |
| Research and advisory fees paid to Beer & Co., an entity in which Company Secretary Michael Beer has an interest | 10,000 | 64,846 |
| Technical and geological consulting fees and reimbursements paid in cash to Resource Surveys Pty Ltd, an entity in which Technical Consultant Eduard Eshuys has an interest | 121,118 | 122,310 |
| Share based compensation for Technical and geological consulting fees paid to Resource Surveys Pty Ltd, an entity in which Technical Consultant Eduard Eshuys has an interest (refer also to note 9c below) | 120,000 | 120,000 |

**(b) Balances payable at year end**

Amounts payable to related parties at year end are:

| | 2017 | 2016 |
|---|---|---|
| RMS (Aust.) Pty Ltd | 29,700 | 18,000 |
| Beer & Co Pty Ltd | - | 39,846 |
| Michael Beer | 5,500 | - |
| Resource Surveys Pty Ltd | 11,000 | 11,000 |
| | **46,200** | **68,846** |

**(c) Other KMP transactions**

During the year 4,483,874 shares were issued to an entity related to Mr Eshuys pursuant to a compensation package for Mr Eshuys services as Technical Consultant to the Board. Refer to Note 16 for the fair value assigned to these shares issued. There have been no other transactions involving equity instruments to KMP's during the reporting year.

| Note 10: Trade and Other Receivables | 2017 $ | 2016 $ |
|---|---|---|
| Research and development tax offset receivable | 450,302 | - |
| GST receivable | 318,854 | 46,462 |
| | **769,156** | **46,462** |

**Note 11: Other Current Assets**

| | | |
|---|---|---|
| Other | 3,979 | 3,979 |
| | **3,979** | **3,979** |

**Note 12: Trade and Other Payables**

| | | |
|---|---|---|
| Trade payables | 561,582 | 177,597 |
| Accrued non-trade payable | - | 39,846 |
| Accrued share compensation (a) | 100,000 | 60,000 |
| Other payables: | | |
| - Funds received in advance | - | 32,300 |
| - PAYG | 12,310 | - |
| | **673,892** | **309,743** |

(a) Amount is an accrual for technical and geological services provided by Mr Eshuys up to 30 June 2017. This has been settled post year end by the issue of shares. Refer to Note 25.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

All creditors are on normal commercial trade terms, payable within 14 - 30 days.

Amounts due to KMP are on terms and conditions that are no more favourable than those available, or which may be reasonably available, on similar transactions to non-director related entities on an arm's length basis.

| Note 13: Borrowings | 2017 $ | 2016 $ |
|---|---|---|
| **Current** | | |
| Fair value of interest-free advance (1) | 250,000 | - |
| **Non-Current** | | |
| Fair value of interest-free advance (1) | 2,250,000 | 2,500,000 |
| | **2,500,000** | **2,500,000** |

(1) In 2012, the Company received $2,500,000 by way of an interest-free royalty advance from Franco-Nevada. The advance has been treated as a financial liability measured initially at its fair value. The advance requires no repayments for 5 years, and which, provided production at the Company's project commences within that time, automatically converts to a 2.5% Royalty. Should production not commence within 5 years, then the Company will make annual payments of $250,000 per annum with such payments to be fully offset against Royalties when the project does commence production.

## Note 14: Property, Plant and Equipment

| | 2017 $ | 2016 $ |
|---|---|---|
| Computer and electronic equipment - cost | 75,557 | 75,557 |
| Less – accumulated depreciation | (75,557) | (75,557) |
| | **-** | **-** |
| Office furniture and equipment - cost | 56,654 | 56,654 |
| Less – accumulated depreciation | (56,270) | (53,113) |
| | **384** | **3,541** |
| Vehicles - cost | 128,533 | 128,533 |
| Less – accumulated depreciation | (89,287) | (78,239) |
| | **39,246** | **50,294** |
| | **39,630** | **53,835** |

### (a) Movements in Carrying Amounts

Detailed below is the movement in the carrying amount for computer and electronic equipment, office equipment and vehicles between the beginning and the end of the financial year.

