



**Mount Magnet South NL**

A.B.N. 93 096 635 246

## **Annual Financial Report**

For the year ended 30 June 2015

**TABLE OF CONTENTS**

Corporate Information	2
Directors' Report	3-21
Auditor's Independence Declaration	22
Statement of Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes In Equity	25
Statement of Cash Flows	26
Notes to the Financial Statements	27-53
Directors' Declaration	54
Independent Auditor's Report	55-56
Corporate Governance Statement	57-65
Securities Exchange Information	66-68

## **CORPORATE INFORMATION**

Mount Magnet South NL  
A.B.N. 93 096 635 246

### **Directors**

Alec Pismiris (Non-Executive Chairman)  
David Leavy (Non-Executive Director)  
Michael Fennell (Non-Executive Director)

### **Company Secretary**

Shaun Menezes

### **Registered Office**

Suite 2, Ground Floor  
10 Outram Street  
West Perth Western Australia 6005  
+61 (8) 9213 8900

### **Principal Place of Business**

Suite 2, Ground Floor  
10 Outram Street  
West Perth Western Australia 6005

### **Share Register**

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross Western Australia 6153  
+61 (8) 9315 2333

### **Auditors**

HLB Mann Judd  
Level 4, 130 Stirling Street  
Perth Western Australia 6000

### **Securities Exchange Listing**

ASX Limited (Australian Securities Exchange)  
Home Exchange: Perth Western Australia  
ASX Codes: MUM, MUMOA

## DIRECTORS' REPORT

Your directors submit the annual financial report of Mount Magnet South NL ("**MMS**" or "**the Company**") and its wholly owned subsidiary ("**the Group**") for the financial year ended 30 June 2015 ("**Balance Date**"). In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### *Names, qualifications, experience and special responsibilities and other directorships*

**Alec Pismiris** B. Comm. MAICD AGIA (Non-Executive Chairman)  
Appointed 2 August 2013

Mr Pismiris is currently an Executive Director of Capital Investment Partners Pty Ltd, a company which provides corporate advisory services. Mr Pismiris holds a Bachelor of Commerce, is a member of the Australian Institute of Company Directors and is an associate of The Governance Institute of Australia. Mr Pismiris has over 25 years' experience in the securities, finance and mining industries. Mr Pismiris has participated numerous times in the processes by which boards have assessed the acquisition and financing of a diverse range of assets and has participated in and become familiar with the range of evaluation criteria used and the due diligence processes commonly adopted in the commercial assessment of corporate opportunities.

#### Other Current Directorships:

Agrimin Limited (appointed October 2013 to present)  
Agua Resources Limited (appointed March 2015 to present)  
Cardinal Resources Limited (appointed November 2010 to present)  
Pelican Resources Limited (appointed March 2015 to present)

#### Former Directorships in the last 3 years:

Gladiator Resources Limited (December 2012 - March 2013)  
Papillon Resources Limited (May 2006 - October 2014)

**David Leavy** B. Ec. MAppFin. (Non-Executive Director)  
Appointed 22 December 2014

Mr Leavy has 25 years' experience in debt and equity finance, corporate development and financial markets. He has previously held senior executive positions for African and Australian focused mining companies, responsible for corporate development, internal controls, acquisitions, governance, commercial, legal and financial risk management. Mr Leavy acted as advisor to Allotropes Diamonds, providing advice on funding the development of their Sierra Leone diamond project, resulting in their acquisition by Newfield Resources Ltd.

Other Current Directorships: None

Former Directorships in the last 3 years: None

**Michael Fennell** B. Comm. (Non-Executive Director)  
Appointed 22 December 2014

Mr Fennell is currently an Investment Manager with Capital Investment Partners Pty Ltd, a company which provides corporate advisory services. Mr Fennell has until recently been in the stockbroking industry since 2008. Mr Fennell's role as an Investment Adviser included providing advice to high net worth investors and private clients. Mr Fennell has completed a Bachelor of Commerce in Accounting and Finance from the University of Notre Dame. Mr Fennell also served in the Australian Defence Force for 10 years.

Other Current Directorships: None

Former Directorships in the last 3 years: None

**DIRECTORS' REPORT (CONTINUED)****(Directors continued)**

**Patrick Flint** B.Comm. CA MAICD (Non-executive Director)

Appointed 18 April 2011

Resigned 22 December 2014

**Mark Pitt** FAIMM, C.P Eng, AIME (Non-executive Director)

Appointed 26 October 2010

Resigned 22 December 2014

**Company Secretary**

**Shaun Menezes**

Appointed 6 November 2014

Mr Menezes is a Chartered Accountant with over 15 years' experience including 12 years at a leading international accounting firm. Mr Menezes has also been involved with a number of Australian public listed companies in a commercial, financial and secretarial capacity.

**Susmit Shah**

Appointed 18 April 2011

Resigned 6 November 2014

**DIRECTORS' MEETINGS**

The number of meetings of Directors held during the year, and the number of meetings attended by each director was as follows:

<b>Name</b>	<b>Number of meetings eligible to attend</b>	<b>Number of meetings attended</b>
Alec Pismiris	9	9
David Leavy	2	2
Michael Fennell	2	2
Mark Pitt	7	7
Patrick Flint	7	7

**Principal Activities**

The principal activities of the Company during the course of the financial year was maintenance of its existing exploration projects and the continued search for new opportunities in the resources sector which could demonstrate capacity to add long term shareholder value.

**OPERATING AND FINANCIAL REVIEW****Review of financial condition**

During the period under review, the Company continued to focus on the reduction of operating, care and maintenance costs and general overheads to preserve cash reserves and better position the Company to pursue new business development activities.

Significant changes during the period included rationalising care and maintenance activities at the Kirkalocka Gold Project, restructuring the Board of Directors and terminating all full-time employees.

**DIRECTORS' REPORT (CONTINUED)****OPERATING AND FINANCIAL REVIEW (CONTINUED)**

MMS continues to hold in excess of 858 km<sup>2</sup> of tenements stretching across 180 kilometres of Western Australia's second most prolific gold fields. The two key projects of the Company are:

- Kirkalocka Gold Project where the Company completed an Optimised Feasibility Study in 2013 into the re-commencement of operations. There is substantial existing infrastructure and significant mineral resources and ore reserves that have been identified.
- Jumbulyer Gold Project where drilling identified significant near surface, high grade gold mineralisation. Located just 65 kilometres north of Kirkalocka, the Daveys and Foothills Prospects have the potential to add significant value to the future development of Kirkalocka.

The Company maintained its extensive portfolio of tenements throughout the period. A summary of significant activities undertaken during the year follows:

- maintaining the Kirkalocka Gold Project including ensuring compliance with all licence and regulatory requirements whilst minimising expenditure;
- implementing changes to care and maintenance staffing and travel arrangements to reduce the overhead cost for this activity during the year;
- completion of geological field work which included detailed structural mapping on the Wydgee Hills Iron Project;
- completion of a comprehensive review of the Company tenements to identify several areas of low prospectivity within the overall tenement package areas which were voluntarily surrendered thereby reducing ongoing tenement holding costs;
- data generated from the field work at Wydgee Hills Iron Project was utilised to assess potential third party interest in the project;
- completion of a comprehensive independent geological review by an experienced exploration consultant to assess exploration potential of tenements held by the Company. The review identified several gold targets and potential for Nickel Cobalt mineralisation;
- preparations for a research and development tax incentive submission for the program for the minimisation of dust generation from the Kirkalocka tailings storage facility;
- completion of a site clean-up of scrap steel and miscellaneous items no longer required by the Company;
- pursuant to Jumbulyer joint venture agreement, Australian Mines Limited ("AML") conducted a comprehensive review of the historic drilling that included the construction of a detailed three-dimensional geological model of the Foothills gold and copper prospect, followed by two ground based geophysical surveys and a targeted reverse circulation (RC) drill program which identified two potential Quasar / Bartus style gold targets;
- in January 2015 AML withdrew from the Jumbulyer joint venture to focus on an exploration program at its Doolgunna – Marymia Project;
- MMS entering into a conditional binding offer with Ozchina Enterprises Pty Ltd to sell the Kirkalocka Gold Project for a cash purchase price of A\$1,700,000 (exclusive of GST) including the assumption of the liability to pay the Contingent Amount arising under the Equigold Agreement. Under the offer MMS retained ownership of four tenements known to host significant iron mineralisation with all gold rights associated with these tenements granted to Ozchina;
- MMS received updated prescribed premises and water licenses from the respective departments following review work completed in the first quarter of 2015;
- completion of technical, legal and financial due diligence by Ozchina Enterprises Pty Ltd;
- Ozchina Enterprises Pty Ltd assigning its rights and obligations under the conditional binding offer to Minjar Gold Pty Ltd; and
- providing assistance as required on drafting of agreements for the sale of the Kirkalocka Gold Project which included a Tenement Sale Agreement, Kirkalocka Plant Sale Agreement, Mineral Rights Agreement and Deed of Assignment and Assumption (Contingency Amount).

At Balance Date the Group had \$175,997 in cash to support its operations.

**DIRECTORS' REPORT (CONTINUED)****OPERATING AND FINANCIAL REVIEW (CONTINUED)**

Proceeds from the sale of the Kirkalocka Gold Project will supplement the Company's working capital requirements and provide funding to continue to search for additional project interests, focusing on low entry cost projects located both in Australia and overseas.

The Company will continue to monitor the cash required to meet future obligations, and the availability of additional equity in the Australian market at the appropriate time. The ongoing operation of the Company is dependent upon raising additional capital from shareholders or other parties from time to time. There is no assurance however that, in the current economic environment, the Group will be able to raise additional funds on reasonable terms.

**Review of Operations****Kirkalocka Gold Project ("KGP")**

During the year, the Kirkalocka Gold Project remained on care and maintenance with activities focussed on maintaining the KGP asset and ensuring compliance with all licence and regulatory requirements whilst minimising expenditure where appropriate. Changes to care and maintenance staff travel arrangements were identified and implemented in the first half of the year to reduce the overhead cost for this activity. Further to this, the activities were changed again in the December quarter to remote monitoring and regular daily site inspections under a contract arrangement with a local station owner. This resulted in the care and maintenance operations on site being shut down entirely.

Site monitoring through agreement with the Kirkalocka Station owners with support for the MMS office staff was initiated at the start of the third quarter. No significant security issues occurred during the quarter. Data gathered in security monitoring activities is assisting the station owner in feral pest management in the area.

Prior to the cessation of the site care and maintenance activities, work was undertaken on site to clean up the laydown yard at the plant and where possible to dispose of unwanted materials and equipment. During this process, a quantity of scrap steel and the site loader were purchased by a local station owner. A regional scrap dealer completed an inspection of the laydown yard with the objective of removing the remaining scrap steel, redundant equipment and mill linings.

Successful lodgement of research and development (R&D) tax incentive submission for the minimisation of dust generation from the Kirkalocka Tailings Storage Facility (TSF) project was achieved in the December 2014 quarter. Receipt of the R&D tax incentive return for the first year of the program TSF was made during the year.

Completion of amendments to the Prescribed Premises and Water licenses to reflect the current situation with the site was carried out during the early part of the year. The updated Prescribed Premises and Water licenses received subsequent to the Balance Date.

**Review of Optimised Feasibility Study**

Management engaged an independent contractor to conduct a review of the KGP Optimised Feasibility Study (OFS). The price and availability of major capital items in the study with the result being a slight variation in the overall capital items costed, providing evidence that the capital estimate for the project remained valid. A review of the operating costs and underlying assumptions was also undertaken with the result being a slight increase in the overall operating costs however this is not deemed material and therefore the operating costs in the OFS remain valid.

**Sale of Kirkalocka Gold Project**

The Company will seek the approval of Shareholders for the sale and purchase agreements comprising of a Plant Sale Agreement and a Tenement Sale Agreement for the sale of the Kirkalocka Gold Project to Minjar Gold Pty Ltd at a general meeting to be held 25 September 2015. It is anticipated that completion of the sale of KGP will occur in early October 2015.

**DIRECTORS' REPORT (CONTINUED)****OPERATING AND FINANCIAL REVIEW (CONTINUED)****Wydgee Hills Iron Project**

During the prior year the Company undertook early stage exploration work which was successful in confirming the potential for direct shipping hematite – goethite mineralisation which occurs in multiple locations. None of these potential Direct Shipping Ore targets had been previously drill tested. Assessing the dimensions and continuity of these hematite - goethite mineral occurrences will form the basis of future iron exploration programs.

The Company has completed a systematic exploration program for iron mineralisation over a group of existing tenements that cover a strike length of banded iron formation (BIF) extending over 10 kilometres. This work involved field mapping and sampling of outcrops in the Wydgee Hills Prospect area. The primary focus was to target potential direct shipping ore style mineralisation.

The Company's exploration activities identified two iron mineralisation deposit types, including Channel Iron Deposits and Insitu goethite - martite - hematite mineralisation associated with Archaean BIFs and the regional scale Wydgee Hills Synform Fold (WHSF).

**Channel Iron Deposits**

Two main areas of Channel Iron Deposit (CID) mineralisation were identified in the Wydgee Hills prospect area. This mineralisation is typical of the CIDs within the Hamersley Ranges, containing characteristic, ferruginised wood fragments. The CIDs are variable in width, strike and thickness. The larger deposit is several hundred metres in width and length and ranges in thickness from 1m to 5m.

**Insitu Goethite – Martite – Hematite Mineralisation**

Exploration mapping defined multiple zones of goethite -martite - hematite mineralisation in semi continuous outcrop in both the eastern and western limbs as well as the fold closure position of the WHSF. The WHSF is a regional scale fold where bedding can be traced over 6 kilometres in strike length on the eastern limb. Further mapping has increased the understanding of the intercalated nature of these BIF units with the surrounding basalts and mafic intrusives.

**Jumbulyer Gold Project - Joint Venture [Australian Mines Limited (ASX: AUZ)]**

A farm-in agreement between MMS and Australian Mines Limited (ASX: AUZ) over the 31 tenements held in the Jumbulyer Project by MMS was executed in March 2014. MMS conducted initial geological evaluation and exploration work in the area identifying two key mineralised structures within the tenement package which demonstrate areas with potential to host gold mineralisation.

Under the terms of the agreement, Australian Mines would earn a 60% interest in the Jumbulyer project by spending \$1M on exploration within an initial 2 year period with the option to spend a further \$2M within 48 months of the completion of the initial 60% acquisition. MMS retains 20% (free carry) up to the completion of a pre-feasibility study on the project, following which it can decide to contribute pro-rata or dilute its interest in lieu of further expenditure.

*Foothills Prospect*

The Foothills prospect is located within one of Australia's most prolific gold producing regions. Following the signing of the Agreement with MMS, Australian Mines completed an initial field reconnaissance program over the Jumbulyer project area.

This field work program was designed to further explore the previously identified Foothills copper-gold target where previous drilling completed by MMS had returned a number of promising gold intersections over a 100 metres strike length including:



**DIRECTORS' REPORT (CONTINUED)****OPERATING AND FINANCIAL REVIEW (CONTINUED)****Jumbulyer Gold Project - Joint Venture [Australian Mines Limited (ASX: AUZ) (continued)]**

- 16 metres @ 6.6g/t gold from 9 metres (drill hole DH135)
- 10 metres @ 3.3g/t gold from 20 metres (drill hole FR001)
- 14 metres @ 2.6g/t gold from 38 metres (drill hole FRC04)
- 20 metres @ 3.0g/t gold from 41 metres (drill hole FHRC002)

In April 2014, Australian Mines commenced a ground geophysics program over the Foothills copper-gold prospect targeting bedrock mineralisation. The program, comprising a moving loop electromagnetic survey and a subsequent sub-audio magnetics survey was designed to test for the presence of gold-bearing pyrrhotite and/or pyrite (iron sulphide) zones within the broader project area.

Upon completion of the Foothills moving loop electromagnetic survey, Australian Mines reported the identification of a bedrock conductor situated within close proximity to the oxide gold mineralisation previously recorded in shallow historic drilling.

As follow up, Australian Mines drilled a single reverse circulation (RC) hole into the interpreted bedrock conductor. The drill hole successfully intersected a zone of disseminated sulphides and quartz veining around the depth predicted by the Company's geophysicists. Australian Mines Limited completed the review and report of the Sub-Audio Magnetics (SAM) survey that was conducted over a prospective 4km<sup>2</sup> area of the Jumbulyer project in late September 2014. AUZ reported the SAM work identified two potential Quasar / Bartus style gold targets for additional investigation along identified major fault lines.

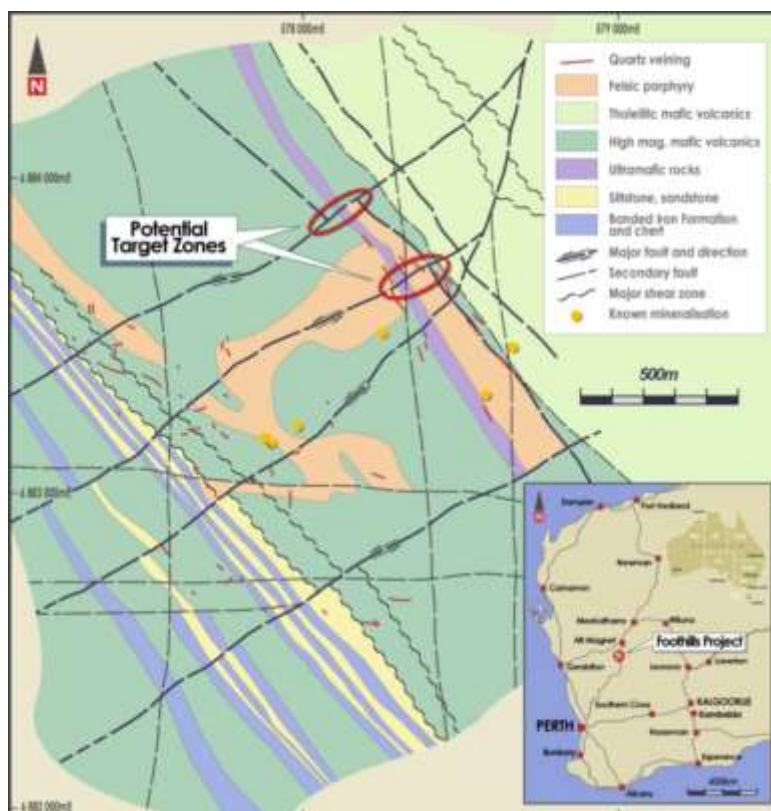


Figure 1. Foothills geology with target areas defined by 2014 AUZ Sub-audio magnetic (SAM) survey data

**DIRECTORS' REPORT (CONTINUED)****OPERATING AND FINANCIAL REVIEW (CONTINUED)****Jumbulyer Gold Project - Joint Venture [Australian Mines Limited (ASX: AUZ) (continued)]**

During the December 2014 quarter, Australian Mines provided notice that they were withdrawing from the farm-in agreement to focus on its Doolgunna – Marymia Project.

**Independent review of geological exploration potential of the Company's tenement portfolio**

An independent geological review of the exploration potential of the Kirkalocka and surrounding tenements was commissioned by the Board during the second quarter. The outcome of this review provided a focus for the Company of the key tenements and locations within these tenements of geological interest, with the ultimate aim of being able to add to the inventory of mineral resources at the Kirkalocka Gold Project, in particular higher grade ore.

The review identified three key areas in which the Company can focus future exploration activities in search for higher grade gold deposits to support the Kirkalocka gold project. These areas are identified as follows:

- Curara Well Shear – north of the current resource the shear zone is identified as undergoing a change in strike direction. This area is seen as having the potential to host additional plunging shoots similar to the high grade shoots identified in the Kirkalocka resource.
- Jiljiny – Colombo trend. This area is relatively under explored and contains a number of structural targets which have been under-drilled.
- Nalbara Prospect is an area that has been under-drilled due to the depth of cover and deep weathering. This area has historically produced some higher grade gold intercepts but the depth of these results leaves this as a second tier target.

A review of the Company's tenement holdings within the area is currently underway along with the development of a focused geological mapping and preliminary exploration program of the areas of interest identified in the independent review.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the year, the Company undertook the following capital raisings:

- on 18 September 2014, the Company completed the first tranche of a placement to sophisticated investors by issuing 80,000,000 fully paid ordinary shares at an issue price of \$0.0015 per share to raise \$120,000 (before costs).
- on 21 November 2014 and on obtaining shareholder approval, the Company completed the second and final tranche of a placement to sophisticated investors by issuing 60,000,000 fully paid ordinary shares at an issue price of \$0.0015 per share to raise \$90,000 (before costs). The Company also issued 70,000,000 attaching options exercisable at \$0.006 each expiring on 31 December 2018.
- on 12 November 2014 the Company announced a fully underwritten pro-rata non-renounceable entitlement offer made on the basis that for every three shares held, shareholders had the right to subscribe for two new shares at an issue price of \$0.001 and one option for every two new shares subscribed for at an issue price of \$0.001 to raise approximately \$618,000 before costs;
- in December 2014 the Company completed the non-renounceable rights issue by issuing 412,013,877 shares and 206,006,939 attaching options exercisable at \$0.006 with a 31 December 2018 expiry;
- on 1 June 2015, the Company completed the first tranche of a placement to sophisticated investors by issuing 150,000,000 fully paid ordinary shares at an issue price of \$0.0015 per share to raise \$120,000 (before costs). The second tranche of the placement comprised of a one for two attaching option exercisable at \$0.006 with a 31 December 2018 expiry issued for no additional which requires shareholder approval at a general meeting of shareholders to be held on 25 September 2015.

**DIRECTORS' REPORT (CONTINUED)****SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)**

During the year the Company continued to monitor operating, care and maintenance costs and general overheads to better position the Company to pursue further business development activities.

The Company conducted a comprehensive review of tenements which resulted in the identification of several areas of low prospectivity within the overall tenement package areas which were voluntarily surrendered thereby reducing ongoing tenement holding costs.

During the September 2014 quarter the Company has concluded negotiations with the holder of the convertible notes (convertible to 66.67 million shares) with a face value of \$1 million and redeemable on or before 31 July 2015, whereby certain terms were varied as follows:

- the Company redeeming \$200,000 by securing a commitment from the holder of convertible note to participate in the pro rata non-renounceable entitlement offer announced on 12 November 2014;
- shareholder approval will be sought at the Company's Annual General Meeting for the issue of 133.33 million notes convertible to 133.33 million shares (at 0.6 cents each) on or before 31 July 2017 at an interest rate of 5% per annum representing the balance of the convertible note; and
- the Company subject to mutual agreement with the holder of the convertible note was required to redeem part or all of the convertible note under certain circumstances including potential changes to the ownership structure of the Kirkalocka Project.