| | Computer & electronic equipment $ | Office furniture & equipment $ | Vehicles $ | Total $ |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance 1 July 2015 | 75,557 | 56,654 | 128,533 | 260,744 |
| Additions | - | - | - | - |
| **Balance 30 June 2016** | **75,557** | **56,654** | **128,533** | **260,744** |
| **Depreciation** | | | | |
| Balance at 1 July 2015 | 75,557 | 44,478 | 63,198 | 183,233 |
| Depreciation | - | 8,635 | 15,041 | 23,676 |
| **Balance at 30 June 2016** | **75,557** | **53,113** | **78,239** | **206,909** |
| **Carrying amount 30 June 2016** | **-** | **3,541** | **50,294** | **53,835** |
| **Gross carrying amount** | | | | |
| Balance 1 July 2016 | 75,557 | 56,654 | 128,533 | 260,744 |
| Additions | - | - | - | - |
| **Balance 30 June 2017** | **75,557** | **56,654** | **128,533** | **260,744** |
| **Depreciation** | | | | |
| Balance at 1 July 2016 | 75,557 | 53,113 | 78,239 | 206,909 |
| Depreciation | - | 3,157 | 11,048 | 14,205 |
| **Balance at 30 June 2017** | **75,557** | **56,270** | **89,287** | **221,114** |
| **Carrying amount 30 June 2017** | **-** | **384** | **39,246** | **39,630** |

| Note 15: Exploration and Evaluation Costs | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Balance at the beginning of the year | 25,033,489 | 24,381,169 |
| Expenditure capitalised during the year | 2,743,593 | 652,320 |
| Impairment during the year | - | - |
| **Balance at the end of the year** | **27,777,082** | **25,033,489** |

The Directors' assessment of the carrying amount for the Company's Aphrodite Gold Project exploration and evaluation was after consideration of prevailing market conditions; previous expenditure for exploration work carried out on the tenements; and the potential for mineralisation based on the Company's and independent geological reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole or part of the Company's interests in these exploration properties for an amount at least equal to the carrying value. Should this or any other exploration properties be established as non-viable commercially, the Company will then either on sell or abandon them and write off the expenditure incurred thereon to profit and loss. There may exist on the Company's exploration properties areas subject to claim under Native Title or containing sacred sites or sites of significance to Aboriginal people. As a result, the Company's exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

| Note 16: Issued Capital | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Fully paid ordinary shares | | **29,773,855** | **27,615,976** |
| | | **No.** | **No.** |
| Fully paid ordinary shares | | **708,775,312** | **573,617,712** |

| (a) Reconciliation of Issued Capital | Note | No. | No. |
|---|---|---|---|
| Number on issue at the beginning of the year | | 573,617,712 | 451,394,170 |
| Share Issue to KMP: 7,500,000 at $0.0099 per share | 9 | - | 7,500,000 |
| Share Issue to KMP: 9,804,663 at $0.008 per share | 9 | - | 9,804,663 |
| Share Issue to KMP: 9,804,663 at $0.0178 per share | 9 | 4,483,874 | - |
| Share Placement: 104,918,879 at $0.019 per share, net of costs | | | 104,918,879 |
| Share Placement: 1,700,000 at $0.019 per share, net of costs | | 1,700,000 | - |
| Share issue: 128,973,726 at $0.019 per share | | 128,973,726 | - |
| **Number on issue at the end of the year** | | **708,775,312** | **573,617,712** |

| (b) Options | Note | 2017<br>No. | 2016<br>No. |
|---|---|---|---|
| Number on issue at the beginning of the year | 22 | 35,000,000 | 35,000,000 |
| Number issued during the year | 22 | 40,000,000 | - |
| Number expiring during the year | | - | - |
| **Number on issue at the end of the year** | | **75,000,000** | **35,000,000** |

## Note 16: Issued Capital (continued)

The Company's capital consists of Ordinary Shares. The Company does not have a limited amount of authorised share capital. The Shares have no par value and are entitled to participate in dividends and the proceeds on any winding up of the Company in proportion to the number of Shares held. At Shareholders meetings each Ordinary Share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

35 million Options over unissued Shares existing are exercisable on or before 31 July 2017 at an exercise price of $0.025 per share and were issued for no cash consideration. On 16 August 2017, the Company announced that 35 million options lapsed unexercised on 31 July 2017.

40 million Options over unissued Shares existing are exercisable at $0.04 on or before 19 August 2019 as part of a brokerage fee package for the share placement in June 2016

### (c) Capital Management

The Board of Directors policy is to control the capital of the Company in the interests of Shareholders so that sufficient funds are available to effectively pursue the exploration and development of the Company's exploration properties, consisting solely of the Aphrodite Gold Project; to enable prompt payment of the Company's costs and debts incurred in pursuit of those objectives; to maintain low debt levels; and to maintain substantial (relative to the Company's size and share structure) available cash availability to enable participation in worthwhile new exploration and mining projects that may become available.

## Note 17: Segment Reporting

The Company has identified for the year ended 30 June 2017 that it has no operating segments disaggregated within the Company. This has been determined based on the fact that the Board of Directors (chief operating decision makers) assesses performance of the Company with no further review at a disaggregated level.

The Company operates in one segment being Exploration and Evaluation of Minerals in Western Australia. Thus, segmented disclosures are not required nor will any disaggregated level of revenue or expenditure be informative.

## Note 18: Cash Flow Information

### Reconciliation of cash flows from operations with loss for the year

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Profit / (loss) for the year after income tax | (550,817) | 175,095 |
| ***Non-cash items in loss:*** | | |
| Depreciation | 14,205 | 23,676 |
| Write-down of exploration costs | - | - |
| Convertible note accretion expense | - | - |
| ***Changes in assets and liabilities:*** | | |
| Decrease / (increase) in other assets and receivables | (722,694) | 80,611 |
| Increase / (decrease) in trade payables and accruals | 356,449 | 87,617 |
| **Cash flows (used in)/provided by operations** | **(902,857)** | **366,999** |

### Investing and Financing Activities

During the reporting period, KMP's were issued share based payments as disclosed in Note 16. These non-cash items have been capitalised in exploration and evaluation.

## Note 19: Financial Risk Management

### Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks.

### a. Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

**Interest rate risk**

Interest rate risk on funds the Company has on deposit is managed by regular review by the Board to ensure maximum available rates are being received.

**Credit risk**

Credit risk is managed and reviewed regularly by the Board. It arises from exposures through certain derivative financial instruments and deposits with financial institutions.

The Board monitors credit risk by only utilising banks with an "A" rating to minimise risk.

**Price risk**

The Company may be exposed to commodity price risk in the future through its Aphrodite Gold Project, should it be developed through to the production phase. Should this Project go into production, the operation's profitability will be subject to fluctuations in the price of gold. The gold price has fluctuated considerably over the past several years, although tending strongly higher, and prior to production commencing the Company will consider implementing a hedging policy, or the Company may opt to not participate or reduce its participation in the production phase and the risks involved therein by selling the Project or joint venturing out a part thereof so that the Company's retained interest will involve none or readily manageable expenditure.

### b. Financial Instruments

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

The tables below shows the Company's Financial Assets and Financial Liabilities and the weighted interest rate average received on deposits.

| 2017 | Weighted Average Interest Rate % | Interest Bearing $ | Non-Interest Bearing $ | Total $ |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash on deposit at bank | 0% | - | 900,808 | 900,808 |
| Receivables | | - | 769,156 | 769,156 |
| | | **-** | **1,669,964** | **1,669,964** |
| **Financial Liabilities at amortised cost** | | | | |
| Trade and other payables | - | - | 673,892 | 673,892 |
| Borrowings | - | - | 2,500,000 | 2,500,000 |
| | | **-** | **3,173,892** | **3,173,892** |

**Note 19: Financial Risk Management (continued)**

| 2016 | Weighted Average Interest Rate % | Interest Bearing $ | Non-Interest Bearing $ | Total $ |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash on deposit at bank | 0% | - | 1,993,679 | 1,993,679 |
| Receivables | | - | 46,462 | 46,462 |
| | | **-** | **2,040,141** | **2,040,141** |
| **Financial Liabilities at amortised cost** | | | | |
| Trade and other payables | - | - | 309,743 | 309,743 |
| Borrowings | - | - | 2,500,000 | 2,500,000 |
| | | **-** | **2,809,743** | **2,809,743** |

(i) **Net Fair Values**

The fair value of financial assets and financial liabilities of the Company is equivalent to their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