On 6 August 2015 and subsequent to the reporting period the Company announced that it had further negotiations with the noteholder and the Company has agreed to redeem 40,000,000 of the existing convertible notes (with the aggregate face value of \$600,000) upon completion of the disposal of the Kirkalocka Gold Project. The terms of the remaining 26,666,667 Convertible Notes were to be varied as follows:

- Extension of the maturity date: The maturity date to be extended by two years to 31 July 2017.
- Resetting of the conversion price: The conversion price to be varied to \$0.006 per share.
- Conversion: The convertible notes to convertible (in whole or in part) into 66,666,667 Shares at any time on or before the redemption date at the election of the noteholder or the Company into shares at the new conversion price of \$0.006 per share.

The remaining key terms of the convertible notes would remain unchanged.

The proposed variation to the terms of the convertible notes requires shareholder approval at a general meeting of shareholders to be held on 25 September 2015.

**Operating result for the year**

The Group's loss for the year to 30 June 2015 after income tax was \$ 2,537,893 (2014: Loss of \$11,956,977).

**Corporate Activities****Board changes**

In December 2014 the Company announced restructure of the board with Mr David Leavy and Mr Michael Fennell being appointed to the Board of Directors as Non-Executive Directors, following the resignations of Mr Patrick Flint and Mr Mark Pitt.

Mr Leavy has significant experience in debt and equity finance, corporate development and financial markets. He has previously held senior executive positions for African and Australian focused mining companies, responsible for corporate development, internal controls, acquisitions, governance, commercial, legal and financial risk management.

**DIRECTORS' REPORT (CONTINUED)**

Mr Fennell has been in the stockbroking industry since 2008. Mr Fennell's role as an Investment Adviser included providing advice to high net worth investors and private clients. Mr Fennell has completed a Bachelor of Commerce in Accounting and Finance from the University of Notre Dame. Before that Mr Fennell served in the Australian Defence Force for 10 years.

**Reduction in costs and overheads**

To ensure the continuation of access to technical expertise required for the potential future development of the Company's projects, the Company has secured the services of consultants, which includes previous employees of the Company as required.

**Research & Development Claim**

The Company has initiated a research and development ("R&D") review process of activities undertaken on the program for the minimisation of dust generation from the Kirkalocka tailings storage facility in preparation for lodging the R&D claim for the 2014/15 FY.

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

As at the date of this report, the interests of the directors in the shares, rights and options of the Company were:

Director	Number of fully paid ordinary shares	Number of options over ordinary shares
Alec Pismiris	20,000,000	10,000,000
David Leavy	-	-
Michael Fennell	-	-

**Dividends**

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

**After balance date events**

Events occurring after 30 June 2015 are disclosed in detail in Note 24.

**Share Options**

The Company has the following securities on issue as at the date of the Directors' Report.

Security Description	Number of Securities
Fully paid shares	1,240,034,693
Options exercisable at 0.6 cents expiring 31 December 2018 (Listed)	276,006,939
Options exercisable at 0.6 cents expiring 31 December 2018 (Unlisted)	90,000,000
Convertible notes	66,666,667

**Unissued Shares under Option**

As at the date of this report, there were 366,006,939 unissued ordinary shares under options (30 June 2015: 52,479,275).

**DIRECTORS' REPORT (CONTINUED)**

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

**Shares issued as a result of the exercise of options**

During the financial year there were no ordinary shares issued as a result of the exercise of options (2014: Nil).

**Shares under Performance Rights**

As at the date of this report, there were no unissued ordinary shares under Performance Rights (2014: 8,100,000).

**Likely developments and expected results**

Following disposal of the Kirkalocka Gold Project the Group will continue to focus on maximising values from the portfolio of mining projects and will continue its search for further opportunities. Given that the nature of the Group's activities is exploration focused, no further information can be provided as to likely developments as such developments will depend on exploration success at the Group's various project interests, and the nature of any new acquisitions going forward.

**Environmental legislation**

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulation when carrying out any exploration work. There have been no known breaches of environmental laws or permit conditions during the year.

**Indemnification and insurance of Directors and Officers****Indemnification**

The Company has agreed to indemnify the directors of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

**Insurance premiums**

The Company has arranged directors' and officers' liability insurance, for past, present or future directors, secretaries, and executive officers. The insurance cover relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual directors or officers of the Company.

**DIRECTORS' REPORT (CONTINUED)****Annual Mineral Resource and Ore Reserves Statement**

The Company has reported mineral resources and ore reserves at one of its projects, the Kirkalocka Gold Project (KGP). The mineral tenements comprising the KGP are located in the Mt Magnet region of Western Australia. There has been no change to mineral resources and ore reserves at the KGP during the year ended 30 June 2015.

The Company's Mineral Resources estimate at the KGP is as follows:

Category	Ore Tonnes (Mt)	Grade (g/t Au)	Gold (ounces)
<b>Indicated</b>	11.2	1.2	428,000
<b>Inferred</b>	3.8	1.0	119,000
<b>TOTAL</b>	<b>15.0</b>	<b>1.1</b>	<b>548,000</b>

**Mineral Resource Estimate – December 2012**

Notes:

- The December 2012 Mineral Resource has been reported above a 0.3 grams per tonne (g/t) cut-off for the laterite and a 0.5 g/t gold (Au) cut-off for the primary and supergene mineralisation.
- The Kirkalocka Gold Project Mineral Resource was updated to comply with the JORC 2012 reporting guidelines and the Company reported results on 24 September 2014.
- There was no change to the resource classification, quantities or grade since the Mineral Resource release in December 2012.
- Rounding conforming to JORC Code may cause some computational discrepancies.

The Company's Ore Reserve estimate at the KGP is as follows:

Reserve Category	Dry Tonnes (Mt)	Grade (g/t Au)	Gold In Situ (koz)
<b>Probable</b>	10.4	0.9	309

Notes:

- Rounding conforming to JORC Code may cause some computational discrepancies.
- The KGP Ore Reserve estimate was reported in accordance with JORC 2012 reporting guidelines on 14 March 2013 as part of an optimised feasibility study.

**Governance and internal controls**

The Company's procedures for the sample techniques and sample preparation for the resource estimate were audited by independent experts. Assays were conducted by independent internationally accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

The mineral resource and ore reserve estimate were undertaken independently by Snowden Mining Industry Consultants and Auralia Mining Consultants respectively.

**DIRECTORS' REPORT (CONTINUED)****Competent Person Statement**

The information in this report that relates to Mineral Resources is based on and fairly represents, information and supporting documentation compiled by Lynn Olssen who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Snowden Mining Industry Consultants Pty Ltd. Lynn Olssen has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Lynn Olssen consents to the inclusion in the annual report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to the Kirkalocka Gold Project Mineral Resource was first reported by the Company in compliance with JORC 2004 in a market release dated 13 December 2012 and then updated to comply with JORC 2012 and reissued on 24 September 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 24 September 2013 and further confirms that all material assumptions and technical parameters underpinning the mineral resource estimates contained in the market release dated 24 September 2013 continue to apply and have not materially changed.

The information in this report that relates to the Kirkalocka Gold Project Ore Reserve was first reported by the Company in compliance with JORC 2012 in a market release dated 14 March 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 14 March 2013 and further confirms that all material assumptions and technical parameters underpinning the ore reserve estimates contained in the market release dated 14 March 2013 continue to apply and have not materially changed.

The information in this annual report that relates to optimisation, mine design and Ore Reserve reporting is based on and fairly represents, information and supporting documentation compiled by Anthony Keers (CP) MAusIMM who is a director of Auralia Mining Consultants. Anthony Keers has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Anthony Keers consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel of Mount Magnet South NL (the "Company") for the financial year ended 30 June 2015.

The key management personnel of the Company are the Directors of the Company.

#### *Remuneration philosophy*

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

#### *Remuneration committee*

The previously formed Remuneration Committee of the Board of Directors of the Company was disbanded last year.

The Remuneration Committee's role had been to assess the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

As the Board comprised three directors for most of the financial year, the Board as a whole has been responsible for all remuneration related matters.

#### *Remuneration Structure*

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

#### *Non-executive director remuneration*

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

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The Company listed on ASX on 23 May 2007, and members approved the maximum aggregate annual amount payable to non-executive directors as \$500,000 on 24 November 2007.

The amount of aggregate remuneration apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Independent advice is obtained when considered necessary to confirm that remuneration is in line with market practice.

Each director receives a fee for being a director of the Company. Non-executive directors may receive performance rights (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves.



**DIRECTORS' REPORT (CONTINUED)****REMUNERATION REPORT (CONTINUED)***Senior manager and executive director remuneration*

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

*Fixed Remuneration*

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

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

The fixed remuneration component of key management personnel is detailed in Tables 1 and 2.

*Variable Remuneration*

The objective of the short term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met. No short term incentive remuneration was paid during the financial year ended 30 June 2015.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. The long term incentive is provided in the form of performance rights and options over ordinary shares in the Company.

**Employee Share Option Plan (ESOP)**

The Mount Magnet South NL ESOP provides for the directors to set aside shares in order to reward and incentivise employees. Directors will not set aside more than 5% of the total number of issued shares in the Company at the time of the proposed issue. Officers and employees both full and part-time are eligible to participate in the plan.

**Performance Rights Plan (PRP)**

Shareholders approved the Company's PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to provide a framework for competitive and appropriate remuneration so as to retain and motivate skilled and qualified personnel whose personal rewards are aligned with the achievement of the Company's growth and strategic objectives.

*Executive Employment Contracts*

There were no executive service agreements in place for the year ended 30 June 2015.

**DIRECTORS' REPORT (CONTINUED)****REMUNERATION REPORT (CONTINUED)****Table 1: Remuneration of key management personnel (KMP) for the year ended 30 June 2015**

	Short-term				Post Employment	Long-term	Share-based payment	Total	Performance Related
	Salary & fees \$	Cash bonus \$	Consulting Fees \$	Other \$	Superannuation \$		Performance Rights \$		%
<b>Non-executive directors</b>									
Alec Pismiris <sup>1</sup>	61,000	-	-	-	-	-	-	61,000	-
David Leavy <sup>2</sup>	12,000	-	-	-	-	-	-	12,000	-
Michael Fennell <sup>3</sup>	12,000	-	-	-	-	-	-	12,000	-
Patrick Flint <sup>4</sup>	10,216	-	-	-	970	-	-	11,186	-
Mark Pitt <sup>5</sup>	10,983	-	-	-	1,043	-	-	12,026	-
<b>Sub-total non-executive directors</b>	<b>106,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,013</b>	<b>-</b>	<b>-</b>	<b>108,212</b>	
<b>Executive directors and Senior management</b>									
Susmit Shah <sup>6</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>106,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,013</b>	<b>-</b>	<b>-</b>	<b>108,212</b>	

1. Fees of \$6,000 for Mr Pismiris's services for the period 1 July 2014 to 31 July 2014 were paid to Capital Investment Partners Pty Ltd, an entity in which he is a director. Fees for Mr Pismiris's services for the period 1 August 2014 to 30 June 2015 were paid to Lexcon Services Pty Ltd, an entity in which he is a director. The amount outstanding to Lexcon Services Pty Ltd at the Reporting Date was \$55,000 and included in trade and other payables.
2. Appointed as a director on 22 December 2014. Fees were paid to Cologne Capital, an entity in which Mr Leavy is a sole proprietor. The amount outstanding to Cologne Capital at the Reporting date was \$2,000 and included in trade and other payables.
3. Appointed as a director on 22 December 2014. Fees were paid to Gemica Pty Ltd, an entity in which Mr Fennell is a director. The amount outstanding to Gemica Pty Ltd at the Reporting date was \$2,000 and included in trade and other payables.
4. Resigned as a director on 22 December 2014.
5. Resigned as a director on 22 December 2014.
6. Resigned as a company secretary on 6 November 2014. Fees totalling \$40,525 for company secretarial and accounting services provided by Mr Shah were paid to Corporate Consultants Pty Ltd (refer note 20), a company related to Mr Shah and Mr Flint. The amount outstanding to Corporate Consultants Pty Ltd at the Reporting Date was \$nil.

## DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (CONTINUED)

Table 2: Remuneration of key management personnel (KMP) for the year ended 30 June 2014

	Short-term				Post Employment	Long-term	Share-based payment	Total	Performance Related
	Salary & fees \$	Cash bonus \$	Consulting Fees \$	Other \$	Superannuation \$	\$	Performance Rights \$		
<b>Non-executive directors</b>									
Alec Pismiris <sup>1</sup>	60,000	-	-	-	-	-	-	60,000	-
Reg Gillard <sup>2</sup>	2,746	-	-	-	254	-	-	3,000	-
Colin Chenu <sup>3</sup>	10,000	-	-	-	-	-	-	10,000	-
Patrick Flint	21,968	-	-	-	2,032	-	-	24,000	-
Mark Pitt	21,968	-	-	-	2,032	-	-	24,000	-
<b>Sub-total non-executive directors</b>	<b>116,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,318</b>	<b>-</b>	<b>-</b>	<b>121,000</b>	
<b>Executive directors and Senior management</b>									
Graham Howard <sup>4</sup>	105,648	-	-	-	4,267	-	-	109,915	-
Susmit Shah <sup>5</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>222,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,585</b>	<b>-</b>	<b>-</b>	<b>230,915</b>	

1. Appointed as a director 2 August 2013. Fees for Mr Pismiris's services are paid to Capital Investment Partners Pty Ltd, an entity in which he is a director. The amount outstanding to Capital Investment Partners Pty Ltd at the Reporting Date was \$6,600 and included in trade and other payables.
2. Resigned as a director on 2 August 2014.
3. Retired as a director on 25 November 2014.
4. Employment terminated effective 8 October 2014.
5. Fees totalling \$72,436 for company secretarial and accounting services provided by Mr Shah were paid to Corporate Consultants Pty Ltd (refer note 21), a company related to Mr Shah and Mr Flint. The amount outstanding to Corporate Consultants Pty Ltd at the Reporting Date was \$6,883 and included in trade and other payables.

**DIRECTORS' REPORT (CONTINUED)****REMUNERATION REPORT (CONTINUED)****Performance Rights**

Each performance right is convertible into one ordinary share upon achievement of the performance hurdles. No performance right will vest if the conditions are not satisfied, hence the minimum value of the performance rights set to vest is nil.

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant date. The relevant amount is included in the remuneration table (Table 1) above. Fair values at grant date are independently determined using binomial pricing model that takes into account the exercise price, term, the share price at grant date and expected price volatility of the underlying share, barrier price / performance hurdles, the expected dividend yield and the risk-free interest rate. For details on the valuation of performance rights, including assumptions used, refer to note 10.

**Performance rights granted as part of remuneration for the year ended 30 June 2015**

There we no performance rights granted as part of remuneration for the year ended 30 June 2015.

**Performance rights granted as part of remuneration for the year ended 30 June 2014**

There we no performance rights granted as part of remuneration for the year ended 30 June 2014.

*Key Management Personnel – Performance Rights Holdings*

The number of performance rights held by Key Management Personnel of the Group during the financial year is as follows:

**30 June 2015**

<b>Name</b>	<b>Held at 1 July 2014</b>	<b>Granted</b>	<b>Expired</b>	<b>Held at 30 June 2015</b>
Alec Pismiris	-	-	-	-
David Leavy	-	-	-	-
Michael Fennell	-	-	-	-
Mark Pitt <sup>1</sup>	2,000,000	-	(2,000,000)	-
Patrick Flint <sup>2</sup>	1,500,000	-	(1,500,000)	-
Susmit Shah	-	-	-	-

1. Resigned as a director on 22 December 2014.

2. Resigned as a director on 22 December 2014.

**DIRECTORS' REPORT (CONTINUED)****REMUNERATION REPORT (CONTINUED)***Key Management Personnel – Option Holdings*

The number of options held by Key Management Personnel of the Group during the financial year is as follows:

**30 June 2015**

<b>Name</b>	<b>Held at 1 July 2014</b>	<b>Purchases / Other Acquisitions</b>	<b>Sales / Other Disposals</b>	<b>Held at 30 June 2015</b>	<b>Exercisable</b>
Alec Pismiris	-	10,000,000	-	10,000,000	10,000,000
David Leavy	-	-	-	-	-
Michael Fennell	-	-	-	-	-
Mark Pitt <sup>1</sup>	-	524,445	(524,445)	-	-
Patrick Flint	-	-	-	-	-
Susmit Shah	-	-	-	-	-

1. Resigned as a director on 22 December 2014. Amounts shown as other disposals includes the amount held on resignation.

*Key Management Personnel - Shareholdings*

The number of ordinary shares in Mount Magnet South NL held by each KMP of the Group during the financial year is as follows:

**30 June 2015**

<b>Name</b>	<b>Held at 1 July 2014</b>	<b>Purchases / Other Acquisitions</b>	<b>Sales / Other Disposals</b>	<b>Net Change Other</b>	<b>Held at 30 June 2015</b>
Alec Pismiris	-	20,000,000	-	-	20,000,000
David Leavy	-	-	-	-	-
Michael Fennell	-	-	-	-	-
Mark Pitt <sup>1</sup>	1,573,335	1,048,890	(2,622,225)	-	-
Patrick Flint	-	-	-	-	-
Susmit Shah	-	-	-	-	-

1. Resigned as a director on 22 December 2014. Amounts shown as other disposals includes the amount held on resignation.

## **DIRECTORS' REPORT (CONTINUED)**

### **REMUNERATION REPORT (CONTINUED)**

#### *Other Key Management Personnel Transactions*

There have been no transactions involving equity instruments other than those described in the above tables. Other transactions with key management personnel during the financial year and not disclosed above are noted below:

During the year fees totalling \$73,961 (2014:\$ 72,436 included in finance costs) were paid to Capital Investment Partners Pty ("CIP"), an entity in which Mr Pismiris is a director, for the following corporate advisory roles:

- the Company appointed CIP as the Underwriter to the pro-rata non-renounceable entitlement offer made on the basis that for every three shares held, shareholders had the right to subscribe for two new shares at an issue price of \$0.001 and one option for every two new shares subscribed for at an issue price of \$0.001 to raise approximately \$618,000 before costs. Under the terms of the Underwriting Agreement CIP was paid:
  - an underwriting fee of \$37,081 representing 6% of the amount underwritten;
  - reimbursement of legal fees of \$780; and
  - a management fee of \$10,000;
- the Company appointed CIP as the Lead Manager to both placements undertaken during the reporting period and was paid capital raising fees of \$26,100 representing 6% of the amounts raised.

### **END OF REMUNERATION REPORT**

### **AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 22 and forms part of this directors' report for the year ended 30 June 2015.

#### **Non-Audit Services**

No non-audit services were performed during the year by the Company's auditors.

Signed in accordance with a resolution of the directors.



Alec Pismiris  
Chairman  
Perth WA, 23 September 2015

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Mount Magnet South NL for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



**Perth, Western Australia**  
**23 September 2015**

**N G Neill**  
**Partner**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2015

		<b>Consolidated</b>	
		<b>2015</b>	<b>2014</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
Interest revenue		3,819	17,798
Other income	2(a)	26,725	-
Employee benefit expense		(207,483)	(429,759)
Finance costs		(119,865)	(174,338)
Administration		(175,007)	(254,606)
Compliance legal and regulatory		(159,818)	(145,851)
Exploration expenditure written off	9	(1,897,311)	(5,785,893)
Asset impairment – Kirkalocka plant and camp	8	(55,997)	(6,559,986)
Other expenses	2(b)	(58,688)	(48,485)
<b>Loss before income tax</b>		<b>(2,643,625)</b>	<b>(13,397,120)</b>
Income tax benefit	3	105,732	1,440,143
<b>Loss after tax</b>		<b>(2,537,893)</b>	<b>(11,956,977)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(2,537,893)</b>	<b>(11,956,977)</b>
Basic loss per share (cents per share)	5	(0.29)	(2.22)



## STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	Consolidated	
		2015	2014
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	175,997	396,321
Trade and other receivables	7	8,102	23,243
Other financial asset		21,108	-
Inventory		-	40,163
Assets classified as held for sale	21	6,028,000	-
<b>Total current assets</b>		<b>6,233,207</b>	<b>459,727</b>
<b>Non-current assets</b>			
Other financial asset		-	21,108
Property, plant & equipment	8	-	3,069,036
Deferred exploration expenditure	9	-	4,200,000
<b>Total non-current assets</b>		<b>-</b>	<b>7,290,144</b>
<b>Total assets</b>		<b>6,233,207</b>	<b>7,749,871</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	235,829	207,085
Provisions	13	-	49,832
Borrowings	12	993,770	-
Liabilities directly associated with assets held for sale	21	4,530,000	-
<b>Total current liabilities</b>		<b>5,759,599</b>	<b>256,917</b>
<b>Non-current liabilities</b>			
Borrowings	12	-	925,562
Provisions	14	-	4,500,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>5,425,562</b>
<b>Total liabilities</b>		<b>5,759,599</b>	<b>5,682,479</b>
<b>Net assets</b>		<b>473,608</b>	<b>2,067,392</b>
<b>Equity</b>			
Issued capital	15	34,701,557	34,056,174
Reserves	16	3,396,997	3,098,271
Accumulated losses		(37,624,946)	(35,087,053)
<b>Total equity</b>		<b>473,608</b>	<b>2,067,392</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Issued Capital \$	Convertible Notes Reserve \$	Option Premium Reserve \$	Equity Benefits Reserve \$	Accumulated Losses \$	Total \$
<b>Consolidated</b>						
Balance at 1 July 2013	34,056,174	227,206	-	2,765,649	(23,130,076)	13,918,953
Comprehensive loss for the year	-	-	-	-	(11,956,977)	(11,956,977)
Equity portion on convertible note	-	105,416	-	-	-	105,416
<b>Balance at 30 June 2014</b>	<b>34,056,174</b>	<b>332,622</b>	<b>-</b>	<b>2,765,649</b>	<b>(35,087,053)</b>	<b>2,067,392</b>
Balance at 1 July 2014	34,056,174	332,622	-	2,765,649	(35,087,053)	2,067,392
Comprehensive loss for the year	-	-	-	-	(2,537,893)	(2,537,893)
Issue of share capital	847,014	-	206,905	-	-	1,053,919
Transaction costs	(201,631)	-	-	-	-	(201,631)
Share based payment expense	-	-	-	91,821	-	91,821
<b>Balance at 30 June 2015</b>	<b>34,701,557</b>	<b>332,622</b>	<b>206,905</b>	<b>2,857,470</b>	<b>(37,624,946)</b>	<b>473,608</b>

**STATEMENT OF CASH FLOWS**

For the year ended 30 June 2015

		<b>Consolidated</b>	
		<b>2015</b>	<b>2014</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers & employees		(526,989)	(995,828)
Exploration and evaluation expenditure		(759,627)	(1,470,565)
Interest received		3,932	17,798
Finance costs paid		-	(107,522)
Refund of rehabilitation and office bonds		-	1,516,370
Research and development tax refund		105,732	1,440,143
<b>Net cash from / (used in) operating activities</b>	6	(1,176,952)	400,396
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,481)	(19,150)
Proceeds from sale of property, plant and equipment		16,000	-
<b>Net cash used in investing activities</b>		12,519	(19,150)
<b>Cash flows from financing activities</b>			
Gross proceeds from share and option issues		1,053,919	-
Costs of share issues		(109,810)	-
(Repayments)/ Proceeds of borrowings		-	(500,000)
<b>Net cash from / (used in) financing activities</b>		944,109	(500,000)
Net decrease in cash and cash equivalents		(220,324)	(118,754)
Cash and cash equivalents at beginning of the year		396,321	515,075
<b>Cash and cash equivalents at end of the year</b>	6	<b>175,997</b>	<b>396,321</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

### 1. Summary of significant accounting policies

#### Basis of preparation

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars. The Company is a listed public company, incorporated in Australia.

#### Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the commercial realisation of the Group's assets, and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax of \$2,537,893 and has experienced net operating and investing cash outflows of \$1,164,433 for the year and as at 30 June 2015 has net current assets of \$473,608, which includes \$175,997 in cash and cash equivalents.

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis as the Company expects to receive \$1.7 million (before costs) from the sale of the Kirkalocka Gold Project and has the capacity to raise new equity capital from a variety of sources including existing shareholders. The Group also has the capacity to reduce discretionary expenditure in line with available funding and enter into farm-out and / or joint venture agreements which would have the effect of reducing holding costs of mineral tenements.

The Directors have reviewed the Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances. If however the Company does not obtain sufficient funding through the available avenues mentioned above, it could potentially raise a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications or liabilities that might be necessary should the Group not be able to continue to operate as a going concern.

#### Adoption of new and revised standards

##### Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2015. As a result of these reviews the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2015 (continued)

#### 1. Summary of significant accounting policies (continued)

##### Statement of compliance

The financial report was authorised for issue on 22 September 2015.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

##### Basis of consolidation

The consolidated financial statements comprise the financial statements of Mount Magnet South NL and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

##### Significant accounting estimates and judgements

The preparation of the financial statements can involve the use of estimates and judgements by the directors about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The following significant accounting estimates and judgements were used in the preparation for the financial statements.

##### i) Recoverability of Property, Plant and Equipment

The Group has undertaken a review of the recoverable amount of property, plant and equipment based on fair value less costs to sell. The Directors' assessment is that the recoverable amount is in excess of carrying value (which is book value reduced by an impairment provision).

##### ii) Provision of rehabilitation and restoration

The Group has estimated the expenditure required in accordance with statutory regulations and best industry practice to rehabilitate the Kirkalocka Gold Project upon cessation of all activities at the site.

##### iii) Exploration and Evaluation Expenditure

In accordance with accounting policy note 1(r) management determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectivity are made.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies

##### a. Revenue recognition

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

##### b. Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

##### c. Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts (if any) are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### d. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

##### e. Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

##### (i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### (ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

#### (iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

### f. Income tax

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

##### g. Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

##### h. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

##### (i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

##### (ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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

#### i. Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

##### (i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

##### (ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

##### (iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

##### (iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

#### j. Impairment of assets

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

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

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

#### k. Trade and other payables

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

##### l. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

##### m. Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

##### n. Employee leave benefits

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

##### o. Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes or Binomial model.

The assessed fair value at grant date of performance rights granted is expensed according to the performance or market based conditions attached to the performance hurdle. Performance based hurdles are expensed to each reporting period evenly over the period from grant date to vesting date. Market based hurdles are expensed on the grant date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

#### p. Issued capital

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

#### q. Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 1. Summary of significant accounting policies (continued)

#### Significant accounting policies (continued)

##### r. Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

##### s. 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 Mount Magnet South NL.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****2. Revenue and expenses****Consolidated**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>

*(a) Other income*

Profit on sale of property, plant and equipment	16,000	-
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*(b) Other expenses*

Depreciation	16,520	39,490
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**3. Income tax****Consolidated**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>

The prima facie income tax (expense)/benefit on pre-tax accounting (loss)/profit from operations reconciles to the income tax benefit in the financial statements as follows:

Accounting loss before tax from continuing operations	(2,643,625)	(13,397,120)
Income tax benefit at the applicable tax rate of 30%	793,088	4,019,136
Non-deductible expenses at the applicable tax rate of 30%	(369,116)	(3,320,361)
Deferred tax asset not recognised	(423,972)	(698,775)
Research and Development Grant in relation to prior year	105,732	1,440,143
<b>Income tax benefit</b>	<b>105,732</b>	<b>1,440,143</b>

**Unrecognised Deferred Tax Asset**

Deferred tax asset not recognised in the financial statements:

Unused tax losses (at 30%)	8,849,467	8,400,626
Deductible temporary differences (at 30%)	-	322,260
Unrecognised deferred tax asset	8,849,467	8,722,886
Deferred tax liability – exploration expenditure (at 30%)	907,683	937,740
<b>Net unrecognised deferred tax asset</b>	<b>7,941,784</b>	<b>7,785,146</b>

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****3. Income tax (continued)**

The potential deferred tax benefit has not been recognised as an asset in the financial statements because recovery of the asset is not considered probable in the context of AASB 112, Income Taxes.

The benefit will only be realised if:

- a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised.
- b) the Company complies with the conditions for deductibility imposed by the law; and
- c) no changes in tax legislation adversely affect the Company in realising the benefit.

**4. Dividends**

The Company has not declared a dividend for the year ended 30 June 2015.

**5. Loss per share**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>Cents per share</b>	<b>Cents per share</b>
Basic loss per share	(0.29)	(2.22)
Diluted loss per share	(0.29)	(2.22)

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:

- Loss (\$)	(2,537,893)	(11,956,977)
- Weighted average number of ordinary shares (number)	871,101,221	538,020,816

**6. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	175,997	396,321
	<u>175,997</u>	<u>396,321</u>

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



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****6. Cash and cash equivalents (continued)****i. Reconciliation of loss for the year to net cash flows from operating activities:**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(2,537,893)	(11,956,977)
Write-off of non-current assets	1,953,309	12,345,879
Convertible note interest	119,865	41,291
Depreciation	16,520	39,490
Changes in net assets and liabilities:		
(Increase)/Decrease in other receivables	15,141	1,529,038
(Increase)/Decrease in inventory	37,774	(26,429)
(Increase)/Decrease in exploration	(722,922)	(2,352,210)
(Decrease)/Increase in trade creditors and accruals	(38,914)	(253,105)
(Decrease)/Increase in provisions	(19,832)	1,033,419
Cash flows from (used in) operations	(1,176,952)	400,396

**7. Trade and other receivables (Current)**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Prepayments	-	1,000
GST recoverable	8,102	22,243
	8,102	23,243

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****8. Property, plant and equipment****Consolidated**

	<b>2015</b>	<b>2014</b>
Plant, equipment & vehicles – at cost	9,902,351	9,898,869
Less: accumulated depreciation	(286,367)	(269,847)
Less: impairment	(6,615,984)	(6,559,986)
Reclassified as asset held for sale (note 21)	(3,000,000)	-
Total property, plant & equipment	-	3,069,036

<b>Reconciliation: 2015</b>	<b>Mining Plant</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening written down value	3,033,329	35,707	3,069,036
Additions	3,481	-	3,481
Impairment <sup>1</sup>	(28,824)	(27,173)	(55,997)
Depreciation	(7,986)	(8,534)	(16,520)
Closing written down value	3,000,000	-	3,000,000
Reclassified as asset held for sale (note 21)	(3,000,000)	-	(3,000,000)
Balance at 30 June 2014	-	-	-

<b>Reconciliation: 2014</b>	<b>Mining Plant</b>	<b>Plant &amp; Equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening written down value	9,581,871	67,491	9,649,362
Additions	19,150	-	19,150
Impairment of Kirkalocka plant & camp	(6,559,986)	-	(6,559,986)
Depreciation	(7,706)	(31,784)	(39,490)
Closing written down value	3,033,329	35,707	3,069,036

<sup>1</sup>Property, plant and equipment has been written down to its' recoverable amount based on the sale price of the Kirkalocka Gold Project to Minjar Gold Pty Ltd.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****9. Deferred exploration expenditure**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Exploration and evaluation phase:</b>		
Balance at the beginning of the year	4,200,000	7,633,684
Exploration expenditure incurred	722,922	1,278,009
Provision for rehabilitation and restoration (Note 14)	-	1,074,200
Exploration expenditure written off	(1,897,311)	(5,785,893)
Reclassified as asset held for sale	(3,025,611)	-
Total exploration expenditure	-	4,200,000

The recoupment of costs carried forward for areas of interest in the exploration and evaluation phase is dependent upon:

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

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

Deferred exploration expenditure has been written down to its' recoverable amount based on the sale price of the Kirkalocka Gold Project to Minjar Gold Pty Ltd.

**10. Share Based Payment Plans**

The Company has in place an Employee Share Option Plan (ESOP) and a Performance Rights Plan (PRP).

**Performance Rights Plan (PRP)**

Shareholders approved the Mount Magnet South NL PRP at the Annual General Meeting held on 23 November 2011. The PRP is designed to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives. The plan provides for the issue of performance rights which, upon determination by the Board that the performance conditions attached thereto have been met and subject to the terms of the plan, convert into fully paid ordinary shares. Where the participant is a director of the Company, specific shareholder approval will have to be sought under the ASX Listing Rules prior to the grant of performance rights to such an individual.

Please refer to note 15 (d) for the summary of performance rights granted under the PRP.

For the year ended 30 June 2015 no options were granted under the ESOP, and no options remain on issue that were previously issued pursuant to the ESOP.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****10. Share Based Payment Plans (continued)****Fair value of performance rights granted**

The fair values at grant date are independently determined using a binomial pricing model (refer note 1(o) and (e) (iii)) that takes into account the exercise price, the term of the rights, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the rights.

There were no performance rights granted during the year ended 30 June 2015 (2014: Nil granted).

**11. Trade and other payables**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Trade payables	197,398	108,992
Accruals	38,431	98,093
	<u>235,829</u>	<u>207,085</u>

**12. Borrowings (Current and Non-current)**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Convertible Notes</b>		
Current convertible notes	993,770	-
Non-current convertible notes	-	925,562
	<u>993,770</u>	<u>925,562</u>
<b>Summary of Balance</b>		
Convertible notes – face value	1,000,000	1,000,000
Amount classified as equity	(105,416)	(105,416)
Unwinding of interest	99,186	30,978
Carrying amount of liability	<u>993,770</u>	<u>925,562</u>

*Terms and conditions*

The convertible notes have the following key terms:

- Face value of \$1,000,000.
- 66,666,667 converting notes with a face value of \$0.015 each.
- Interest on each converting note accrues daily and is calculated and paid quarterly at an interest rate of 5%.
- The notes matured on 31 July 2015.

Subsequent to balance date, the terms of the convertible note were restructured (refer note 24).