(ii) **Sensitivity Analysis**

**Interest Rate Risk and Price Risk**

The Company has performed sensitivity analysis relating to its exposure to interest rate risk at balance sheet date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

**Interest Rate Sensitivity Analysis**

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

| **Increase/(decrease) in profit** | **2017 $** | **2016 $** |
|---|---|---|
| — increase in interest rate by 2% | 28,945 | 3,057 |
| — decrease in interest rate by 2% | (28,945) | (3,051) |
| **Increase/(decrease) in equity** | | |
| — increase in interest rate by 2% | 28,945 | 3,057 |
| — decrease in interest rate by 2% | (28,945) | (3,051) |

**c. Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised cash funds are held at bank to cover all forecast outgoings.

**Note 19: Financial Risk Management (continued)**

**c. Liquidity risk (continued)**

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.
Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

| **Financial Liability and Financial Asset Maturity Analysis** | **2017 $** | **2016 $** |
|---|---|---|
| **Financial Liabilities due for payment within 1 year** | | |
| Trade and other payables | 673,892 | 309,743 |
| Borrowings | 250,000 | - |
| **Financial Liability due for payment over 1 year** | | |
| Borrowings | 2,250,000 | 2,500,000 |
| | **3,173,892** | **2,809,743** |
| **Financial Assets – cash flows realisable within 1 year** | | |
| Cash and cash equivalents | 900,808 | 1,993,679 |
| Trade and other receivables | 769,156 | 46,462 |
| | **1,669,964** | **2,040,141** |

**Note 20: Earnings Per Share**

| | **2017** | **2016** |
|---|---|---|
| Basic profit / (loss) per share (cents) | (0.09) | 0.04 |
| Profit / (Loss) used in calculation of basic and diluted loss per Share | (550,817) | 175,095 |
| Weighted average number of Shares used in the calculation of the basic (Loss) per Share and diluted (loss) per Share | 637,428,780 | 457,376,515 |

No potential ordinary shares are included as all options have either lapsed or will expire within 3 years there is no certainty that they will be exercised. Refer to Note 22.

## Note 21: Capital and Lease Commitments

### Exploration Expenditure Commitments

Due to the nature of the Company's operations in exploring and evaluating the Aphrodite Gold Project, whereby expenditure is subject to constant variation in accordance with drilling and other exploration results as they come to hand, and given that the Company is planning for production from the Project, it is difficult to forecast the nature and amount of future expenditure.

Commitments shown comprise of the minimum exploration expenditure required by the W.A. Mines Department to maintain the tenements at the Aphrodite Gold Project. No commitments are shown beyond 5 years due to the indeterminate nature of the exploration and development program.

Commitments are estimated, subject to available cash, as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Not later than 12 months | 320,880 | 320,880 |
| Between 12 months and 5 years | 1,283,520 | 1,283,520 |
| Greater than 5 years - indeterminate | - | - |
| | **1,604,400** | **1,604,400** |

### Operating Lease Commitments

The Company had no operating lease commitments at 30 June 2017 or at 30 June 2016.

## Note 22: Options

| | 2017<br><br>No. | 2016<br><br>No. |
|---|---|---|
| Options on issue at the beginning of the year | 35,000,000 | 35,000,000 |
| Options issued during the year | 40,000,000 | - |
| Options expired during the year | - | - |
| **Options on issue at the end of the year** | **75,000,000** | **35,000,000** |

a) *Options issued during the year*

During the financial year the Company issued 40,000,000 options on 19 August 2016 as part of a brokerage fee package for the share placement in June 2016. The options are exercisable at $0.04 on or before 19 August 2019.(2016: Nil),

Refer Note 23 for share based payments disclosures.

b) *Options exercised during the year*

During the financial year the Company issued no shares on the exercise of options (2016: Nil).

c) *Options cancelled during the year*

During the year no options (2016: Nil) were cancelled upon termination of employment.
On 16 August 2017, the Company announced that 35 million options lapsed unexercised on 31 July 2017.

**Note 22: Options (continued)**

*a) Options on issue at the reporting date*

The number of options outstanding over unissued ordinary shares at 30 June 2017 is 75,000,000 (2016: 35,000,000).