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2015 (continued)

**13. Provisions (Current)**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Rehabilitation and restoration	30,000	30,000
Reclassified as liabilities associated with assets held for sale (note 21)	(30,000)	-
Employee entitlements	-	19,832
	-	49,832

**14. Provisions (Non-current)**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Non-current</b>		
Rehabilitation and restoration <sup>2</sup>	3,500,000	3,500,000
Deferred vendor consideration <sup>1</sup>	1,000,000	1,000,000
Reclassified as liabilities associated with assets held for sale (note 21)	(4,500,000)	-
	-	4,500,000

1. Relates to deferred purchase consideration payable to the vendor of the Kirkalocka Plant, subject to and upon commencement of gold production from the Kirkalocka Plant (or alternatively on the sale of the Kirkalocka Plant).
2. The non-current rehabilitation and restoration provision is the estimated environmental rehabilitation costs for the Kirkalocka Project.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****15. Issued capital**

		<b>Consolidated</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
(a)	Issued Capital	34,701,557	34,056,174
		<b>Number of shares</b>	<b>\$</b>
(b)	Movements in ordinary shares on issue		
	At 1 July 2013	538,020,816	34,056,174
	At 30 June 2014	538,020,816	34,056,174
	At 1 July 2014	538,020,816	34,056,174
	- Placement (18 September 2014)	80,000,000	120,000
	- Placement (21 November 2014)	60,000,000	90,000
	- Rights issue (December 2014)	412,013,877	412,014
	- Placement (1 June 2015)	150,000,000	225,000
	- Capital raising cost	-	(201,631)
	At 30 June 2015	1,240,034,693	34,701,557

(c) Options - movement for the year ended 30 June 2015 is as below:

<b>Exercise price (\$)</b>	<b>Expiry date</b>	<b>Balance at beginning of year (Number)</b>	<b>Issued during year (Number)</b>	<b>Expired during year (Number)</b>	<b>Balance at end of year (Number)</b>
\$0.07	31 August 2014	42,479,275	-	(42,479,275)	-
\$0.05	31 August 2014	10,000,000	-	(10,000,000)	-
\$0.006	31 December 2018	-	276,006,939 <sup>(1)</sup>	-	276,006,939
\$0.006	31 December 2018	-	90,000,000 <sup>(2)</sup>	-	90,000,000
		<b>52,479,275</b>	<b>366,006,939</b>	<b>(52,479,275)</b>	<b>366,006,939</b>
Weighted Average Price (\$)		\$0.068	\$0.006	\$0.068	\$0.006

<sup>(1)</sup> Options issued as part of capital raisings undertaken in September, October and November 2014.<sup>(2)</sup> Options issued to the underwriter as part of the fee for capital raisings undertaken in September, October and November 2014.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****15. Issued capital (continued)**

(d) Performance rights – movement for the year ended 30 June 2015 is as below:

Exercise Price (\$)	Expiry date	Balance at the beginning of the year (number)	Granted during the year (number)	Converted / Expired during the year (number)	Balance at the end of year (number)	Vested and exercisable at end of year (number)
Nil	28 March 2015	3,500,000	-	(3,500,000)	-	-
Nil	28 August 2015	3,800,000	-	(3,800,000)	-	-
Nil	23 October 2015	800,000	-	(800,000)	-	-
		<b>8,100,000</b>	<b>-</b>	<b>(8,100,000)</b>	<b>-</b>	<b>-</b>

Performance Rights issued to employees and directors expired unvested during the year due to employment being terminated.

**16. Reserves**

(a) Convertible notes reserve

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<i>Movement in convertible notes reserve</i>		
Balance at 1 July	332,622	227,206
Equity portion of convertible notes	-	105,416
Balance at 30 June	<u>332,622</u>	<u>332,622</u>

The convertible notes reserve is used to record the equity component of convertible notes issued by the Company.

(b) Option premium reserve

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<i>Movement in option premium reserve</i>		
Balance at 1 July	-	-
Options issued during the year	206,905	-
At 30 June	<u>206,905</u>	<u>-</u>

The option premium reserve is used to record the value of options issued to raise capital.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 16. Reserves (continued)

(c) Equity benefits reserve

	Consolidated	
	2015	2014
	\$	\$
<i>Movement in equity benefits reserve</i>		
Balance at 1 July	2,765,649	2,765,649
Options issued during the year	91,821	-
At 30 June	2,857,470	2,765,649

The equity benefits reserve is used to record the value of equity benefits provided to employees, directors and consultants as part of their remuneration.

### 17. Remuneration of auditors

	Consolidated	
	2015	2014
	\$	\$
The auditor of Mount Magnet South NL is HLB Mann Judd		
Amounts received & receivable by the auditor :		
- an audit or review of the financial report of the Group	30,000	35,000



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2015 (continued)

#### 18. Financial Instruments

The Group's principal financial instruments comprise cash and short-term deposits and convertible notes.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial liabilities such as trade payables, which arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

##### (a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term deposits with a floating interest rate.

The Group's exposure to interest rate on financial assets and financial liabilities is detailed in the sensitivity analysis section of this note.

##### (b) Sensitivity analysis

During 2015, if interest rates had been 50 basis points higher or lower than the prevailing rates realised, with all other variables held constant, there would have been an immaterial change in post tax result for the year. The impact on equity would have been the same.

##### (c) Net fair values

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and liabilities approximates their carrying value.

##### (d) Commodity price risk

The Group's exposure to price risk is minimal.

##### (e) Credit risk

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised third parties, there is no requirement for collateral.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****18. Financial Instruments (continued)**

(f) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of share issues and convertible notes.

**The Group's payment commitments at 30 June 2015 were as follows:**

Description	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Consolidated	\$	\$	\$	\$	\$
Payables & Accruals	235,829	-	-	-	235,829
Convertible notes	-	1,000,000	-	-	1,000,000
Amount due under contract of sale	-	-	-	1,000,000 <sup>1</sup>	1,000,000
Rehabilitation & restoration	-	-	30,000	3,500,000 <sup>2</sup>	3,530,000
	235,829	1,000,000	30,000	4,500,000	5,765,829

**The Group's payment commitments at 30 June 2014 were as follows:**

Description	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Consolidated	\$	\$	\$	\$	\$
Payables & Accruals	207,085	-	-	-	207,085
Convertible notes	-	-	-	1,000,000	1,000,000
Amount due under contract of sale	-	-	-	1,000,000 <sup>1</sup>	1,000,000
Rehabilitation & restoration	-	-	30,000	3,500,000	3,530,000
Other provisions	19,832	-	-	-	19,832
	226,917	-	30,000	5,500,000	5,756,917

<sup>1</sup>Amount due under contract of sale is payable to the vendor of the Kirkalocka Plant, subject to and upon commencement of gold production from the Kirkalocka Plant (or alternatively sale of the Kirkalocka Plant). Refer Note 14. This will be assumed by Minjar Gold Pty Ltd upon completion of the sale.

<sup>2</sup>The rehabilitation liability for the Kirkalocka Gold Project will be assumed by Minjar Gold Pty Ltd upon completion of the sale.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****18. Financial Instruments (continued)****(g) Capital Management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Group funding being equity raisings and unsecured convertible notes. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating fund raisings as required.

**19. Commitments and contingencies****Operating lease commitments – Group as lessee**

The Group has entered into a commercial lease for its office premises and office equipment. Future minimum payments under these contracts as at 30 June are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Within one year	7,740	88,682
Total minimum contract payments	7,740	88,682

**Mineral exploration commitments**

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of the leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Within one year	1,256,800	789,800 <sup>(1)</sup>

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

<sup>(1)</sup> Tenements comprising the Jumbulyer Project were subject to a farm-in and joint venture agreement with a third party, under the terms of which the third party is responsible for sole funding expenditure at this stage including minimum expenditure commitments of \$239,380 (not included in the amount stated above).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 19. Commitments and contingencies (continued)

#### Kirkalocka Project – Royalty Commitments and Rehabilitation Contingent Liability

Pursuant to agreements relating to the acquisition of the Kirkalocka project a third party has a right to purchase a 50% interest in the Kirkalocka project (based on the net present value of the project) should the total JORC mining reserve exceed 750,000 ounces of gold. The third party also has an entitlement to a royalty on fine gold produced at Kirkalocka of \$20 per ounce for the first 200,000 ounces produced, and \$15 per ounce thereafter.

In addition to the current provision for rehabilitation (refer note 14), the Company may also be required to rehabilitate the Kirkalocka airstrip on cessation of all site activities, if regulatory authorities determine the airstrip is not required for district access and infrastructure purposes. The cost of this contingent liability is estimated at \$400,000.

### 20. Key Management Personnel Compensation and Related Party Disclosures

Refer to the Remuneration Report contained in the Directors' Report for details of remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2015.

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

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	106,199	222,330
Post-employment benefits	2,013	8,585
Total KMP compensation	108,212	230,915

#### *Transactions with related entities*

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

During the year, fees totalling \$73,961 (2014: \$72,436 included in finance costs) were paid to Capital Investment Partners Pty Ltd ("CIP"), an entity in which Mr Pismiris is a director, for the following corporate advisory roles:

- the Company appointed CIP as the Underwriter to the pro-rata non-renounceable entitlement offer made on the basis that for every three shares held, shareholders had the right to subscribe for two new shares at an issue price of \$0.001 and one option for every two new shares subscribed for at an issue price of \$0.001 to raise approximately \$618,000 before costs. Under the terms of the Underwriting Agreement CIP was paid:
  - an underwriting fee of \$37,081 representing 6% of the amount underwritten;
  - reimbursement of legal fees of \$780; and
  - a management fee of \$10,000;
- the Company appointed CIP as the Lead Manager to both placements undertaken during the reporting period and was paid capital raising fees of \$26,100 representing 6% of the amounts raised.

During the year, fees for Mr Pismiris' services totalling \$6,000 (2014: \$50,000) were paid to Capital Investment Partners Pty Ltd ("CIP"), an entity in which Mr Pismiris is a director. These amounts have been included in the Remuneration Report.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2015 (continued)****20. Key Management Personnel Compensation and Related Party Disclosures (continued)**

During the year, fees for Mr Pismiris' services totalling \$55,000 (2014: Nil) were paid to Lexcon Services Pty Ltd, an entity controlled by Mr Pismiris. Further details are in the Remuneration Report in the Directors' Report. These amounts have been included in the Remuneration Report.

Company secretarial and accounting fees of \$34,124 (2014:\$ 72,436 company secretarial services only) have been paid or are payable to Corporate Consultants Pty Ltd, a firm in which Mr Shah and Mr Flint are stakeholders.

Outstanding balances due to related parties at year-end with respect to the above transactions were \$55,000 (2014:\$13,483).

**21. Assets and liabilities held for sale**

On 25 March 2015, the Company entered into a conditional binding offer with Ozchina Enterprises Pty Ltd ("Ozchina"), whereby Ozchina has agreed to acquire the Kirkalocka Gold Project for a cash consideration of \$1,700,000 subject to various conditions precedent. The agreement was subsequently assigned to Minjar Gold Pty Ltd ("Minjar") with the consent of the Company. The formal sale and purchase agreements comprising a Plant Sale Agreement and a Tenement Sale Agreement were executed on 14 July 2015 and the sale remains subject to shareholder approval.

Consideration received or receivable

	Consolidated 2015 \$
Cash and short term deposits	1,700,000
Less cost to sell	(202,000)
Total disposal consideration	1,498,000
Less: net assets disposed of	(1,498,000)
Gain on disposal before income tax	-
Income tax expense	-
Loss on disposal after income tax	-

Assets and liabilities held for sale

The major classes of assets and liabilities of comprising the operations classified as held for sale at balance date are as follows:

	Consolidated 2015 \$
<u>Assets</u>	
Property, plant and equipment (Note 8)	3,000,000
Deferred exploration and evaluation expenditure (Note 9)	3,025,611
Inventory	2,389
<u>Liabilities</u>	
Provision for rehabilitation (Note 13 and 14)	(3,530,000)
Deferred Vendor consideration (Note 14)	(1,000,000)
Net assets classified as held for sale	1,498,000

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015 (continued)

### 22. Details of the controlled entity

The consolidated financial statements include the financial statements of Mount Magnet South NL and the subsidiary Mount Magnet Iron Pty Ltd (previously Airborne Geoscience Exploration Pty Ltd), a Company incorporated in Australia. Mount Magnet South NL owns 100% of the issued ordinary shares in Mount Magnet Iron Pty Ltd (2014: 100%).