The terms of these options are as follows:

| ***Number of options outstanding*** | ***Exercise price*** | ***Expiry date*** |
|---|---|---|
| 35,000,000 | 2.5 cents | 31 July 2017 |
| 40,000,000 | 4 cents | 19 August 2019 |

*b) Subsequent to the reporting date*

On 16 August 2017, the Company announced that 35 million options lapsed unexercised on 31 July 2017.

**Note 23: Share Based Payments**

During the reporting period, year the Company issued 40,000,000 options as part of a brokerage fee package for the share placement in June 2016. The options are exercisable at $0.04 on or before 19 August 2019. (2016: Nil).

During the reporting period the following share based payments were made:

4,483,874 shares issued to Mr Eshuys in consideration for services made to the Company. Refer to Note 16 for further details.

**Note 24: Reserves**

**Options Reserve**

| | **2017 $** | **2016 $** |
|---|---|---|
| Equity component of Options issued | 388,000 | - |
| | **388,000** | **-** |

During the financial year the Company issued 40,000,000 options on 19 August 2016 as part of a brokerage fee package for the share placement in June 2016 of $1,995,000 that was subject to a brokerage fee of between 4% and 6% of the funds received. The options are exercisable at $0.04 on or before 19 August 2019 and were valued at 112% violability

**Note 25: Events After Reporting Date**

Post year end, on 14 August 2017, the Company announced that it had entered into a terms sheet for a merger by way of court appointed Scheme of Arrangement with Spitfire Materials Limited (ASX:SPI). Subsequently, on 4th September 2017, the Company announced it had signed a formal merger implementation agreement to merge the companies and the Board of Directors has recommended that all shareholders vote in favour of the transaction at a scheme meeting expected to be held in December 2017 in the absence of a superior proposal and subject to the Independent Expert concluding that the transaction is in best interest of shareholders.

On 16 August 2017, the Company announced that 35 million options lapsed unexercised on 31 July 2017.

On 22 August 2017, the Company issued 5,594,658 ordinary shares to Mr Eshuys in consideration for services to the Company.

No other matter or circumstances of significance have arisen since the balance sheet date.

**Note 26: Contingent Liabilities**

The Board of Directors ceased the employment of Directors Wayne Ryder and Leon Reisgys on 19th July 2013. On 20th September 2013, Wayne Ryder and Leon Reisgys filed proceedings in the Supreme Court of Western Australia for additional payments following the cessation of their employment. The Supreme Court proceedings took place in November 2016 and the Company is awaiting the judgement. The Company's solicitors have advised that no further payments are owing beyond those already provided for in the financial books of the Company. The Company has received a letter dated 12 March 2014 from the above parties requesting an apology for certain public statements. No liability is anticipated from this event by the Board.

At the end of the financial period the Company had no other contingent liabilities.

# DIRECTORS' DECLARATION

1. In the opinion of the Directors of Aphrodite Gold Limited (the "Company"):

(a) the financial statements and notes set out on pages 18 to 42, and the Remuneration disclosures that are contained in pages 9 to 12 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date: and

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

(iii) complying with International Financial Reporting Standards as disclosed in Note 1.

(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.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors:

**Peter Buttigieg**
**Executive Chairman / Acting Chief Executive Officer**
**Dated at Perth this 29th day of September 2017**

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# Independent Auditor's Report
# to the Members of Aphrodite Gold Limited

## Report on the audit of the financial report

### Qualified Opinion

We have audited the financial report of Aphrodite Gold Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of Aphrodite Gold Limited is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Qualified Opinion

*Carrying value of exploration and evaluation expenditure*

The Company has reported exploration and evaluation expenditures totalling $27.78m (2016: $25.03m) in relation to the Company's activities.

Under AASB 6 *Exploration for and Evaluation of Mineral Resources* Exploration an entity shall assess exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Should an impairment trigger exist, the entity shall perform an impairment test in accordance with AASB 136 *Impairment of Assets* to determine the assets recoverable amount.

At the date of this report the Directors have undertaken an impairment assessment in line with AASB 136. However, we have been unable to obtain sufficient appropriate audit evidence to support the Directors' assessment that the carrying value of the assets is at least equal to their recoverable amount. In the event that the carrying value of the assets exceed their recoverable amount, it would be necessary for the carrying value of the assets to be written down to its recoverable amount.

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

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1(s) in the financial statements, which indicates that the Company incurred a net loss of $550,817 during the year ended 30 June 2017, and cash outflows from operating and financing activities of $3,526,450. As stated in Note 1(s), these events or conditions, along with other matters as set forth in Note 1(s), indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### 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.

In addition to the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, we have determined the matter described below to be the key audit matter to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Recognition of R&D tax incentive (Note 5)** | |
| Under the research and development (R&D) tax incentive scheme, the Company receives a 43.5% refundable tax offset (2016: 45%) of eligible expenditure if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Company receives the incentive in cash. Management engaged an R&D expert to perform a detailed review of the Company's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. At 30 June 2017, R&D tax income tax benefit was $450,000.<br><br>This area is a key audit matter due to the size of the accrual and because there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme. | Our procedures included, amongst others:<br>• enquiring with management to obtain and document an understanding of the process to estimate the claim;<br>• evaluating the competence, capabilities and objectivity of management's expert;<br>• comparing the nature of the R&D expenditure included in the current year estimate to the prior year claim;<br>• utilising an internal R&D tax specialist to review the expenditure methodology employed by management for consistency with the R&D tax offset rules;<br>• considering the nature of the expenditure against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria;<br>• comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger;<br>• inspecting copies of relevant correspondence with AusIndustry and the ATO related to historic claims; and<br>• assessing the adequacy of the Company's related disclosures within the financial report. |

### Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors' for the Financial Report

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

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

Grant Thornton

### 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 at: http://www.auasb.gov.au/auditors_responsibilities/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 9 to 12 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Aphrodite Gold 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance

Perth, 29 September 2017

**Shareholders and Optionholders Details**
**Substantial Shareholders at 18 September 2017 were:**

| Name | No. of Shares | % of Total |
|---|---|---|
| Peter Anthony Buttigieg | 203,868,132 | 28.54 |
| Spitfire Materials Ltd | 74,129,742 | 10.38 |

## Spread of Shareholders

| | | | No. of Holders | No. of Shares | % of Total |
|---|---|---|---|---|---|
| 1 | - | 1,000 | 42 | 5,092 | 0.0 |
| 1,001 | - | 5,000 | 17 | 68,266 | 0.01 |
| 5,001 | - | 10,000 | 51 | 467,190 | 0.07 |
| 10,001 | - | 100,000 | 456 | 21,147,929 | 2.96 |
| 100,001 | - | and above | 425 | 692,681,493 | 96.96 |
| | | | **991** | **714,369,970** | **100.00** |

## Spread of Optionholders

| | | | No. of Holders | No. of Shares | % of Total |
|---|---|---|---|---|---|
| 100,001 | - | and above | 1 | 40,000,000 | 100.00 |
| | | | **1** | **40,000,000** | **100.00** |

## Top 20 Shareholders

| Name | No. of Shares | % of Total |
|---|---|---|
| RMS Aust Pty Ltd | 144,587,634 | 20.24 |
| Spitfire Materials Ltd | 74,129,742 | 10.38 |
| P&J Buttigieg Nominees Pty Ltd | 53,250,000 | 7.45 |
| Eshuys Super Pty Ltd | 34,172,669 | 4.78 |
| BNP Paribas Nominees Pty Ltd | 22,174,657 | 3.10 |
| HSBC Custody Nominees Aust Ltd | 17,620,000 | 2.47 |
| V & S China Corp Ltd | 9,700,000 | 1.36 |
| Sutton Craig John | 9,600,000 | 1.34 |
| Top Class Holdings Pty Ltd | 9,500,000 | 1.33 |
| ABN Ambro Clearing Sydney Nominees | 8,608,122 | 1.20 |
| Buttigieg Peter Thomas | 7,907,500 | 1.11 |
| Sanarra Pty Ltd | 7,539,474 | 1.06 |
| Buttigieg Xavier William | 7,070,433 | 0.99 |
| Lock Jason Andrew | 6,893,599 | 0.96 |
| Little Gary William | 6,885,287 | 0.96 |
| Buttigieg Peter A & JL | 6,030,498 | 0.84 |
| Citicorp Nominees Pty Ltd | 5,933,030 | 0.83 |
| Leech Kim Michelle | 5,835,474 | 0.82 |
| Powell Joshua Gregory | 5,000,000 | 0.70 |
| Sempre Fidelis Pty Ltd | 4,069,474 | 0.57 |
| | **446,507,593** | **62.49** |