### 23. Parent entity disclosures

As the subsidiary referred to above is a dormant entity that has no assets or liabilities, the Parent entity disclosures are identical to the Group's disclosures in the Statement of Financial Position and the Statement of Comprehensive Income.

### 24. Events Subsequent to Reporting Date

On 14 July 2015 the Company announced the formal sale and purchase agreements comprising of a Plant Sale Agreement and a Tenement Sale Agreement for the sale of the Kirkalocka Gold Project ("KGP") have been executed with Minjar Gold Pty Ltd.

During July 2015 the Company relocated its registered office and principal place of business to Ground Floor, 10 Outram Street, West Perth.

On 6 August 2015 the Company announced that it had concluded further negotiations with the noteholder and the Company has agreed to redeem 40,000,000 of the existing convertible notes (with the aggregate face value of \$600,000) upon completion of the disposal of the Kirkalocka Gold Project. The terms of the remaining 26,666,667 Convertible Notes were to be varied as follows:

- Extension of the maturity date: The maturity date to be extended by two years to 31 July 2017.
- Resetting of the conversion price: The conversion price to be varied to \$0.006 per share.
- Conversion: The convertible notes to convertible (in whole or in part) into 66,666,667 Shares at any time on or before the redemption date at the election of the noteholder or the Company into shares at the new conversion price of \$0.006 per share.

The remaining key terms of the convertible notes would remain unchanged.

The Company dispatched a Notice of General Meeting on 21 August 2015. Resolutions to be considered by shareholders at the meeting to be held on 25 September 2015 include:

- Approval of Disposal of the Kirkalocka Tenement Interest and the Kiralocka Plant to Minjar Gold Pty Ltd;
- Ratification of issue of Prior Placement Shares;
- Approval of issue of Placement Options;
- Ratification of variation to terms of the Convertible Notes;
- Approval of issue of Shares and Director Options to Current Director;
- Approval of Change of Company Type and Company Name; and
- Adoption of New Constitution.

### 25. Segment Information

During the year, the Group operated predominately in the one business and geographical segment being the mineral exploration sector in Western Australia. Accordingly only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

## **DIRECTORS' DECLARATION**

1. In the opinion of the Directors:
  - a. the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year then ended; and
    - ii. complying with Accounting Standards and Corporations Regulations 2001; and
  - b. subject to the matters set out in note 1 "Going Concern", there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

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



Alec Pismiris  
Chairman  
Dated this 23 September 2015

## INDEPENDENT AUDITOR'S REPORT

To the members of Mount Magnet South NL

### Report on the Financial Report

We have audited the accompanying financial report of Mount Magnet South NL ("the company"), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### ***Directors' responsibility for the financial report***

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

#### ***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

#### ***Independence***

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



**Auditor's opinion**

In our opinion:

- (a) the financial report of Mount Magnet South NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 to the financial report which indicates that the Company will be required to raise additional funding to enable it to continue as a going concern. If the Company does not obtain sufficient funding as outlined in Note 1, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

**Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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.

**Auditor's opinion**

In our opinion the remuneration report of Mount Magnet South NL for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

*Norman G Neill*

**N G Neill**  
**Partner**

**Perth, Western Australia**  
**23 September 2015**

## **CORPORATE GOVERNANCE STATEMENT**

Mount Magnet South NL, ("MMS" or "the Company") and its controlled entities (the "Group") have adopted the corporate governance framework and practices set out in this statement. The Board of the Company is responsible for its corporate governance, that is, the system by which the Group is managed. The corporate governance framework and practices have been in place throughout the financial year, and comply with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Recommendations"), unless otherwise stated below.

This statement has been approved by the Board, and the information in the statement remains current as at 22 September 2015. Company policies and charters are available in the 'Corporate' section of the Company's website at [www.mountmagnet.com.au](http://www.mountmagnet.com.au).

### **Principle 1: Lay Solid Foundations for Management and Oversight**

#### **1.1 *Role of the Board and Management***

The Board is responsible for evaluating and setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of those goals.

The Board has responsibility for the following:

- appointing and removing the Chief Executive Officer ("CEO") and managing director, chief financial officer ("CFO"), company secretary and any other executives and approving their remuneration;
- determining the strategic direction of the Group and measuring performance of management against approved strategies;
- review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating and capital expenditure budgets at the commencement of each financial year, approving acquisitions and divestitures, and monitoring progress by both financial and non-financial key performance indicators;
- monitoring the Group's medium term capital and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are continually reviewed and improved as required.

#### **1.2 *Information on New Directors***

The Company has access to an external supplier to undertake appropriate checks on any potential director appointments. Under the Company's Constitution, all directors appointed throughout the year as an additional director or to fill a casual vacancy hold office to the AGM. Current directors hold office and are required to be considered by Shareholders for re-election under the Listing Rules.

All directors, whether appointed throughout the year as an additional director or to fill a casual vacancy or who are due for election under the Listing Rules, are disclosed in the Notice of AGM, with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. The company's constitution provides that at each annual general meeting, one third of the Board (other than any managing director in office from time to time) or, if their number is not a multiple of three, the number nearest to one third, must retire and, if the retiring directors so chose, may offer themselves for re-election.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****1.3 Contracts with Directors**

On appointment, directors are provided with a formal letter of appointment and executive management with written employment agreements incorporating job descriptions (where relevant).

**1.4 Professional Advice**

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

The finance function is outsourced to an external consultant with appropriate skills. The company secretarial function is currently performed by Shaun Menezes. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters pertaining to the company secretarial role. All directors have access to the Company Secretary.

**1.5 Diversity**

Recommendation 1.5 is that the Company should establish and disclose a diversity policy. Due to the Company's size and nature of operations, the Board has not yet implemented a diversity policy but the Board recognises the value of diversity and the opportunities that it brings. As the Company grows and positions become available, the Board remains conscious of the requirement to establish a diversity policy and will seek to promote and increase diversity.

Recommendation 1.5 also states that the Company should report against a set of measurable objectives for achieving gender diversity. Due to the Company's size and nature of operations, the Board has not yet established measurable objectives for achieving gender diversity.

The Company currently has no permanent full-time employees and uses the services of a number of consultants. There are three directors on the Board, all of whom are male.

**1.6 Performance Review – Board and Directors**

Due to the size of the Company and the Board, an informal self-assessment is normally undertaken in relation to the Board's collective performance and the performance of the Chairman and individual directors during each financial year. There are currently no formal policies in place for these evaluations. The Board, its committees and non-executive directors continually monitors its performance during the year in accordance with the processes described above.

Recommendation 1.6 includes the requirement to disclose whether a performance evaluation for the Board and directors has taken place in the reporting period. A formal self-assessment was not performed during the 2015 financial year but a performance review is scheduled to take place in the next financial period.

**1.7 Performance Review – senior executives**

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings, incorporating analysis of key performance indicators with each individual, to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****1.7 Performance Review – senior executives (continued)**

Recommendation 1.7 includes a requirement to disclose whether a performance evaluation for senior executives has taken place in the reporting period. Due to the changes in the employment arrangements that occurred during the year, this process was not undertaken during the 2015 financial year.

**Principle 2: Structure of the Board to Add Value****2.1 Nomination Committee**

Recommendation 2.1 is that the Board should establish a nomination committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a nomination committee at this time. The Board as a whole considers the following factors when selecting new directors and when recommending directors to shareholders for appointment or re-election:

- the aim of having a majority of independent directors on the Board and of having an independent non-executive chairman;
- the aim of having an independent director, other than the Board chairman, as the chairman of the Audit and Risk Management Committee;
- that between them, the directors have the appropriate skill base and range of expertise, experience and diversity to discharge the Board's mandate;
- that each individual director has sufficient time to meet his/her commitments as a director of the Company;
- the duration of each existing director's tenure, noting the retirement provisions of the Constitution as set out below; and
- whether the size of the Board is appropriate to facilitate effective discussions and efficient decision-making.

Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board. To date, new candidates to join the Board have predominantly been sought through referrals, rather than through professional intermediaries.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. Under the Company's Constitution a director (other than the managing director and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his/her last appointment. The nomination of existing directors for reappointment is not automatic and is contingent on performance and on the current and future needs of the Company.

**2.2 Board Skills Matrix**

The Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. As part of the review of the skills matrix the Board monitor the skills, expertise and experience that are relevant to the Company and assesses those requirements against the collective attributes of the directors. The Board skills matrix will be reviewed by the directors on an annual basis.

Details of the Directors' skills, experience, expertise and attendance at meetings are set out in the Directors' Report in each year's Annual Report.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****2.3/2.4 Independent Directors**

The Company currently has the following Board members, who served as directors throughout the year unless otherwise stated below:

- Mr Alec Pismiris                      Non-executive Chairman
- Mr David Leavy                      Independent non-executive director
- Mr Michael Fennell                      Non-executive director

Details of the directors' skills, experience, expertise, special responsibilities, attendance at Board meetings and dates of appointment are set out in the directors' report.

In assessing the independence of the directors, the Board has defined an independent director as a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member;
- has not within the last three years been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

Alec Pismiris is a director of Capital Investment Partners Pty Ltd, which has provided the Company with corporate advisory services and is therefore not independent.

Michael Fennell is an investment manager with Capital Investment Partners Pty Ltd, which has provided the Company with corporate advisory services and is therefore not independent

David Leavy is deemed to be an independent director.

The Company's Constitution provides that the number of directors shall not be less than three and not more than seven. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent non-executive directors. The Board believes that the three individuals on the Board can, and do, make independent judgments and act in the best interests of shareholders.

In accordance with the Corporations Act 2001 and the Company's Constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **2.5 *Chairman***

Alec Pismiris performs the role of chairman.

The Chairman's responsibilities include leadership of the Board and the efficient organisation and conduct of the functioning of the Board. The Board generally manages the day-to-day affairs of the Group.

### **2.6 *Director Induction***

The Board implements an induction program for new Directors which involves providing information about the company, its constitution and policies and practices. The Board is continually informed by Senior Management of key developments in the Company's business and the industry in which the Company operates.

## **Principle 3. Act ethically and responsibly**

### **3.1 *Code of Conduct***

The Group has a Code of Business Conduct in place which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All Group personnel and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen, which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

Any member of Group personnel that breaches the Code of Ethics and Conduct may face disciplinary action. If a member of Group personnel suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No member of Group personnel will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

The Code of Business Conduct is available on the Company's website.

## **Principle 4. Safeguard Integrity in Corporate Reporting**

### **4.1 *Audit Committee***

Recommendation 4.1 is that the Board should establish an Audit and Risk Management Committee. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of an audit committee at this time. During the year, the full Board reviews the integrity of the Company's financial reporting and the processes to ensure the independence and competence of the external auditors.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****Principle 4. Safeguard Integrity in Corporate Reporting (continued)****4.1 Audit Committee (continued)**

The Board currently fulfils the responsibilities which are usually assigned to an audit committee including:

- considering whether the Company's financial statements reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- ensuring that the quality of financial controls is appropriate for the business of the Company;
- considering the appointment or removal of the external auditor, the rotation of the external audit partner and approving the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the external auditor's independence, objectivity and performance, taking into consideration relevant professional and regulatory requirements; and
- reviewing the Company's risk management and internal control systems.