## Shareholders and Optionholders Details (Continued)

### Optionholders

| Name | No. of Options | % of Total |
|---|---|---|
| Bell Potter Nominees Pty Ltd | 40,000,000 | 100.00 |
| | **40,000,000** | **100.00** |

## Annual Resources Summary at 29 September 2017:

**Resource Summary at cut off of 0.5 g/t gold applied to potential open pit (OP) mineable resources and 3.0 g/t for the underground (UG) mineable resources.**

| | Indicated | | | Inferred | | | Indicated + Inferred | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes | Gold | | Tonnes | Gold | | Tonnes | Gold | |
| Domain | (t) | (g/t) | (oz) | (t) | (g/t) | (oz) | (t) | (g/t) | (oz) |
| OP (0.5g/t cut-off) | 6,213,875 | 2.06 | 411,002 | 3,956,171 | 1.47 | 187,199 | 10,170,045 | 1.83 | 598,201 |
| UG (3.0g/t cut- off) | 1,556,158 | 6.6 | 330,362 | 1,380,599 | 7.49 | 332,303 | 2,936,758 | 7 | 662,665 |
| **TOTAL** | **7,770,033** | **2.97** | **741,364** | **5,336,770** | **3.03** | **519,502** | **13,106,803** | **2.99** | **1,260,866** |

Governance and internal controls

Aphrodite maintains strong QAQC controls across all resource related work.

Resource drilling is a combination of Reverse Circulation (RC) and Diamond (DDH) drilling. Where RC drilling was conducted it was sampled every 1m and for Diamond drilling samples were collected to the nearest 1m interval based on geological boundaries. All samples are dispatched to Genalysis Kalgoorlie, where they are dried, weighed and pulverised before being sent to the Interket facility in Perth. QAQC Samples are inserted into the sample stream at a ratio of 1 every 20 samples. These include standard reference material from GeoStats Pty Ltd, coarse blank material and duplicate field samples. Intertek Perth run internal QQC samples reported with each batch. Umpire Assays are run at Bureau Veritas Ultra Trace Perth. Pulp grind size tests have also been run. All QAQC and Umpire Assay Data have been reviewed by McDonald Speijers.

All drilling is DGPS collar surveyed. Downhole surveys are made at intervals of 50m using a Gyro.

All drilling is logged in details to describe lithology, alteration, structure and mineralogy.

All data is imported into the master database by Aphrodite Gold Ltd using Datashed and SQL. Data validation checks are completed by Aphrodite Gold Ltd and then verified by McDonald Speijers before resource modelling.

Resource estimates were calculated by McDonald Speijers and reported under JORC 2012.

**Note A:**

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.

The information in the report to which this statement is attached that relates to Resource estimates is based on information compiled by Mr Diederik Speijers, Director of McDonald Speijers Consultants, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Diederik Speijers has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 Speijers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**APHRODITE GOLD LIMITED**

Information in this report which relates to the Mineral Resource estimation, together with any related assessments and interpretations, is based on information approved for release by Mr. E. Eshuys. Mr. Eshuys holds a B.Sc. University of Tasmania, is a Fellow of The Australasian Institute of Mining And Metallurgy and has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr. Eshuys consents to the inclusion in this report of the matters based on this information in the form and context in which it appears

## Schedule of Tenements at 25 September 2017:

| Project | Status | Tenement | Annual Expenditure | Interest Held by Aphrodite Gold Ltd |
|---|---|---|---|---|
| Aphrodite | Granted | M24/720 | $99,600 | 100% |
| | Granted | M24/779 | $94,400 | |
| | Granted | M24/649 | $18,100 | |
| | Granted | M24/681 | $44,700 | |
| | Granted | M24/662 | $36,400 | |
| | Granted | E24/186 | $20,000 | |
| | Granted | P24/5014 | $5,680 | |
| | Granted | P24/5015 | $2,000 | |
| | Granted | L24/204 | N/A | |
| | Granted | L29/114 | N/A | |
| | Granted | L29/115 | N/A | |
| | Pending | L24/225 | N/A | |
| | Pending | L24/226 | N/A | |
| | Pending | L24/227 | N/A | |