**4.2 CEO/CFO declarations**

The Board has received a written assurance from the Company Secretary for each financial reporting period that in their opinion, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**4.3 External Auditors present at the Annual Meeting**

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is considered annually and applications for tender for external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The audit engagement partner is rotated periodically, as required by the Corporations Act.

A representative from the external auditor attends each annual general meeting to answer any questions concerning the audit of the Group and the contents of the auditor's report.

**Principle 5. Make Timely and Balanced Disclosure****5.1 Market Disclosure Policy**

The Market Disclosure Policy requires executive management to determine when a market release is required to comply with the ASX Listing Rule continuous disclosure requirements. The Policy sets out details of accountability for the preparation and approval of ASX releases, and is available on the Company's website.

**Principle 6. Respect the Rights of Shareholders****6.1 Website Information**

The Company discloses information about itself, ASX announcements, its Corporate Governance Statement and all its Corporate Governance Policies on the Company's website.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****Principle 6. Respect the Rights of Shareholders (continued)****6.2 *Investor Relations***

The Group places considerable importance on effective communications with shareholders.

The Group communicates with shareholders and other stakeholders in an open, regular and timely manner, so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The following communications are posted on the Company's website:

- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- presentations at the Annual General Meeting/General Meetings;
- Annual Report; and
- other announcements lodged with ASX.

**6.3 *Participation at Shareholder Meetings***

The Board encourages full participation of shareholders at the Annual General Meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

**6.4 *Electronic Communications***

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

**Principle 7. Recognise and Manage Risk****7.1 *Risk Committee***

Recommendation 7.1 is that the Board should establish a committee to oversee risk. The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a risk committee at this time.

The Board currently fulfils the responsibilities which are usually assigned to a risk committee. Senior executives and the Board regularly consider strategic and operational areas of risk for the Group and records any remedial action the Group has taken in the management of those risks.

**7.2 *Risk Management Review***

Recommendation 7.2 is that the Board or a Committee should review the risk management framework at least annually. During the year, ongoing monitoring, mitigating and reporting on material risks by senior executives and the Board took place in accordance with the processes disclosed.

The Board has established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards. The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system.



**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****7.2 Risk Management Review (continued)**

Key elements of the Group's internal control systems include:

- the Code of Conduct, which sets out an ethical and legal framework for all employees in the conduct of the Group's business; and
- financial and reporting systems to provide timely, relevant and reliable information to management and the Board.

During the year and up to the date of this statement, management and the Company Secretary reported directly to the Board on the Group's key risks and the effectiveness of the Company's management of those risks.

**7.3 Internal Audit Function**

The Board, has determined not to have an internal audit function due to the size of the Company.

The Company's external auditors are engaged to perform a half year review and full year audit as required under the Corporations Act 2001. Senior executives and the Board have regular meetings and contact with the external auditors during the year and for the review and audits.

**7.4 Material Exposure to Risk**

Recommendation 7.4 is that the Board should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if so, how it manages those risks. The Group believes that the following operational risks are inherent in the industry in which the Group operates, having regard to the Group's circumstances (including financial resources, prospects and size):

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licenses, permits and approvals from governmental authorities;
- ability to obtain additional financing;
- acquisition of new business opportunities; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the Group, and are not necessarily an exhaustive list.

**Principle 8. Remunerate Fairly and Responsibly****8.1 Remuneration Committee**

Recommendation 8.1 is that the Board should establish a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and executives of the Company.

Details of the Group's remuneration policy are set out in the remuneration report.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)****Principle 8. Remunerate Fairly and Responsibly (continued)****8.2      *Remuneration Disclosure for Non-Executive and Executive Directors (continued)***

The remuneration of non-executive directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry. Due to the size of the Company, the structure of both executive and non-executive directors' remuneration includes a long-term incentive component, linked to the performance of the Group.

The non-executive directors receive no retirement benefits, other than statutory superannuation contributions. Any increase in the maximum total remuneration of the non-executive directors of the Company, which is set at \$500,000 is subject to the approval of shareholders. Further information on directors' and executives' remuneration is set out in the directors' report under the heading Remuneration Report in the Directors' Report in each year's Annual Report.

Any directors or MMS personnel participating in equity-based remuneration schemes are prohibited from entering into transactions in associated products which limit the economic risk of their unvested entitlements.

**SECURITIES EXCHANGE INFORMATION**

Additional information required by the ASX Limited Listing Rules, and not disclosed elsewhere in this report.

**SHAREHOLDINGS**

An extract of the Company's register of substantial shareholders is set out below:

	<b>Number of fully paid ordinary shares</b>
UBS WEALTH MGNT AUST NOM	157,726,481
ZERO NOM PL	65,115,602

**CLASS OF SHARES AND VOTING RIGHTS**

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

- a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

Options do not carry any voting rights.

**DISTRIBUTION OF SHAREHOLDERS (as at 14 September 2015)**

<b>Range</b>	<b>Total Holders</b>	<b>Units</b>	<b>% Issued Capital</b>
1 - 1,000	67	10,003	0.00%
1,001 - 5,000	58	181,291	0.01%
5,001 - 10,000	98	834,663	0.07%
10,001 - 100,000	476	20,006,612	1.61%
100,001 - 9,999,999,999	475	1,219,002,124	98.30%
<b>Total</b>	<b>1,174</b>	<b>1,240,034,693</b>	<b>100.00%</b>

There were 772 shareholders holding less than a marketable parcel at 14 September 2015.

**DISTRIBUTION OF OPTIONHOLDERS (as at 14 September 2015)**

<b>Range</b>	<b>Total Holders</b>	<b>Units</b>	<b>% Issued Capital</b>
1 - 1,000	8	786	0.00%
1,001 - 5,000	18	61,101	0.02%
5,001 - 10,000	20	138,790	0.05%
10,001 - 100,000	65	2,894,615	1.05%
100,001 - 9,999,999,999	92	272,911,647	98.88%
<b>Total</b>	<b>203</b>	<b>276,006,939</b>	<b>100.00%</b>

There is no current on-market buy back taking place.

During the reporting year the Company used its cash and assets in a manner consistent with its business objectives.

**Unquoted equity securities**

<b>Class</b>	<b>Number</b>
Options exercisable at \$0.006 and expiring 31 December 2018	90,000,000

**TWENTY LARGEST SHAREHOLDERS (as at 14 September 2015)**

	<b>HOLDER NAME</b>	<b>NUMBER HELD</b>	<b>PERCENTAGE</b>
1	UBS WEALTH MGNT AUST NOM	157,726,481	12.72%
2	ZERO NOM PL	65,115,602	5.25%
3	GAB S/F PL	43,244,187	3.49%
4	GARY JOHNSON SUPER MGNT P	33,221,755	2.68%
5	RISING FAST HLDGS PL	29,166,667	2.35%
6	CASSIM SALIM	28,128,292	2.27%
7	CAP INV PTNRS PL	27,518,669	2.22%
8	REDIMA PL	25,202,224	2.03%
9	ALITIME NOM PL	24,000,001	1.94%
10	HEEDFUL PL	22,000,001	1.77%
11	ACP INV PL	20,000,000	1.61%
12	TOPAZE ENTPS PL	18,320,672	1.48%
13	MAINVIEW HLDGS PL	16,666,667	1.34%
14	FENNELL G J + C A	15,185,555	1.22%
15	ELLAZ PL	14,500,000	1.17%
16	WISE DANIEL PAUL	14,166,667	1.14%
17	ROWE ANGELA MAREE	14,000,000	1.13%
18	FLUE HLDGS PL	13,333,333	1.08%
19	QUARTZ MOUNTAIN MINING PL	12,000,000	0.97%
20	TRANAJ NOM PL	12,000,000	0.97%
		<b>605,496,773</b>	<b>48.83%</b>

**TWENTY LARGEST OPTIONHOLDERS (as at 14 September 2015)**

	<b>HOLDER NAME</b>	<b>NUMBER HELD</b>	<b>PERCENTAGE</b>
1	UBS WEALTH MGNT AUST NOM	34,525,963	12.51%
2	ZERO NOM PL	13,023,121	4.72%
3	FENNELL G J + C A	10,767,778	3.90%
4	RISING FAST HLDGS PL	10,583,334	3.83%
5	ROWE ANGELA MAREE	10,000,000	3.62%
6	ACP INV PL	10,000,000	3.62%
7	TOPAZE ENTPS PL	9,160,336	3.32%
8	CASSIM SALIM	8,958,992	3.25%
9	GAB S/F PL	8,648,838	3.13%
10	ALITIME NOM PL	8,000,000	2.90%
11	WISE DANIEL PAUL	6,833,334	2.48%
12	FLUE HLDGS PL	6,666,667	2.42%
13	RICHSHAM NOM PL	6,650,634	2.41%
14	ELLAZ PL	6,250,001	2.26%
15	HEEDFUL PL	6,226,073	2.26%
16	ZIMBALI NOM PL	5,555,556	2.01%
17	LOZIN MUST INV PL	5,000,000	1.81%
18	ROJUL NOM PL	5,000,000	1.81%
19	LOOBY ROBERT GREGORY	4,105,835	1.49%
20	JAGUAR INV PL	4,083,334	1.48%
		<b>180,039,796</b>	<b>65.23%</b>

**Mining Tenements held at 22 September 2015**

All tenements are in the Mt Magnet region of Western Australia. Mount Magnet South NL has 100% ownership of all tenements, unless indicated otherwise.

<b>Location</b>	<b>Tenement ID</b>	<b>Location</b>	<b>Tenement ID</b>
Jumbulyer	P58/1608	Jumbulyer	M58/359
Jumbulyer	P58/1607	Kirkalocka	M59/0261
Jumbulyer	P58/1606	Kirkalocka	M59/0234
Jumbulyer	P58/1605	Kirkalocka	M59/0233
Jumbulyer West	P58/1604	Kirkalocka	M59/0232
Jumbulyer West	P58/1603	Jumbulyer	M58/0336
Jumbulyer West	P58/1602	Jumbulyer	M58/0214
Jumbulyer West	P58/1601	Jumbulyer	M58/0183
Jumbulyer West	P58/1600	Jumbulyer	M58/0061
Jumbulyer West	P58/1599	Kirkalocka	L59/0127
Jumbulyer	P58/1598	Kirkalocka	E59/1962
Jumbulyer	P58/1597	Kirkalocka	E59/1960
Jumbulyer	P58/1596	Kirkalocka	P59/1960
Jumbulyer	P58/1595	Kirkalocka	E59/1881
Jumbulyer	P58/1594	Kirkalocka	E59/1778
Jumbulyer	P58/1593	Kirkalocka	E59/1776
Jumbulyer	P58/1592	Kirkalocka	E59/1775
Jumbulyer	P58/1591	Jumbulyer	E58/0441
Jumbulyer	P58/1590	Kirkalocka	E59/1361
Jumbulyer	P58/1503	Kirkalocka	E59/1250
Mount Magnet	P58/1351	Kirkalocka	E59/2009
Mount Magnet	P58/1346	Kirkalocka	E59/2145*
Mount Magnet	P58/1621	Kirkalocka	E59/2146*
Mount Magnet	E58/0285	Kirkalocka	E59/2147*
Jumbulyer	P58/1651	Mount Magnet	P58/1679*
Jumbulyer	P58/1623		

**Notes**

\* Tenements in application stage